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

FORM 10-Q

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

For the quarterly period ended June 30, 2024

OR

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

Commission File Number: 000-50245

HOPE BANCORP, INC.
(Exact name of registrant as specified in its charter)

Delaware	**95-4849715**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

3200 Wilshire Boulevard, Suite 1400
Los Angeles, California 90010

(Address of principal executives offices, including zip code)

(213) 639-1700
(Registrant's telephone number, including area code)

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

Common Stock, par value $0.001 per share	**HOPE**	**NASDAQ Global Select Market**
(Title of class)	(Trading Symbol)	(Name of exchange on which registered)

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

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

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

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

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

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

At July 31, 2024, there were 120,731,627 shares of Hope Bancorp, Inc. common stock outstanding.

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Forward-Looking Statements

Certain statements in this Quarterly Report on Form 10-Q may constitute forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements relate to, among other things, expectations regarding the business environment in which we operate, projections of future performance, perceived opportunities in the market, and statements regarding our business strategies, objectives and vision. Forward-looking statements include, but are not limited to, statements preceded by, followed by or that include the words "will," "believes," "expects," "anticipates," "intends," "plans," "projects," "forecasts," "estimates" or similar expressions. With respect to any such forward-looking statements, the Company claims the protection provided for in the Private Securities Litigation Reform Act of 1995. These statements involve known and unknown risks, trends, uncertainties, and factors that are beyond the Company's control or ability to predict. The Company's actual results, performance or achievements may differ significantly from the results, performance or achievements expressed or implied in any forward-looking statements. The risks and uncertainties include: possible further deterioration in economic conditions in our areas of operation; liquidity risks; risk of significant non-earning assets, and net credit losses that could occur, particularly in times of weak economic conditions or times of rising interest rates; the failure of or changes to assumptions and estimates underlying the Company's allowances for credit losses; geopolitical instability or unrest; regulatory risks associated with current and future regulations; and risks associated with the execution of our organizational restructuring and failing to achieve its anticipated results. In addition, there are risks and uncertainties related to our proposed merger with Territorial Bancorp Inc., including, among others, the risk that the proposed merger will be consummated within the expected time frame, or at all; the risk that any announcements relating to the proposed merger could have adverse effects on the market price of the Company's common stock; diversion of management's attention from ongoing business operations and opportunities; required governmental approvals of the merger may not be obtained on its proposed terms and schedule, or without regulatory constraints that may limit growth; difficulties and delays in integrating Hope Bancorp, Inc. and Territorial Bancorp Inc. and achieving anticipated synergies, cost savings and other benefits from the transaction; higher than anticipated transaction costs; and deposit attrition, operating costs, customer loss and business disruption following the merger, including difficulties in maintaining relationships with employees and customers, may be greater than expected. For additional information concerning these and other risk factors, see Part I, Item 1A. Risk Factors contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2023, filed with the SEC on February 28, 2024.

Due to the risks and uncertainties we face, readers are cautioned not to place undue reliance on the forward-looking statements contained in this report, which speak only as of the date of this report, or to make predictions about future performance based solely on historical financial information. The Company does not undertake, and specifically disclaims any obligation, to update any forward-looking statements to reflect the occurrence of events or circumstances after the date of such statements except as required by law.

PART I
FINANCIAL INFORMATION

Item 1. Financial Statements

HOPE BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

	(Unaudited) June 30, 2024		December 31, 2023	
ASSETS	(Dollars in thousands, except share data)			
Cash and cash equivalents:				
Cash and due from banks	$	187,817	$	172,813
Interest earning cash in other banks		466,227		1,756,154
Total cash and cash equivalents		654,044		1,928,967
Investment securities available for sale (“AFS”), at fair value		1,914,791		2,145,059
Investment securities held to maturity (“HTM”), at amortized cost; fair value of $ 237,621 and $250,518 at June 30, 2024 and December 31, 2023, respectively		258,068		263,912
Equity investments		44,278		43,750
Loans held for sale, at lower of cost or fair value		68,316		3,408
Loans receivable, net of allowance for credit losses of $ 156,019 and $158,694 at June 30, 2024 and December 31, 2023, respectively		13,410,983		13,694,925
Other real estate owned (“OREO”), net		—		63
Federal Home Loan Bank (“FHLB”) stock, at cost		17,250		17,250
Premises and equipment, net		50,919		50,611
Accrued interest receivable		57,645		61,720
Deferred tax assets, net		143,343		135,215
Bank owned life insurance (“BOLI”)		89,917		89,061
Investments in affordable housing partnerships		50,057		54,474
Operating lease right-of-use assets (“ROU”), net		41,922		46,611
Goodwill		464,450		464,450
Core deposit intangible assets, net		3,133		3,935
Servicing assets, net		8,984		9,631
Other assets		96,991		118,480
Total assets	$	17,375,091	$	19,131,522

(Continued)

HOPE BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

	(Unaudited) June 30, 2024	December 31, 2023
LIABILITIES AND STOCKHOLDERS' EQUITY	**(Dollars in thousands, except share data)**	
LIABILITIES:		
Deposits:		
Noninterest bearing	$ 3,671,192	$ 3,914,967
Interest bearing:		
Money market and NOW accounts	4,118,651	4,169,543
Savings deposits	789,209	702,486
Time deposits	6,132,419	5,966,757
Total deposits	14,711,471	14,753,753
FHLB and Federal Reserve Bank ("FRB") borrowings	170,000	1,795,726
Convertible notes and subordinated debentures, net	108,918	108,269
Accrued interest payable	86,779	168,174
Operating lease liabilities	47,104	52,670
Commitments to fund investments in affordable housing partnerships	18,345	21,017
Other liabilities	121,192	110,670
Total liabilities	$ 15,263,809	$ 17,010,279
Commitments and contingent liabilities (Note 12)		
STOCKHOLDERS' EQUITY:		
Common stock, $0.001 par value; 300,000,000 and 150,000,000 authorized shares at June 30, 2024 and December 31, 2023, respectively: issued and outstanding 138,114,177 and 120,731,342 shares, respectively, at June 30, 2024, and issued and outstanding 137,509,621 and 120,126,786 shares, respectively, at December 31, 2023	$ 138	$ 138
Additional paid-in capital	1,440,963	1,439,963
Retained earnings	1,167,978	1,150,547
Treasury stock, at cost; 17,382,835 and 17,382,835 shares at June 30, 2024 and December 31, 2023, respectively	(264,667)	(264,667)
Accumulated other comprehensive loss, net	(233,130)	(204,738)
Total stockholders' equity	2,111,282	2,121,243
Total liabilities and stockholders' equity	$ 17,375,091	$ 19,131,522

See accompanying Notes to Consolidated Financial Statements (Unaudited)

HOPE BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
	(Dollars in thousands, except per share data)			
INTEREST INCOME:				
Interest and fees on loans	$ 209,683	$ 225,671	$ 423,309	$ 441,606
Interest on investment securities	16,829	15,534	34,878	30,659
Interest on cash and deposits at other banks	5,284	25,295	32,467	30,217
Interest on other investments	805	684	1,621	1,379
Total interest income	232,601	267,184	492,275	503,861
INTEREST EXPENSE:				
Interest on deposits	122,577	109,724	246,610	202,072
Interest on FHLB and FRB borrowings	1,430	23,622	19,283	30,320
Interest on other borrowings and debt	2,734	3,149	5,475	6,902
Total interest expense	126,741	136,495	271,368	239,294
NET INTEREST INCOME BEFORE PROVISION FOR CREDIT LOSSES	105,860	130,689	220,907	264,567
PROVISION FOR CREDIT LOSSES	1,400	9,010	4,000	12,330
NET INTEREST INCOME AFTER PROVISION FOR CREDIT LOSSES	104,460	121,679	216,907	252,237
NONINTEREST INCOME:				
Service fees on deposit accounts	2,681	2,325	5,268	4,546
International service fees	696	854	1,730	1,942
Wire transfer and foreign currency fees	974	850	1,786	1,623
Swap fees	25	674	168	716
Net gains on sales of SBA loans	1,980	1,872	1,980	4,097
Net gains on sales of investment securities AFS	425	—	425	—
Other income and fees	4,290	10,439	8,000	15,068
Total noninterest income	11,071	17,014	19,357	27,992
NONINTEREST EXPENSE:				
Salaries and employee benefits	44,107	52,305	91,684	109,474
Occupancy	6,906	6,967	13,692	14,488
Furniture and equipment	5,475	5,393	10,815	10,451
Data processing and communications	2,997	2,917	5,987	5,739
Professional fees	2,191	1,416	4,710	2,959
Amortization of investments in affordable housing partnerships	2,284	1,912	4,417	3,628
FDIC assessments	3,003	4,691	5,929	6,472
FDIC special assessment	(309)	—	691	—
Earned interest credit expense	6,139	5,090	11,973	9,517
Restructuring-related costs	576	—	978	—
Merger-related costs	1,589	—	2,633	—
Other noninterest expense	6,029	6,532	12,317	13,229
Total noninterest expense	80,987	87,223	165,826	175,957
INCOME BEFORE INCOME TAXES	34,544	51,470	70,438	104,272
INCOME TAX PROVISION	9,274	13,448	19,304	27,129
NET INCOME	$ 25,270	$ 38,022	$ 51,134	$ 77,143
EARNINGS PER COMMON SHARE				
Basic	$ 0.21	$ 0.32	$ 0.42	$ 0.64
Diluted	$ 0.21	$ 0.32	$ 0.42	$ 0.64

See accompanying Notes to Consolidated Financial Statements (Unaudited)

HOPE BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
	(Dollars in thousands)			
Net income	$ 25,270	$ 38,022	$ 51,134	$ 77,143
Other comprehensive (loss) income:				
Change in unrealized net holding (losses) gains on securities AFS	(9,381)	(31,071)	(23,115)	144
Change in unrealized net holding (losses) gains on interest rate contracts used in cash flow hedges	(2,750)	13,653	(10,936)	7,715
Reclassification adjustments for net gains realized in net income	(3,241)	(3,322)	(6,172)	(5,060)
Tax effect	4,520	6,113	11,831	(826)
Other comprehensive (loss) income, net of tax	(10,852)	(14,627)	(28,392)	1,973
Total comprehensive income	$ 14,418	$ 23,395	$ 22,742	$ 79,116

See accompanying Notes to Consolidated Financial Statements (Unaudited)

HOPE BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(Unaudited)

	Common stock						
	Shares	Amount	Additional paid-in capital	Retained earnings	Treasury stock	Accumulated other comprehensive loss, net	Total stockholders' equity
	(Dollars in thousands, except share and per share data)						
BALANCE, MARCH 31, 2023	**119,865,732**	**$ 137**	**$ 1,430,977**	**$ 1,106,390**	**$ (264,667)**	**$ (214,257)**	**$ 2,058,580**
Issuance of shares pursuant to various stock plans, net of forfeitures and tax withholding cancellations	149,156						**—**
Stock-based compensation, net of tax settlements			2,811				**2,811**
Cash dividends declared on common stock ($0.14 per share)				(16,788)			**(16,788)**
Comprehensive income:							
Net income				38,022			**38,022**
Other comprehensive loss						(14,627)	**(14,627)**
BALANCE, JUNE 30, 2023	**120,014,888**	**$ 137**	**$ 1,433,788**	**$ 1,127,624**	**$ (264,667)**	**$ (228,884)**	**$ 2,067,998**
BALANCE, MARCH 31, 2024	**120,610,029**	**$ 138**	**$ 1,439,484**	**$ 1,159,593**	**$ (264,667)**	**$ (222,278)**	**$ 2,112,270**
Issuance of shares pursuant to various stock plans, net of forfeitures and tax withholding cancellations	121,313						**—**
Stock-based compensation, net of tax settlements			1,479				**1,479**
Cash dividends declared on common stock ($0.14 per share)				(16,885)			**(16,885)**
Comprehensive income:							
Net income				25,270			**25,270**
Other comprehensive loss						(10,852)	**(10,852)**
BALANCE, JUNE 30, 2024	**120,731,342**	**$ 138**	**$ 1,440,963**	**$ 1,167,978**	**$ (264,667)**	**$ (233,130)**	**$ 2,111,282**

	Common stock						
	Shares	**Amount**	**Additional paid-in capital**	**Retained earnings**	**Treasury stock**	**Accumulated other comprehensive loss, net**	**Total stockholders' equity**
			(Dollars in thousands, except share and per share data)				
BALANCE, DECEMBER 31, 2022	**119,495,209**	**$ 137**	**$ 1,431,003**	**$ 1,083,712**	**$ (264,667)**	**$ (230,857)**	**$ 2,019,328**
Adoption of ASU 2022-02				407			**407**
Adoption of ASU 2022-02 tax adjustment				(120)			**(120)**
Issuance of shares pursuant to various stock plans, net of forfeitures and tax withholding cancellations	519,679						**—**
Stock-based compensation, net of tax settlements			2,785				**2,785**
Cash dividends declared on common stock ($0.28 per share)				(33,518)			**(33,518)**
Comprehensive income:							
Net income				77,143			**77,143**
Other comprehensive income						1,973	**1,973**
BALANCE, JUNE 30, 2023	**120,014,888**	**$ 137**	**$ 1,433,788**	**$ 1,127,624**	**$ (264,667)**	**$ (228,884)**	**$ 2,067,998**
BALANCE, DECEMBER 31, 2023	**120,126,786**	**$ 138**	**$ 1,439,963**	**$ 1,150,547**	**$ (264,667)**	**$ (204,738)**	**$ 2,121,243**
Issuance of shares pursuant to various stock plans, net of forfeitures and tax withholding cancellations	604,556						**—**
Stock-based compensation, net of tax settlements			1,000				**1,000**
Cash dividends declared on common stock ($0.28 per share)				(33,703)			**(33,703)**
Comprehensive income:							
Net income				51,134			**51,134**
Other comprehensive loss						(28,392)	**(28,392)**
BALANCE, JUNE 30, 2024	**120,731,342**	**$ 138**	**$ 1,440,963**	**$ 1,167,978**	**$ (264,667)**	**$ (233,130)**	**$ 2,111,282**

See accompanying Notes to Consolidated Financial Statements (Unaudited)

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

	Six Months Ended June 30,	
	2024	2023
	(Dollars in thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 51,134	$ 77,143
Adjustments to reconcile net income to net cash from operating activities:		
Discount accretion, net of depreciation and amortization	18,085	17,802
Stock-based compensation expense	4,424	5,734
Provision for credit losses	4,000	12,330
Distribution gain from investment in affordable housing partnerships	—	(5,819)
Net gains on sales of loans	(2,190)	(4,018)
Net change in fair value of derivatives	(8,162)	(6,919)
Gain on debt extinguishment	—	(405)
Net change in deferred income taxes	3,701	3,164
Proceeds from sales of loans held for sale	46,372	57,348
Originations of loans held for sale	(49,577)	(46,732)
Originations of servicing assets	(749)	(1,849)
Net change in accrued interest receivable	4,075	(6,239)
Net change in other assets	10,512	(484)
Net change in accrued interest payable	(81,395)	82,568
Net change in other liabilities	3,815	18,794
Net cash provided by operating activities	4,045	202,418
CASH FLOWS FROM INVESTING ACTIVITIES		
Redemption of interest earning deposits in other financial institutions	—	735
Investment securities available for sale:		
Purchase of securities	(80,291)	(180,758)
Proceeds from matured, called, or paid-down securities	193,610	234,135
Proceeds from sales and calls of securities available for sale	92,587	—
Investment securities held to maturity:		
Purchase of securities	—	(5,545)
Proceeds from matured, called, or paid-down securities	7,834	8,680
Purchase of equity investments	(779)	(569)
Proceeds from sales of other loans held for sale previously classified as held for investment	21,412	206,993
Net change in loans receivable	199,050	325,044
Proceeds from sales of OREO	63	1,209
Purchase of FHLB stock	—	(4,650)
Redemption of FHLB stock	—	6,030
Purchase of premises and equipment	(4,647)	(7,719)
Purchase of BOLI policy	—	(11,000)
Proceeds from BOLI death benefits	—	587
Investments in affordable housing partnerships	(2,672)	(2,470)
Net cash provided by investing activities	426,167	570,702
CASH FLOWS FROM FINANCING ACTIVITIES		
Net change in deposits	(42,282)	(119,449)
Proceeds from FHLB advances	300,000	5,250,000
Repayment of FHLB advances	(300,000)	(5,750,000)
Proceeds from FRB borrowings	786,100	35,896,000
Repayment of FRB borrowings	(2,411,826)	(34,001,000)
Repurchase of convertible notes	—	(19,534)
Repayment of convertible notes	—	(197,107)

Repayment of convertible notes		[illegible]
Cash dividends paid on common stock	(33,703)	(33,518)
Taxes paid in net settlement of restricted stock	(3,424)	(2,949)
Net cash (used in) provided by financing activities	(1,705,135)	1,022,443
NET CHANGE IN CASH AND CASH EQUIVALENTS	(1,274,923)	1,795,563
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	1,928,967	506,776
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 654,044	$ 2,302,339
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Interest paid	$ 352,114	$ 155,761
Income taxes paid	20,632	5,069
SUPPLEMENTAL DISCLOSURES OF NON-CASH ACTIVITIES		
Transfer from loans receivable to loans held for sale	$ 81,130	$ 237,259
Transfer from loans held for sale to loans receivable	—	22,400
Lease liabilities arising from obtaining ROU assets	2,058	6,113

See accompanying Notes to Consolidated Financial Statements (Unaudited)

1. Hope Bancorp, Inc.

Hope Bancorp, Inc. (“Hope Bancorp” on a parent-only basis and the “Company” on a consolidated basis), headquartered in Los Angeles, California, is the holding company for Bank of Hope (the “Bank”). At June 30, 2024, the Bank had 48 branches and nine loan production offices in California, New York, Texas, Washington, Illinois, New Jersey, Virginia, Georgia, Alabama, Colorado and Oregon, as well a representative office in Seoul, South Korea. The Company is a corporation organized under the laws of the state of Delaware and a bank holding company registered under the Bank Holding Company Act of 1956, as amended.

On March 28, 2024, the Bank entered into a Purchase and Assumption Agreement with PromiseOne Bank, a Georgia state bank, to sell the deposits, other liabilities and certain physical assets of the Bank’s two branches located in Virginia (Annandale and Centreville). The transaction is expected to be completed in the second half of 2024, subject to regulatory approvals and other customary closing conditions.

On April 26, 2024, the Company entered into a merger agreement with Territorial Bancorp Inc. (“Territorial”), headquartered in Honolulu, Hawaii. Under the terms of the merger agreement, Territorial will merge with and into the Company, immediately followed by the merger of Territorial’s subsidiary bank, Territorial Savings Bank, with and into the Company’s subsidiary bank, Bank of Hope. Upon completion of the transaction, Territorial shareholders will receive a fixed exchange ratio of 0.8048 shares of the Company’s common stock in exchange for each share of Territorial common stock they own. Based on the closing price of the Company’s common stock on April 26, 2024, this represented a value of $8.82 per share of Territorial common stock, although the actual value will be determined upon the completion of the merger.

The transaction is expected to close by year-end 2024, subject to regulatory approvals, the approval of Territorial shareholders, and the satisfaction of other customary closing conditions. Following the completion of the transaction, the legacy Territorial franchise in Hawaii will continue to do business under the Territorial Savings Bank brand, as a trade name of Bank of Hope.

2. Basis of Presentation

The consolidated financial statements included herein have been prepared without an audit, pursuant to the rules and regulations of the Securities and Exchange Commission (the “SEC”), except for the Consolidated Statement of Financial Condition at December 31, 2023, which was from the audited financial statements included in the Company’s 2023 Annual Report on Form 10-K. Certain information and footnote disclosures normally included in annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to such SEC rules and regulations.

The consolidated financial statements include the accounts of Hope Bancorp and its wholly owned subsidiaries, principally the Bank. All intercompany transactions and balances have been eliminated in consolidation. The Company has made all adjustments, that, in the opinion of management, are necessary to fairly present the Company’s financial position at June 30, 2024 and December 31, 2023, and the results of operations for the three and six months ended June 30, 2024 and 2023. Certain reclassifications have been made to prior period amounts to conform to the current year presentation. The results of operations for the interim periods are not necessarily indicative of results to be anticipated for the full year.

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles (“GAAP”) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure 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 significantly from those estimates.

These unaudited consolidated financial statements should be read along with the audited consolidated financial statements and accompanying notes included in the Company’s 2023 Annual Report on Form 10-K.

Significant Accounting Policies

The Company’s accounting policies are described in Note 1—“Summary of Significant Accounting Policies”, of its audited consolidated financial statements included in its 2023 Annual Report Form 10-K. Significant changes to accounting policies from those disclosed in the Company’s audited consolidated financial statements included in its 2023 Annual Report Form 10-K are presented below.

The allowance for unfunded commitments is recognized as a liability (other liabilities in the Consolidated Statements of Financial Condition), with adjustments to the allowance for unfunded commitments recognized through provision for credit losses in the Consolidated Statements of Income.

Recently Issued Accounting Pronouncements Not Yet Adopted

There were no recently issued accounting pronouncements not yet adopted that are expected to have a material impact on the Company’s consolidated financial statements.

3. Earnings Per Share ("EPS")

Earnings per share are computed by dividing net income by the weighted average number of common shares outstanding for the period. Basic EPS does not reflect the possibility of dilution that could result from the issuance of additional shares of common stock upon exercise or conversion of outstanding equity awards or convertible notes. Diluted EPS reflects the potential dilution that could occur if stock options, convertible notes, employee stock purchase program ("ESPP") shares, or other contracts to issue common stock were exercised or converted to common stock that would then share in earnings. For the three months ended June 30, 2024 and 2023, stock options and restricted share awards of 527,936 and 2,626,620 shares of common stock, respectively, were excluded in computing diluted earnings per common share because they were anti-dilutive. For the six months ended June 30, 2024 and 2023, stock options and restricted share awards of 517,628 and 1,290,587 shares of common stock, respectively, were excluded in computing diluted earnings per common share because they were anti-dilutive.

The Company previously issued $217.5 million in convertible senior notes maturing on May 15, 2038, of which $ 444 thousand remained outstanding at June 30, 2024. The convertible notes can be converted into the Company's shares of common stock at an initial rate of 45.0760 shares per $1,000 principal amount of the notes (See Note 10—"Convertible Notes and Subordinated Debentures" for additional information regarding convertible notes issued). Under the required if-converted method for calculating dilutive EPS for convertible instruments, the denominator of the diluted EPS calculation is adjusted to reflect the full number of common shares issuable upon conversion, while the numerator is adjusted to add back after-tax interest expense for the period. For the three and six months ended June 30, 2024 and 2023, shares related to the convertible notes issued were not included in the Company's diluted EPS calculation. In accordance with the terms of the convertible notes and settlement options available to the Company, no shares would have been delivered to investors of the convertible notes based on the Company's common stock price during the three and six months ended June 30, 2024 and 2023, as the conversion price exceeded the market price of the Company's stock.

The following tables present computations of basic and diluted EPS for the three and six months ended June 30, 2024 and 2023.

	Three Months Ended June 30,					
	2024			2023		
	Net Income (Numerator)	Weighted-Average Shares (Denominator)	Earnings Per Share	Net Income (Numerator)	Weighted-Average Shares (Denominator)	Earnings Per Share
	(Dollars in thousands, except share and per share data)					
Basic EPS - common stock	$ 25,270	120,664,472	$ 0.21	$ 38,022	119,953,174	$ 0.32
Effect of dilutive securities:						
Stock options and restricted stock		274,957			176,185	
Diluted EPS - common stock	$ 25,270	120,939,429	$ 0.21	$ 38,022	120,129,359	$ 0.32

	Six Months Ended June 30,					
	2024			2023		
	Net Income (Numerator)	Weighted-Average Shares (Denominator)	Earnings Per Share	Net Income (Numerator)	Weighted-Average Shares (Denominator)	Earnings Per Share
	(Dollars in thousands, except share and per share data)					
Basic EPS - common stock	$ 51,134	120,425,886	$ 0.42	$ 77,143	119,753,321	$ 0.64
Effect of dilutive securities:						
Stock options and restricted stock		538,263			426,122	
Diluted EPS - common stock	$ 51,134	120,964,149	$ 0.42	$ 77,143	120,179,443	$ 0.64

4. Equity Investments

Equity investments with readily determinable fair values at June 30, 2024 and December 31, 2023, consisted of mutual funds in the amounts of $ 4.3 million and $4.4 million, respectively, and were included in “Equity investments” on the Consolidated Statements of Financial Condition.

The changes in fair value for equity investments with readily determinable fair values for the three and six months ended June 30, 2024 and 2023, were recorded in other noninterest income and fees as summarized in the table below:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
	(Dollars in thousands)			
Net change in fair value recorded during the period on equity investments with readily determinable fair value	$ (19)	$ (69)	$ (65)	$ —
Less: Net change in fair value recorded on equity investments sold during the period	—	—	—	—
Net change in fair value on equity investments with readily determinable fair values held at the end of the period	$ (19)	$ (69)	$ (65)	$ —

At June 30, 2024 and December 31, 2023, the Company also had equity investments without readily determinable fair values, which are carried at cost less any determined impairment. The balance of these investments is adjusted for changes in subsequent observable prices. At June 30, 2024, the total balance of equity investments without readily determinable fair values included in “Equity investments” on the Consolidated Statements of Financial Condition was $40.0 million, consisting of $370 thousand in correspondent bank stock, $1.0 million in Community Development Financial Institutions (“CDFI”) investments, and $38.6 million in Community Reinvestment Act (“CRA”) investments. At December 31, 2023, the total balance of equity investments without readily determinable fair values was $39.4 million, consisting of $370 thousand in correspondent bank stock, $1.0 million in CDFI investments, and $38.0 million in CRA investments.

The Company had no impairments or subsequent observable price changes for equity investments without readily determinable fair values for the three and six months ended June 30, 2024 and 2023.

5. Investment Securities

The following is a summary of investment securities as of the dates indicated:

	June 30, 2024				December 31, 2023			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(Dollars in thousands)							
Debt securities AFS:								
U.S. Treasury securities	$ —	$ —	$ —	$ —	$ 103,691	$ 21	$ (35)	$ 103,677
U.S. Government agency and U.S. Government sponsored enterprises:								
Agency securities	4,000	—	(104)	3,896	4,000	—	(100)	3,900
Collateralized mortgage obligations ("CMO")	854,271	341	(149,036)	705,576	888,631	367	(141,279)	747,719
Mortgage-backed securities ("MBS"):								
Residential	478,806	—	(85,468)	393,338	499,431	—	(79,133)	420,298
Commercial	489,824	14	(56,912)	432,926	445,207	113	(53,432)	391,888
Asset-backed securities	139,300	527	(1)	139,826	150,992	—	(1,322)	149,670
Corporate securities	23,278	—	(3,688)	19,590	23,302	—	(3,868)	19,434
Municipal securities	233,601	724	(14,686)	219,639	314,554	5,698	(11,779)	308,473
Total investment securities AFS	$ 2,223,080	$ 1,606	$ (309,895)	$ 1,914,791	$ 2,429,808	$ 6,199	$ (290,948)	$ 2,145,059
Debt securities HTM:								
U.S. Government agency and U.S. Government sponsored enterprises:								
MBS:								
Residential	$ 146,133	$ —	$ (11,785)	$ 134,348	$ 150,369	$ —	$ (6,663)	$ 143,706
Commercial	111,935	—	(8,662)	103,273	113,543	—	(6,731)	106,812
Total investment securities HTM	$ 258,068	$ —	$ (20,447)	$ 237,621	$ 263,912	$ —	$ (13,394)	$ 250,518

The Company has elected to exclude accrued interest from the amortized cost of its investment debt securities. Accrued interest receivable for investment debt securities at June 30, 2024 and December 31, 2023, totaled $8.9 million and $11.0 million, respectively.

At June 30, 2024 and December 31, 2023, there were no holdings of securities of any one issuer, other than the U.S. Government and its agencies, in an amount greater than 10% of stockholders' equity.

The table below summarizes the proceeds from and gains and losses on the sales and calls of investment securities AFS, for the periods presented below.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
	(Dollars in thousands)			
Proceeds from sales and calls of investment securities AFS	$ 92,587	$ —	$ 92,587	$ —
Gains from sales of investment securities AFS	$ 1,526	$ —	$ 1,526	$ —
Losses from sales of investment securities AFS	(1,101)	—	(1,101)	—
Gains from calls of investment securities AFS	—	—	—	—
Losses from calls of investment securities AFS	—	—	—	—
Net gain on sales and calls of investment securities AFS	$ 425	$ —	$ 425	$ —

At June 30, 2024 and December 31, 2023, $216.8 million and $200.2 million in unrealized losses on investment securities AFS, net of taxes, respectively, were included in accumulated other comprehensive loss. For the three and six months ended June 30, 2024, reclassifications out of accumulated other comprehensive loss into earnings as net gains on sales and calls of investment securities AFS was $425 thousand, compared with no reclassifications for the same periods of 2023.

The following table presents a breakdown of interest income recorded for investment securities that are taxable and nontaxable.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
	(Dollars in thousands)			
Interest income on investment securities				
Taxable	$ 15,966	$ 14,466	$ 32,948	$ 28,512
Nontaxable	863	1,068	1,930	2,147
Total	$ 16,829	$ 15,534	$ 34,878	$ 30,659

The amortized cost and estimated fair value of investment securities at June 30, 2024, by contractual maturity, are presented in the table below. Collateralized mortgage obligations, mortgage-backed securities, and asset-backed securities are presented by final maturity. Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations, with or without call or prepayment penalties.

	Available for Sale		Held to Maturity	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
	(Dollars in thousands)			
Debt securities:				
Due within one year	$ —	$ —	$ —	$ —
Due after one year through five years	153,280	144,642	25,003	24,161
Due after five years through ten years	120,690	110,467	8,724	8,249
Due after ten years	1,949,110	1,659,682	224,341	205,211
Total	$ 2,223,080	$ 1,914,791	$ 258,068	$ 237,621

Securities with carrying values of approximately $225.3 million and $1.70 billion at June 30, 2024 and December 31, 2023, respectively, were pledged to secure public deposits, for various borrowings, and for other purposes as required or permitted by law. The decrease was primarily due to securities no longer being pledged at the Bank Term Funding Program (“BTFP”) as of June 30, 2024, as the BTFP was no longer extending new advances as of March 2024.

The following tables show the Company's investments' gross unrealized losses and estimated fair values, aggregated by investment category and the length of time that the individual securities have been in a continuous unrealized loss position as of the dates indicated. The length of time that the individual securities have been in a continuous unrealized loss position is not a factor in determining credit impairment with the adoption of current expected credit losses ("CECL").

	June 30, 2024								
	Less than 12 months			12 months or longer			Total		
Description of Securities AFS	**Number of Securities**	**Fair Value**	**Gross Unrealized Losses**	**Number of Securities**	**Fair Value**	**Gross Unrealized Losses**	**Number of Securities**	**Fair Value**	**Gross Unrealized Losses**
	(Dollars in thousands)								
U.S. Treasury securities	—	$ —	$ —	—	$ —	$ —	—	$ —	$ —
U.S. Government agency and U.S. Government sponsored enterprises:									
Agency securities	—	—	—	1	3,896	(104)	1	3,896	(104)
CMOs	1	6,191	(22)	115	680,888	(149,014)	116	687,079	(149,036)
MBS:									
Residential	1	2,413	(160)	64	390,925	(85,308)	65	393,338	(85,468)
Commercial	14	96,931	(2,587)	56	334,578	(54,325)	70	431,509	(56,912)
Asset-backed securities	—	—	—	1	7,549	(1)	1	7,549	(1)
Corporate securities	—	—	—	6	19,590	(3,688)	6	19,590	(3,688)
Municipal securities	30	94,024	(1,713)	43	93,374	(12,973)	73	187,398	(14,686)
Total	46	$ 199,559	$ (4,482)	286	$ 1,530,800	$ (305,413)	332	$ 1,730,359	$ (309,895)

	December 31, 2023								
	Less than 12 months			12 months or longer			Total		
Description of Securities AFS	**Number of Securities**	**Fair Value**	**Gross Unrealized Losses**	**Number of Securities**	**Fair Value**	**Gross Unrealized Losses**	**Number of Securities**	**Fair Value**	**Gross Unrealized Losses**
	(Dollars in thousands)								
U.S. Treasury securities	—	$ —	$ —	1	$ 3,963	$ (35)	1	$ 3,963	$ (35)
U.S. Government agency and U.S. Government sponsored enterprises:									
Agency securities	—	—	—	1	3,900	(100)	1	3,900	(100)
CMOs	3	19,800	(378)	115	717,662	(140,901)	118	737,462	(141,279)
MBS:									
Residential	—	—	—	65	420,298	(79,133)	65	420,298	(79,133)
Commercial	6	53,255	(2,129)	53	331,450	(51,303)	59	384,705	(53,432)
Asset-backed securities	—	—	—	18	149,670	(1,322)	18	149,670	(1,322)
Corporate securities	—	—	—	6	19,434	(3,868)	6	19,434	(3,868)
Municipal securities	11	42,760	(263)	42	91,707	(11,516)	53	134,467	(11,779)
Total	20	$ 115,815	$ (2,770)	301	$ 1,738,084	$ (288,178)	321	$ 1,853,899	$ (290,948)

The Company had agency securities, collateralized mortgage obligations, mortgage-backed, asset-backed, corporate, and municipal securities classified as AFS that were in a continuous loss position for twelve months or longer at June 30, 2024. The collateralized mortgage obligations and mortgage-backed securities were investments in U.S. Government agency and U.S. Government sponsored enterprises and have high credit ratings ("AA" grade or better). The interest on asset-backed, corporate, and municipal securities that were in an unrealized loss position has been paid as agreed, and the Company believes this will continue in the future and that the securities will be paid in full as scheduled. The market value declines for these securities were primarily due to movements in interest rates and are not reflective of management's expectations of the Company's ability to fully recover any unrealized losses, which may be at maturity. With the adoption of CECL, the length of time that the fair value of investment securities has been less than amortized cost is not considered when assessing for credit impairment.

82.6% of the Company's investment portfolio at June 30, 2024, consisted of securities that were issued by U.S. Government agency and U.S. Government sponsored enterprises. Although a government guarantee exists on securities issued by U.S. Government sponsored agencies, these entities are not legally backed by the full faith and credit of the federal government, and the current support is subject to a cap as part of the Housing and Economic Recovery Act of 2008. Nonetheless, at this time the Company does not foresee any set of circumstances in which the government would not fund its commitments on these investments as the issuers are an integral part of the U.S. housing market in providing liquidity and stability. Therefore, the Company concluded that a zero allowance approach for these investments was appropriate. The Company also had one asset-backed security, six corporate securities, and 73 municipal bonds in unrealized loss positions at June 30, 2024. The Company performed an assessment of investments in unrealized loss positions for credit impairment and concluded that no allowance for credit losses was required at June 30, 2024.

Allowance for Credit Losses on Securities Available for Sale— The Company evaluates investment securities AFS in unrealized loss positions for impairment related to credit losses on at least a quarterly basis. Investment securities AFS in unrealized loss positions are first assessed as to whether the Company intends to sell, or if it is more likely than not that the Company will be required to sell the security before recovery of its amortized cost basis. If one of the criteria is met, the security's amortized cost basis is written down to fair value through earnings. For securities that do not meet these criteria, the Company evaluates whether the decline in fair value resulted from credit losses or other factors. In evaluating whether a credit loss exists, the Company has set up an initial quantitative filter for impairment triggers. Once the quantitative filter has been triggered, a security is placed on a watch list and an additional assessment is performed to identify whether a credit impairment exists. In making this assessment, management considers the extent to which fair value is less than amortized cost, any changes to the rating of the security by a rating agency, and adverse conditions specifically related to the security and the issuer, among other factors. If this assessment indicates that a credit loss exists, the Company compares the present value of cash flows expected to be collected from the security with the amortized cost basis. If the present value of cash flows expected to be collected is less than the amortized cost basis for the security, a credit loss exists and an allowance for credit losses is recorded, limited to the amount that the fair value of the security is less than its amortized cost basis. Unrealized losses that have not been recorded through an allowance for credit losses are recognized in other comprehensive income, net of applicable taxes. The Company did not have an allowance for credit losses on investment securities AFS at June 30, 2024 and December 31, 2023.

Allowance for Credit Losses on Securities Held to Maturity— For each major HTM debt security type, the allowance for credit losses is estimated collectively for groups of securities with similar risk characteristics. For securities that do not share similar risk characteristics, the losses are estimated individually. Debt securities that are issued by a U.S. government agency or government-sponsored enterprises are highly rated by major rating agencies, and have a long history of no credit losses. Therefore, the Company applies a zero credit loss assumption on these investments. Any expected credit loss is recorded through the allowance for credit losses on investment securities HTM and deducted from the amortized cost basis of the security, so that the balance sheet reflects the net amount the Company expects to collect. At June 30, 2024, all of the Company's investment securities HTM were issued by a U.S. government agency or government-sponsored enterprises. The Company did not have an allowance for credit losses on investment securities HTM at June 30, 2024 and December 31, 2023.

6. Loans Receivable and Allowance for Credit Losses

The following is a summary of loans receivable by segment:

	June 30, 2024	December 31, 2023
	(Dollars in thousands)	
Loan portfolio composition		
Commercial real estate ("CRE") loans	$ 8,679,515	$ 8,797,884
Commercial and industrial ("C&I") loans	3,854,284	4,135,044
Residential mortgage loans	996,601	883,687
Consumer and other loans	36,602	37,004
Total loans receivable, net of deferred costs and fees	13,567,002	13,853,619
Allowance for credit losses	(156,019)	(158,694)
Loans receivable, net of allowance for credit losses	$ 13,410,983	$ 13,694,925

Loans receivable is stated at the amount of unpaid principal, adjusted for net deferred fees and costs, premiums and discounts, and purchase accounting fair value adjustments. The Company had net deferred fees of $2.7 million and $6.1 million at June 30, 2024 and December 31, 2023, respectively.

The loan portfolio consists of four segments: CRE loans, C&I loans, residential mortgage loans, and consumer and other loans. CRE loans are extended for the purchase and refinance of commercial real estate and are generally secured by first deeds of trust and collateralized by multifamily residential or commercial properties. C&I loans are loans provided to businesses for various purposes such as working capital, purchasing inventory, debt refinancing, business acquisitions, international trade finance activities, and other business-related financing needs. CRE and C&I loans also include Small Business Administration ("SBA") loans. Residential mortgage loans are extended for personal, family, or household use and are secured by a first mortgage or deed of trust. Consumer and other loans consist of home equity, credit card, and other personal loans.

The Company had loans receivable of $13.57 billion at June 30, 2024, a decrease of $286.6 million, or 2.1%, from December 31, 2023. The decrease in loans receivable during the six months ended June 30, 2024, was due to the decline in C&I and CRE loans, partially offset by the growth in residential mortgage loans. During the six months ended June 30, 2024, loan payoffs, paydowns and sales exceeded new origination volume, reflecting, in part, an elevated pace of payoffs in a high interest rate environment.

The Company had $68.3 million in loans held for sale at June 30, 2024, compared with $ 3.4 million at December 31, 2023. Loans held for sale at June 30, 2024, consisted of $40.2 million in SBA guaranteed loans, $ 2.0 million in residential mortgage loans, and $ 26.2 million in other C&I loans. Loans held for sale are not included in the loans receivable table presented above.

The tables below detail the activity in the allowance for credit losses ("ACL") by portfolio segment for the three and six months ended June 30, 2024 and 2023.

	CRE Loans	C&I Loans	Residential Mortgage Loans	Consumer and Other Loans	Total
			(Dollars in thousands)		
Three Months Ended June 30, 2024					
Balance, beginning of period	$ 90,823	$ 55,465	$ 11,942	$ 528	$ 158,758
Provision (credit) for credit loss on loans	5,334	4,449	(8,033)	(50)	1,700
Loans charged off	(520)	(5,972)	—	(46)	(6,538)
Recoveries of charge offs	6	2,072	—	21	2,099
Balance, end of period	$ 95,643	$ 56,014	$ 3,909	$ 453	$ 156,019
Six Months Ended June 30, 2024					
Balance, beginning of period	$ 93,940	$ 51,291	$ 12,838	$ 625	$ 158,694
Provision (credit) for credit loss on loans	1,720	12,695	(8,929)	(186)	5,300
Loans charged off	(558)	(10,591)	—	(109)	(11,258)
Recoveries of charge offs	541	2,619	—	123	3,283
Balance, end of period	$ 95,643	$ 56,014	$ 3,909	$ 453	$ 156,019

	CRE Loans	C&I Loans	Residential Mortgage Loans	Consumer and Other Loans	Total
			(Dollars in thousands)		
Three Months Ended June 30, 2023					
Balance, beginning of period	$ 108,835	$ 42,790	$ 11,253	$ 666	$ 163,544
Provision (credit) for credit loss on loans	(3,076)	11,013	730	233	8,900
Loans charged off	(561)	(298)	—	(120)	(979)
Recoveries of charge offs	123	1,389	—	19	1,531
Balance, end of period	$ 105,321	$ 54,894	$ 11,983	$ 798	$ 172,996
Six Months Ended June 30, 2023					
Balance, beginning of period	$ 95,884	$ 56,872	$ 8,920	$ 683	$ 162,359
ASU 2022-02 day 1 adoption adjustment	19	(426)	—	—	$ (407)
Provision (credit) for credit loss on loans	9,787	(2,487)	3,063	237	10,600
Loans charged off	(561)	(738)	—	(175)	(1,474)
Recoveries of charge offs	192	1,673	—	53	1,918
Balance, end of period	$ 105,321	$ 54,894	$ 11,983	$ 798	$ 172,996

The following tables break out the allowance for credit losses and loan balance by measurement methodology at June 30, 2024 and December 31, 2023:

	June 30, 2024				
	CRE Loans	C&I Loans	Residential Mortgage Loans	Consumer and Other Loans	Total
	(Dollars in thousands)				
Allowance for credit losses:					
Individually evaluated	$ 333	$ 3,221	$ 25	$ 3	$ 3,582
Collectively evaluated	95,310	52,793	3,884	450	152,437
Total	$ 95,643	$ 56,014	$ 3,909	$ 453	$ 156,019
Loans outstanding:					
Individually evaluated	$ 27,292	$ 33,456	$ 6,206	$ 49	$ 67,003
Collectively evaluated	8,652,223	3,820,828	990,395	36,553	13,499,999
Total	$ 8,679,515	$ 3,854,284	$ 996,601	$ 36,602	$ 13,567,002

	December 31, 2023				
	CRE Loans	C&I Loans	Residential Mortgage Loans	Consumer and Other Loans	Total
	(Dollars in thousands)				
Allowance for credit losses:					
Individually evaluated	$ 886	$ 1,721	$ 39	$ 14	$ 2,660
Collectively evaluated	93,054	49,570	12,799	611	156,034
Total	$ 93,940	$ 51,291	$ 12,838	$ 625	$ 158,694
Loans outstanding:					
Individually evaluated	$ 33,932	$ 5,013	$ 5,916	$ 343	$ 45,204
Collectively evaluated	8,763,952	4,130,031	877,771	36,661	13,808,415
Total	$ 8,797,884	$ 4,135,044	$ 883,687	$ 37,004	$ 13,853,619

At June 30, 2024 and December 31, 2023, reserves for unfunded loan commitments recorded in other liabilities were $ 2.5 million and $3.8 million, respectively. For the three and six months ended June 30, 2024, the Company recorded reductions to reserves for unfunded commitments of $300 thousand and $1.3 million, respectively. For the three and six months ended June 30, 2023, the Company recorded additions to reserves for unfunded commitments totaling $110 thousand and $1.7 million, respectively.

Generally, loans are placed on nonaccrual status if principal and/or interest payments become 90 days or more past due, and/or management deems the collectability of the principal and/or interest to be in question, as well as when required by regulatory requirements. Loans to customers whose financial conditions have deteriorated are considered for nonaccrual status whether or not the loan is 90 days or more past due. Generally, payments received on nonaccrual loans are recorded as principal reductions. Loans are returned to accrual status only when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured. The Company does not recognize interest income while loans are on nonaccrual status.

The tables below represent the amortized cost of nonaccrual loans, as well as loans past due 90 or more days and still on accrual status, by loan segment and broken out by loans with a recorded ACL and those without a recorded ACL, at June 30, 2024 and December 31, 2023.

	June 30, 2024			
	Nonaccrual with No ACL	Nonaccrual with an ACL	Total Nonaccrual [1]	Accruing Loans Past Due 90 Days or More
	(Dollars in thousands)			
CRE loans	$ 21,801	$ 5,491	$ 27,292	$ —
C&I loans	20,799	12,657	33,456	128
Residential mortgage loans	2,977	3,229	6,206	—
Consumer and other loans	—	49	49	145
Total	$ 45,577	$ 21,426	$ 67,003	$ 273

	December 31, 2023			
	Nonaccrual with No ACL	Nonaccrual with an ACL	Total Nonaccrual [1]	Accruing Loans Past Due 90 Days or More
	(Dollars in thousands)			
CRE loans	$ 26,724	$ 7,208	$ 33,932	$ —
C&I loans	2,447	2,566	5,013	184
Residential mortgage loans	3,002	2,914	5,916	—
Consumer and other loans	—	343	343	77
Total	$ 32,173	$ 13,031	$ 45,204	$ 261

(1) Total nonaccrual loans exclude the guaranteed portion of SBA loans that are in liquidation totaling $11.2 million and $11.4 million, at June 30, 2024 and December 31, 2023, respectively.

The following table presents the amortized cost of collateral-dependent loans at June 30, 2024 and December 31, 2023:

	June 30, 2024			December 31, 2023		
	Real Estate Collateral	Other Collateral	Total	Real Estate Collateral	Other Collateral	Total
	(Dollars in thousands)					
CRE loans	$ 24,568	$ —	$ 24,568	$ 29,803	$ —	$ 29,803
C&I loans	1,243	23,445	24,688	2,447	1,708	4,155
Residential mortgage loans	2,977	—	2,977	3,002	—	3,002
Total	$ 28,788	$ 23,445	$ 52,233	$ 35,252	$ 1,708	$ 36,960

Collateral on loans is a significant portion of what secures collateral-dependent loans and significant changes to the fair value of the collateral can potentially impact ACL. During the six months ended June 30, 2024, the Company did not have any significant changes to the extent to which collateral secured its collateral-dependent loans, due to general deterioration or from other factors. Real estate collateral securing CRE and C&I loans consisted of commercial real estate properties including hotel/motel, building, office, gas station/carwash, residential mortgage, restaurant and land properties.

Accrued interest receivable on loans totaled $48.0 million at June 30, 2024, and $49.3 million at December 31, 2023. The Company has elected to exclude accrued interest receivable in its estimates of expected credit losses because the Company writes off uncollectible accrued interest receivable in a timely manner. The Company considers writing off accrued interest amounts once the amounts become 90 days past due to be considered within a timely manner. The Company has elected to write off accrued interest receivable by reversing interest income. The following table presents interest income reversals, due to loans being placed on nonaccrual status, by loan segment for the three and six months ended June 30, 2024 and 2023:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
	(Dollars in thousands)			
CRE loans	$ 61	$ 214	$ 252	$ 665
C&I loans	1,125	368	1,713	886
Residential mortgage loans	1	18	7	32
Total	$ 1,187	$ 600	$ 1,972	$ 1,583

The following table presents the amortized cost of past due loans, including nonaccrual loans past due 30 or more days, by the number of days past due at June 30, 2024 and December 31, 2023, by loan segment:

	June 30, 2024				December 31, 2023			
	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	Total Past Due	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	Total Past Due
	(Dollars in thousands)							
CRE loans	$ 8,074	$ 523	$ 7,526	$ 16,123	$ 1,999	$ 2,976	$ 10,197	$ 15,172
C&I loans	2,679	1,448	12,465	16,592	934	533	1,717	3,184
Residential mortgage loans	1,243	812	2,485	4,540	1,534	—	2,339	3,873
Consumer and other loans	247	28	144	419	214	48	77	339
Total Past Due	$ 12,243	$ 2,811	$ 22,620	$ 37,674	$ 4,681	$ 3,557	$ 14,330	$ 22,568

The Company categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt, including, but not limited to, current financial information, historical payment experience, credit documentation, public information, and current economic trends. Homogeneous loans (i.e., home mortgage loans, home equity lines of credit, overdraft loans, express business loans, and automobile loans) are not risk rated and credit risk is analyzed largely by the number of days past due. This analysis is performed at least on a quarterly basis.

The definitions for risk ratings are as follows:

- Pass: Loans that meet a preponderance or more of the Company’s underwriting criteria and evidence an acceptable level of risk.
- Special Mention: Loans that have potential weaknesses that deserve management’s close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or of the institution’s credit position at some future date.
- Substandard: Loans that are inadequately protected by the current net worth and paying capacity of the borrower or by the collateral pledged, if any. Loans in this classification have a well-defined weakness or weaknesses that jeopardize the repayment of the debt. They are characterized by the distinct possibility that the Company will sustain some loss if the deficiencies are not corrected.
- Doubtful: Loans that have all the weaknesses inherent in those classified as substandard, with the added characteristic that the weaknesses make collection or repayment in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable.

The following table presents the amortized cost basis of loans receivable by segment, risk rating, and year of origination, renewal, or major modification at June 30, 2024 and December 31, 2023.

	June 30, 2024							
	Term Loan by Year						Revolving Loans	Total
	2024	2023	2022	2021	2020	Prior		
	(Dollars in thousands)							
CRE loans								
Pass	$ 393,920	$ 561,786	$ 2,374,638	$ 1,965,556	$ 1,161,504	$ 1,954,773	$ 101,125	$ 8,513,302
Special mention	—	19,891	—	2,055	2,923	9,533	—	34,402
Substandard	—	970	618	41,977	33,880	54,366	—	131,811
Subtotal	$ 393,920	$ 582,647	$ 2,375,256	$ 2,009,588	$ 1,198,307	$ 2,018,672	$ 101,125	$ 8,679,515
Year-to-date gross charge offs	$ —	$ —	$ 166	$ —	$ 101	$ 291	$ —	$ 558
C&I loans								
Pass	$ 733,122	$ 655,007	$ 971,776	$ 480,021	$ 146,554	$ 108,845	$ 483,881	$ 3,579,206
Special mention	—	51,792	20,292	42,496	113	14,516	40,556	169,765
Substandard	10,157	7,690	66,498	3,265	—	1,358	16,345	105,313
Subtotal	$ 743,279	$ 714,489	$ 1,058,566	$ 525,782	$ 146,667	$ 124,719	$ 540,782	$ 3,854,284
Year-to-date gross charge offs	$ —	$ 265	$ 10,213	$ 55	$ —	$ 58	$ —	$ 10,591
Residential mortgage loans								
Pass	$ 149,265	$ 87,960	$ 357,115	$ 252,284	$ 1,338	$ 142,177	$ —	$ 990,139
Special mention	—	—	—	—	—	—	—	—
Substandard	—	—	—	742	1,836	3,884	—	6,462
Subtotal	$ 149,265	$ 87,960	$ 357,115	$ 253,026	$ 3,174	$ 146,061	$ —	$ 996,601
Year-to-date gross charge offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Consumer and other loans								
Pass	$ 6,664	$ 709	$ 414	$ 221	$ 1,503	$ 8,872	$ 18,170	$ 36,553
Special mention	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	49	—	49
Subtotal	$ 6,664	$ 709	$ 414	$ 221	$ 1,503	$ 8,921	$ 18,170	$ 36,602
Year-to-date gross charge offs	$ —	$ —	$ —	$ —	$ —	$ —	$ 109	$ 109
Total loans								
Pass	$ 1,282,971	$ 1,305,462	$ 3,703,943	$ 2,698,082	$ 1,310,899	$ 2,214,667	$ 603,176	$ 13,119,200
Special mention	—	71,683	20,292	44,551	3,036	24,049	40,556	204,167
Substandard	10,157	8,660	67,116	45,984	35,716	59,657	16,345	243,635
Total	$ 1,293,128	$ 1,385,805	$ 3,791,351	$ 2,788,617	$ 1,349,651	$ 2,298,373	$ 660,077	$ 13,567,002
Total year-to-date gross charge offs	$ —	$ 265	$ 10,379	$ 55	$ 101	$ 349	$ 109	$ 11,258

	December 31, 2023							
	Term Loan by Year						Revolving Loans	Total
	2023	2022	2021	2020	2019	Prior		
	(Dollars in thousands)							
CRE loans								
Pass	$ 623,058	$ 2,429,146	$ 2,045,863	$ 1,239,654	$ 996,483	$ 1,297,295	$ 79,426	$ 8,710,925
Special mention	—	2,001	15,452	2,518	5,963	5,196	—	31,130
Substandard	—	1,549	7,300	2,711	2,083	42,186	—	55,829
Subtotal	$ 623,058	$ 2,432,696	$ 2,068,615	$ 1,244,883	$ 1,004,529	$ 1,344,677	$ 79,426	$ 8,797,884
Year-to-date gross charge offs	$ 103	$ 315	$ —	$ 233	$ 355	$ 1,941	$ —	$ 2,947
C&I loans								
Pass	$ 1,107,219	$ 1,208,795	$ 683,821	$ 203,142	$ 162,815	$ 61,019	$ 479,266	$ 3,906,077
Special mention	9,743	23,413	31,388	8,597	14,614	—	60,107	147,862
Substandard	7,158	53,213	8,480	8,637	290	2,358	969	81,105
Subtotal	$ 1,124,120	$ 1,285,421	$ 723,689	$ 220,376	$ 177,719	$ 63,377	$ 540,342	$ 4,135,044
Year-to-date gross charge offs	$ 5,011	$ 12,323	$ 16,020	$ 128	$ 182	$ 539	$ —	$ 34,203
Residential mortgage loans								
Pass	$ 93,982	$ 365,252	$ 263,977	$ 1,356	$ 29,063	$ 123,885	$ —	$ 877,515
Special mention	—	—	—	—	—	—	—	—
Substandard	—	—	314	1,836	957	3,065	—	6,172
Subtotal	$ 93,982	$ 365,252	$ 264,291	$ 3,192	$ 30,020	$ 126,950	$ —	$ 883,687
Year-to-date gross charge offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Consumer and other loans								
Pass	$ 3,985	$ 944	$ 278	$ 2,068	$ 371	$ 8,221	$ 20,794	$ 36,661
Special mention	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	343	—	343
Subtotal	$ 3,985	$ 944	$ 278	$ 2,068	$ 371	$ 8,564	$ 20,794	$ 37,004
Year-to-date gross charge offs	$ —	$ —	$ —	$ —	$ —	$ —	$ 370	$ 370
Total loans								
Pass	$ 1,828,244	$ 4,004,137	$ 2,993,939	$ 1,446,220	$ 1,188,732	$ 1,490,420	$ 579,486	$ 13,531,178
Special mention	9,743	25,414	46,840	11,115	20,577	5,196	60,107	178,992
Substandard	7,158	54,762	16,094	13,184	3,330	47,952	969	143,449
Total	$ 1,845,145	$ 4,084,313	$ 3,056,873	$ 1,470,519	$ 1,212,639	$ 1,543,568	$ 640,562	$ 13,853,619
Total year-to-date gross charge offs	$ 5,114	$ 12,638	$ 16,020	$ 361	$ 537	$ 2,480	$ 370	$ 37,520

For the three and six months ended June 30, 2024 and the twelve months ended December 31, 2023, there were no revolving loans converted to term loans.

The Company may reclassify loans held for investment to loans held for sale in the event that the Company plans to sell loans that were originated with the intent to hold to maturity. Loans transferred from held for investment to held for sale are carried at the lower of cost or fair value. The breakdown of loans by segment that were reclassified from held for investment to held for sale for the three and six months ended June 30, 2024 and 2023, is presented in the following table:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Transfer of loans held for investment to held for sale	(Dollars in thousands)			
CRE loans	$ 26,755	$ 13,168	$ 26,755	$ 66,776
C&I loans	54,375	61,608	54,375	170,483
Total	$ 81,130	$ 74,776	$ 81,130	$ 237,259

The Company calculates its ACL by estimating expected credit losses on a collective basis for loans that share similar risk characteristics. Loans that do not share similar risk characteristics with other loans are evaluated for credit losses on an individual basis. The Company differentiates its loan segments based on shared risk characteristics for which allowance for credit losses is measured on a collective basis.

	Risk Characteristics
CRE loans	Property type, location, owner-occupied status
C&I loans	Delinquency status, risk rating, industry type
Residential mortgage loans	FICO score, LTV, delinquency status, maturity date, collateral value, location
Consumer and other loans	Historical losses

The Company uses a combination of a modeled and non-modeled approach that incorporates current and future economic conditions to estimate lifetime expected losses on a collective basis. The Company uses Probability of Default ("PD"), Loss Given Default ("LGD"), and Exposure at Default ("EAD") methodologies with quantitative factors and qualitative considerations in the calculation of the allowance for credit losses for collectively assessed loans. The Company uses a reasonable and supportable period of two years, at which point loss assumptions revert back to historical loss information by means of a one-year reversion period. Included in the quantitative portion of the ACL analysis are inputs such as borrowers' net operating income, debt coverage ratios, real estate collateral values, as well as factors that are more subjective or require management's judgment, including key macroeconomic variables from Moody's forecast scenarios such as GDP, unemployment rates, interest rates, and CRE prices. These key inputs are utilized in the Company's models to develop PD and LGD assumptions used in the calculation of estimated quantitative losses.

The ACL for the Company's construction, credit card, and certain consumer loans is calculated based on a non-modeled approach that utilizes historical loss rates to estimate losses. A non-modeled approach was chosen for these loans as fewer data points exist, which could result in high levels of estimated loss volatility under a modeled approach. In the aggregate, non-modeled loans represented less than 2% of the Company's total loan portfolio at June 30, 2024.

The Company's Economic Forecast Committee ("EFC") reviews economic forecast scenarios that are incorporated in the Company's ACL. The EFC reviews multiple scenarios provided to the Company by an independent third party and chooses a single scenario that best aligns with management's expectation of future economic conditions. At June 30, 2024, the Company utilized the June 2024 consensus economic forecast scenario from Moody's, as it best aligned with management's expectations of future conditions. The forecast projected GDP growth of 2.3% in 2024, 1.7% for 2025, and 1.9% for 2026, with unemployment projected to be 4.2% for 2024, 4.1% for 2025, and 4.0% in 2026. CRE prices in the consensus scenario were expected to decrease initially, with the CRE price index declining -4.0% for 2024, before rebounding +4.2% for 2025 and +6.7% in 2026. The Company also utilized Moody's December 2023 consensus economic forecast for the calculation of the December 31, 2023 ACL.

In order to quantify the credit risk impact of other trends and changes within the loan portfolio, the Company utilizes qualitative adjustments to the modeled and non-modeled estimated loss approaches. The parameters for making adjustments are established under a Credit Risk Matrix that provides different possible scenarios for each of the factors below. The Credit Risk Matrix and the possible scenarios enable the Bank to qualitatively adjust the Loss Migration Ratio by as much as 25 basis points for each loan type pool. This matrix considers the following seven factors, which are patterned after the guidelines provided under the Interagency Policy Statement on the Allowance for Credit Losses, updated to reflect the adoption of CECL:

- Changes in lending policies and procedures, including underwriting standards and collection, charge off, and recovery practices;
- Changes in the nature and volume of the loan portfolio;
- Changes in the experience, ability, and depth of lending management and staff;
- Changes in the trends of the volume and severity of past due loans, classified loans, nonaccrual loans, and other loan modifications;
- Changes in the quality of the loan review system and the degree of oversight by the management and the Board of Directors;
- The existence and effect of any concentrations of credit, and changes in the level of such concentrations; and
- The effect of external factors, such as competition, legal requirements, and regulatory requirements on the level of estimated losses in the loan portfolio.

For loans that do not share similar risk characteristics such as nonaccrual loans above $ 1.0 million, the Company evaluates these loans on an individual basis in accordance with ASC 326. Such nonaccrual loans are considered to have different risk profiles than performing loans and are therefore evaluated individually. The Company elected to collectively assess nonaccrual loans with balances below $1.0 million along with the performing and accrual loans, in order to reduce the operational burden of individually assessing small nonaccrual loans with immaterial balances. For individually assessed loans, the ACL is measured using either 1) the present value of future cash flows discounted at the loan's effective interest rate; 2) the loan's observable market price; or 3) the fair value of the collateral, if the loan is collateral-dependent. For the collateral-dependent loans, the Company obtains a new appraisal to determine the fair value of collateral. The appraisals are based on an "as-is" valuation. To ensure that appraised values remain current, the Company either obtains updated appraisals every twelve months from a qualified independent appraiser or an internal evaluation of the collateral is performed by qualified personnel. If the third-party market data indicates that the value of the collateral property has declined since the most recent valuation date, management adjusts the value of the property downward to reflect current market conditions. If the fair value of the collateral is less than the amortized balance of the loan, the Company recognizes an ACL with a corresponding charge to the provision for credit loss on loans.

The Company maintains a separate ACL for its off-balance-sheet unfunded loan commitments. The Company uses an estimated funding rate to allocate an allowance to undrawn exposures. This funding rate is used as a credit conversion factor to capture how much undrawn lines of credit can potentially become drawn at any point. The funding rate is determined based on a look-back period of eight quarters. Credit loss is not estimated for off-balance-sheet credit exposures that are unconditionally cancellable by the Company.

Loan Modifications to Borrowers Experiencing Financial Difficulty

In January 2023, the Company adopted ASU 2022-02, Financial Instruments - Credit Losses (Topic 326): TDR and Vintage Disclosures (“ASU 2022-02”), which eliminated the accounting guidance for TDR while enhancing disclosure requirements for certain loan refinancing and restructurings by creditors when a borrower is experiencing financial difficulty. The Company applied this guidance on a modified retrospective transition method, which resulted in a positive cumulative effect adjustment to retained earnings of $287 thousand, net of tax. Subsequent to the adoption of ASU 2022-02, the new guidance is applied uniformly to the Company’s entire loan portfolio when estimating expected credit losses.

A summary of loans modified to borrowers experiencing financial difficulty for the period presented, disaggregated by loan class and type of modification, is shown in the tables below.

	Three Months Ended June 30, 2024				
	CRE Loans	**C&I Loans**	**Residential Mortgage Loans**	**Consumer and Other Loans**	**Total**
	(Dollars in thousands)				
Principal forgiveness	$ —	$ —	$ —	$ —	$ —
Interest rate reduction	—	—	—	—	—
Payment delay	—	—	—	—	—
Term extension	—	4,848	—	—	4,848
Total Loan Modifications	**$ —**	**$ 4,848**	**$ —**	**$ —**	**$ 4,848**
% of Loan Class	— %	0.13 %	— %	— %	0.04 %

	Six Months Ended June 30, 2024				
	CRE Loans	**C&I Loans**	**Residential Mortgage Loans**	**Consumer and Other Loans**	**Total**
	(Dollars in thousands)				
Principal forgiveness	$ —	$ 9,946	$ —	$ —	$ 9,946
Interest rate reduction	—	—	—	—	—
Payment delay	—	—	—	—	—
Term extension	—	4,848	—	—	4,848
Total Loan Modifications	**$ —**	**$ 14,794**	**$ —**	**$ —**	**$ 14,794**
% of Loan Class	— %	0.38 %	— %	— %	0.11 %

	Three Months Ended June 30, 2023				
	CRE Loans	**C&I Loans**	**Residential Mortgage Loans**	**Consumer and Other Loans**	**Total**
	(Dollars in thousands)				
Principal forgiveness	$ —	$ —	$ —	$ —	$ —
Interest rate reduction	—	—	—	—	—
Payment delay	—	—	—	—	—
Term extension	—	25,964	—	—	25,964
Total Loan Modifications	**$ —**	**$ 25,964**	**$ —**	**$ —**	**$ 25,964**
% of Loan Class	— %	0.54 %	— %	— %	0.17 %

	Six Months Ended June 30, 2023				
	CRE Loans	C&I Loans	Residential Mortgage Loans	Consumer and Other Loans	Total
	(Dollars in thousands)				
Principal forgiveness	$ —	$ —	$ —	$ —	$ —
Interest rate reduction	—	—	—	—	—
Payment delay	—	—	—	—	—
Term extension	—	25,964	—	—	25,964
Total Loan Modifications	**$ —**	**$ 25,964**	**$ —**	**$ —**	**$ 25,964**
% of Loan Class	— %	0.54 %	— %	— %	0.17 %

The following tables describe the financial effect of the loan modifications made to borrowers experiencing financial difficulty for the periods presented:

	Financial Effect		
Modification & Loan Types	**Description of Financial Effect**	**Three Months Ended June 30, 2024**	**Six Months Ended June 30, 2024**
Principal forgiveness			
C&I loans	Forgiveness of principal totaling:	$— million	$4.4 million
Term extension			
C&I loans	Extended term by a weighted average of:	0.3 years	0.3 years

	Financial Effect		
Modification & Loan Types	**Description of Financial Effect**	**Three Months Ended June 30, 2023**	**Six Months Ended June 30, 2023**
Term extension			
C&I loans	Extended term by a weighted average of:	0.3 years	0.3 years

The Company closely monitors the performance of the loans that are modified to borrowers experiencing financial difficulty to understand the effectiveness of its modification efforts. All loans that have been modified within the previous 12 months to borrowers experiencing financial difficulty were current at June 30, 2024 and 2023.

There were no loan modifications to borrowers experiencing financial difficulty that had payment defaults during the three and six months ended June 30, 2024 and 2023, and that were modified in the 12 months prior to default.

7. Leases

The Company's operating leases are real estate leases of bank branch locations, loan production offices, and office spaces with remaining lease terms ranging from 1 to 9 years at June 30, 2024. Certain lease arrangements contain extension options, which are typically around 5 years. As these extension options are not generally considered reasonably certain of exercise, they are not included in the lease term.

The table below summarizes supplemental balance sheet information related to operating leases:

	June 30, 2024	December 31, 2023
	(Dollars in thousands)	
Operating lease ROU assets	$ 41,922	$ 46,611
Current portion of long-term lease liabilities	13,934	14,287
Long-term lease liabilities	33,170	38,383

The Company uses its incremental borrowing rate to present value lease payments in order to recognize a ROU asset and the related lease liability. The Company calculates its incremental borrowing rate by adding a spread to the FHLB borrowing interest rate at a given period. During the six months ended June 30, 2024, the Company extended four leases and did not enter into any new lease contracts. Lease extension terms ranged from three to five years and the Company reassessed the ROU assets and lease liabilities related to these leases.

The Company wrote off $93 thousand in operating ROU assets resulting from the branch consolidation of one location during the six months ended June 30, 2023. There was no impairment on operating ROU assets during the same period of 2024.

The table below summarizes the Company's net operating lease cost:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
	(Dollars in thousands)			
Operating lease cost	$ 3,611	$ 3,825	$ 7,217	$ 7,666
Variable lease cost	867	820	1,675	1,603
Sublease income	(64)	(50)	(103)	(92)
Net lease cost	$ 4,414	$ 4,595	$ 8,789	$ 9,177

Rent expense for the three and six months ended June 30, 2024, was $ 4.2 million and $8.3 million, respectively. Rent expense for the three and six months ended June 30, 2023, was $4.3 million and $9.2 million, respectively.

The table below summarizes other information related to the Company's operating leases:

	At or for the Six Months Ended June 30,	
	2024	2023
	(Dollars in thousands)	
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash outflows for operating leases	$ 7,916	$ 8,013
ROU assets obtained in exchange for lease liabilities, net	$ 2,058	$ 6,113
Weighted-average remaining lease term - operating leases	3.8 years	4.4 years
Weighted-average discount rate - operating leases	2.91 %	2.68 %

The table below summarizes the maturity of remaining lease liabilities:

	June 30, 2024
	(Dollars in thousands)
2024	$ 7,697
2025	14,334
2026	13,647
2027	8,123
2028	3,320
2029 and thereafter	2,811
Total lease payments	49,932
Less: imputed interest	2,828
Total lease obligations	$ 47,104

At June 30, 2024, the Company had no operating lease commitments that had not yet commenced.

The Company did not have any finance leases at June 30, 2024 and December 31, 2023.

8. Deposits

Total deposits of $14.71 billion at June 30, 2024, were down $42.3 million, or 0.3%, from $14.75 billion at December 31, 2023.

The aggregate amount of time deposits in denominations of more than $250 thousand at June 30, 2024 and December 31, 2023, was $ 2.56 billion and $2.24 billion, respectively. Included in time deposits of more than $250 thousand was $ 300.0 million in California State Treasurer's deposits at June 30, 2024 and December 31, 2023. The California State Treasurer's deposits are subject to withdrawal based on the State's periodic evaluations. The Company is required to pledge eligible collateral of at least 110% of outstanding deposits. At June 30, 2024 and December 31, 2023, securities with fair values of approximately $207.2 million and $218.7 million, respectively, and a $150.0 million letter of credit issued by the FHLB, were pledged as collateral for the California State Treasurer's deposits.

Brokered deposits at June 30, 2024 and December 31, 2023, totaled $ 1.36 billion and $1.54 billion, respectively. Brokered deposits at June 30, 2024, consisted of $263.9 million in money market and NOW accounts and $ 1.10 billion in time deposit accounts. Brokered deposits at December 31, 2023, consisted of $164.1 million in money market and NOW accounts and $ 1.37 billion in time deposit accounts.

The aggregate amount of unplanned overdrafts of demand deposits that were reclassified as loans was $ 4.6 million and $2.0 million at June 30, 2024 and December 31, 2023, respectively.

The following is a breakdown of the Company's deposits at June 30, 2024 and December 31, 2023:

	June 30, 2024		December 31, 2023	
	Balance	Percentage (%)	Balance	Percentage (%)
	(Dollars in thousands)			
Noninterest bearing demand deposits	$ 3,671,192	25 %	$ 3,914,967	27 %
Money market and NOW accounts	4,118,651	28 %	4,169,543	28 %
Savings deposits	789,209	5 %	702,486	5 %
Time deposits	6,132,419	42 %	5,966,757	40 %
Total deposits	$ 14,711,471	100 %	$ 14,753,753	100 %

9. Borrowings

At June 30, 2024, borrowings totaled $170.0 million, compared with $1.80 billion at December 31, 2023. All of the Company's borrowings at June 30, 2024 and December 31, 2023, had maturities of less than 12 months. The tables below summarize the Company's borrowing lines at June 30, 2024 and December 31, 2023:

	June 30, 2024			
		Borrowings Outstanding		
	Total Borrowing Capacity	Amount	Weighted Average Rate	Available Borrowing Capacity
	(Dollars in thousands)			
FHLB	$ 4,290,239	$ 100,000	5.61 %	$ 4,190,239
FRB Discount Window	513,454	70,000	5.50 %	443,454
Unsecured Federal Funds lines	304,791	—	— %	304,791
Total	$ 5,108,484	$ 170,000	5.56 %	$ 4,938,484

	December 31, 2023			
		Borrowings Outstanding		
	Total Borrowing Capacity	Amount	Weighted Average Rate	Available Borrowing Capacity
	(Dollars in thousands)			
FHLB	$ 4,167,168	$ 100,000	5.73 %	$ 4,067,168
FRB Discount Window	630,369	—	— %	630,369
BTFP	1,707,909	1,695,726	4.47 %	12,183
Unsecured Federal Funds lines	312,315	—	— %	312,315
Total	$ 6,817,761	$ 1,795,726	4.54 %	$ 5,022,035

The Company maintains a line of credit with the FHLB of San Francisco as a secondary source of funds. The borrowing capacity with the FHLB is limited to the lower of either 25% of the Bank's total assets or the Bank's collateral capacity. The terms of this credit facility require the Company to pledge eligible collateral with the FHLB equal to at least 100% of outstanding advances. At June 30, 2024 and December 31, 2023, loans with a carrying amount of $7.68 billion and $7.60 billion were pledged at the FHLB for outstanding advances and remaining borrowing capacity, respectively. At June 30, 2024, other than FHLB stock, no securities were pledged as collateral at the FHLB. The purchase of FHLB stock is a prerequisite to become a member of the FHLB system, and the Company is required to own a certain amount of FHLB stock based on total asset size and outstanding borrowings.

As a member of the FRB system, the Bank may also borrow from the FRB discount window. The maximum amount that the Bank may borrow from the FRB's discount window is up to 99% of the fair market value of the qualifying loans and securities that are pledged. At June 30, 2024, the outstanding principal balance of the qualifying loans pledged at the FRB discount window was $578.4 million. There were no investment securities pledged at the discount window at June 30, 2024.

The Company availed itself of the BTFP, which was created in March 2023 to enhance banking system liquidity by allowing institutions to pledge certain securities at par value and borrow at a rate of ten basis points over the one-year overnight index swap rate. The BTFP was available to federally insured depository institutions in the U.S., with advances having a term of up to one year with no prepayment penalties. In 2023, the BTFP was available to federally insured depository institutions in the U.S. at a fixed rate of ten basis points over the one-year overnight index swap rate, but in 2024, the interest rate was no lower than the interest rate on reserve balances in effect on the day the loan is made. The Company's outstanding borrowings at December 31, 2023 were not subject to the new rate. The BTFP ceased extending new advances in March 2024. All outstanding borrowings from the BTFP were paid off as of June 30, 2024.

The Company also maintains unsecured federal funds borrowing lines with other banks. There were no borrowings outstanding from other banks at June 30, 2024 and December 31, 2023.

10. Convertible Notes and Subordinated Debentures

Convertible Notes

In 2018, the Company issued $217.5 million aggregate principal amount of 2.00% convertible senior notes maturing on May 15, 2038, in a private offering to qualified institutional buyers under Rule 144A of the Securities Act of 1933. The convertible notes are not capital instruments but can be converted into shares of the Company’s common stock at an initial rate of 45.0760 shares per $1,000 principal amount of the notes (equivalent to an initial conversion price of approximately $22.18 per share of common stock, which represented a premium of 22.50% to the closing stock price on the date of the pricing of the notes). Holders of the convertible notes have the option to convert all or a portion of the notes at any time on or after February 15, 2023. The convertible notes can be called by the Company, in part or in whole, on or after May 20, 2023, for 100% of the principal amount in cash. Holders of the convertible notes have the option to put the notes back to the Company on May 15, 2028, or May 15, 2033, for 100% of the principal amount in cash. The convertible notes can be settled in cash, stock, or a combination of stock and cash at the option of the Company.

On May 15, 2023, most holders of the Company’s convertible notes elected to exercise their optional put right and the Company paid off $ 197.1 million principal amount of notes in cash. During 2023, the Company also repurchased its notes in the aggregate principal amount of $19.9 million and recorded a gain on debt extinguishment of $405 thousand. The repurchased notes were immediately cancelled subsequent to the repurchase. These repurchases are separate from the optional put and were made through a third-party broker. No notes were repurchased or paid off in the six months ended June 30, 2024.

The carrying value of the convertible notes at June 30, 2024 and December 31, 2023, was $ 444 thousand. The capitalized issuance costs were fully amortized at both June 30, 2024 and December 31, 2023.

Interest expense on the convertible notes for the three and six months ended June 30, 2024, totaled $ 2 thousand and $4 thousand, respectively. Interest expense on the convertible notes for the three and six months ended June 30, 2023, totaled $598 thousand and $1.9 million, respectively.

Subordinated Debentures

At June 30, 2024, the Company had nine wholly owned subsidiary grantor trusts that had issued $ 126.0 million of pooled trust preferred securities. Trust preferred securities accrue and pay distributions periodically at specified annual rates as provided in the indentures. The trusts used the net proceeds from the offering to purchase a like amount of subordinated debentures. The subordinated debentures are the sole assets of the trusts. The Company's obligations under the subordinated debentures and related documents, taken together, constitute a full and unconditional guarantee by the Company of the obligations of the trusts. The trust preferred securities are mandatorily redeemable upon the maturity of the subordinated debentures, or upon earlier redemption as provided in the indentures. The Company has the right to redeem the subordinated debentures in whole (but not in part) on a quarterly basis at a redemption price specified in the indentures plus any accrued but unpaid interest to the redemption date. The Company also has a right to defer consecutive payments of interest on the subordinated debentures for up to five years.

The following table is a summary of trust preferred securities and subordinated debentures at June 30, 2024:

Issuance Trust	**Issuance Date**	**Trust Preferred Security Amount**	**Carrying Value of Subordinated Debentures**	**Rate Type**	**Current Rate**	**Maturity Date**
		(Dollars in thousands)				
Nara Capital Trust III	06/05/2003	$ 5,000	$ 5,155	Variable	8.59%	06/15/2033
Nara Statutory Trust IV	12/22/2003	5,000	5,155	Variable	8.44%	01/07/2034
Nara Statutory Trust V	12/17/2003	10,000	10,310	Variable	8.55%	12/17/2033
Nara Statutory Trust VI	03/22/2007	8,000	8,248	Variable	7.25%	06/15/2037
Center Capital Trust I	12/30/2003	18,000	15,332	Variable	8.44%	01/07/2034
Wilshire Trust II	03/17/2005	20,000	16,808	Variable	7.39%	03/17/2035
Wilshire Trust III	09/15/2005	15,000	12,038	Variable	7.00%	09/15/2035
Wilshire Trust IV	07/10/2007	25,000	19,406	Variable	6.98%	09/15/2037
Saehan Capital Trust I	03/30/2007	20,000	16,022	Variable	7.21%	06/30/2037
Total		$ 126,000	$ 108,474			

The carrying value of the subordinated debentures at June 30, 2024 and December 31, 2023, was $ 108.5 million and $107.8 million, respectively. At June 30, 2024 and December 31, 2023, acquired subordinated debentures had remaining discounts of $21.4 million and $22.1 million, respectively. The carrying balance of subordinated debentures is net of remaining discounts and includes common trust securities.

The Company's investment in the common trust securities of the issuer trusts was $ 3.9 million at June 30, 2024 and December 31, 2023, and is included in other assets. Although the subordinated debentures issued by the trusts are not included as a component of stockholders' equity in the Consolidated Statements of Financial Condition, the debt is treated as capital for regulatory purposes. The Company's trust preferred security debt issuances (less common trust securities) are includable in Tier 1 capital up to a maximum of 25% of capital on an aggregate basis as they were grandfathered in under BASEL III. Any amount that exceeds 25% qualifies as Tier 2 capital.

11. Derivative Financial Instruments

As part of the Company's overall interest rate risk management, the Company enters into derivative instruments, including interest rate swaps, collars, caps, floors, foreign exchange contracts, risk participation agreements and mortgage banking derivatives. The notional amount does not represent amounts exchanged by the parties. The amount exchanged is determined by reference to the notional amount and the other terms of the individual agreements. Derivative instruments are recognized on the balance sheet at their fair value and are not reported on a net basis.

The tables below present the fair value of the Company's derivative financial instruments at June 30, 2024 and December 31, 2023. The Company's derivative assets and derivative liabilities are located within "Other assets" and "Other liabilities," respectively, on the Company's Consolidated Statements of Financial Condition.

	June 30, 2024		
	Notional Amount	Fair Value[1] Other Assets	Fair Value[1] Other Liabilities
	(Dollars in thousands)		
Derivatives designated as cash flow hedges			
Interest rate swaps	$ 725,000	$ —	$ —
Interest rate collars	500,000	—	(4,306)
Forward interest rate swaps	700,000	—	(7,478)
Total	$ 1,925,000	$ —	$ (11,784)
Derivatives not designated as hedges			
Interest rate contracts with correspondent banks	$ 1,048,236	$ 59,036	$ (122)
Interest rate contracts with customers	1,048,236	122	(60,531)
Foreign exchange contracts with correspondent banks	12,159	484	—
Foreign exchange contracts with customers	224	8	—
Risk participation agreement	148,431	—	(16)
Mortgage banking derivatives	3,952	11	(20)
Total	$ 2,261,238	$ 59,661	$ (60,689)

(1) The fair values of centrally-cleared derivative contracts are presented net of settled-to-market margin.

	December 31, 2023		
	Notional Amount	Fair Value[1]	
		Other Assets	Other Liabilities
	(Dollars in thousands)		
Derivatives designated as cash flow hedges			
Interest rate swaps	$ 725,000	$ —	$ —
Interest rate collars	250,000	—	1,149
Forward interest rate swaps	1,000,000	10,812	—
Forward interest rate collars	250,000	148	—
Total	$ 2,225,000	$ 10,960	$ 1,149
Derivatives not designated as hedges			
Interest rate contracts with correspondent banks	$ 1,096,292	$ 53,185	$ 1,117
Interest rate contracts with customers	1,096,292	1,117	54,505
Foreign exchange contracts with correspondent banks	10,739	4	202
Foreign exchange contracts with customers	1,744	57	—
Risk participation agreement	130,365	—	28
Mortgage banking derivatives	1,377	7	17
Total	$ 2,336,809	$ 54,370	$ 55,869

(1) The fair values of centrally-cleared derivative contracts are presented net of settled-to-market margin.

Derivatives designated as cash flow hedges

The Company's interest rate contracts designated as cash flow hedges were determined to be fully effective during the periods presented and were hedged to financial instruments tied to term SOFR and Federal Funds Rate. The aggregate fair value of the cash flow hedges are recorded in assets or liabilities on the Consolidated Statements of Financial Condition, with changes in fair value recorded in other comprehensive income on the Consolidated Statements of Comprehensive Income. The gain or loss on derivatives is recorded in accumulated other comprehensive income ("AOCI") and is subsequently reclassified into interest income and interest expense in the period, during which the hedged forecasted transaction affects earnings. Amounts reported in AOCI related to interest rate agreements will be reclassified to interest income and interest expense as interest payments are received or paid on the Company's derivatives. The Company expects the hedges to remain fully effective throughout the remaining terms. The Company expects to reclassify, during the next 12 months, approximately $5.1 million, net of taxes, from AOCI as an increase to net interest income, net of a decrease of $1.6 million from terminated swaps.

During the second quarter of 2024, the Company terminated $ 300.0 million in notional value of forward-starting received fixed swaps set to mature through July 2027. The swaps were designated as cash flow hedges on the changes in cash flows associated with certain variable rate loans. The termination of the swaps was performed to reduce prolonged exposure to higher interest rates. Prior to the termination of the swaps, the change in value of the swaps was recorded through accumulated other comprehensive income. The terminated swaps were associated with $5.0 million in pre-tax losses in AOCI as of the date of termination, which will be amortized as a reduction to net interest income over the original effective period of the hedge.

The table below presents the gains (losses) on derivative instruments designated as cash flow hedges, that were reclassified from AOCI into earnings for the periods indicated:

Derivative Instruments Designated as Cash Flow Hedges	Location of Gain (Loss) Recognized in Income	Three Months Ended June 30,		Six Months Ended June 30,	
		2024	2023	2024	2023
		(Dollars in thousands)			
Interest rate contracts	Interest income and fees on loans	$ (986)	$ —	$ (1,986)	$ —
Interest rate contracts	Interest expense on deposits	3,257	2,941	6,740	4,660
Interest rate contracts	Interest expense on FHLB and FRB borrowings	1,523	1,187	2,818	2,240
Total		$ 3,794	$ 4,128	$ 7,572	$ 6,900

Total cash held as collateral for interest rate contracts designated as cash flow hedges was $ 0 at June 30, 2024, and $22.9 million at December 31, 2023.

Derivatives not designated as hedges

The Company's derivatives not designated as hedges are not speculative and result from a service the Company provides to certain customers.

The Company offers a loan hedging program to certain loan customers. Through this program, the Company originates a variable rate loan with the customer. The Company and the customer will then enter into a fixed interest rate swap. Simultaneously, an identical offsetting swap is entered into by the Company with a correspondent bank. These "back-to-back" swap arrangements are intended to offset each other and allow the Company to book a variable rate loan, while providing the customer with a contract for fixed interest payments. In these arrangements, the Company's net cash flow is equal to the interest income received from the variable rate loan originated with the customer. These customer interest rate contracts are not designated as hedging instruments and are recorded at fair value in other assets and other liabilities. The change in fair value is recognized in the Consolidated Statements of Income as other income and fees.

The Company offers foreign exchange contracts to customers to purchase and/or sell foreign currencies at set rates in the future. The foreign exchange contracts allow customers to hedge the foreign exchange rate risk of their deposits and loans denominated in foreign currencies. In conjunction with this, the Company also enters into offsetting back-to-back contracts with institutional counterparties to hedge the Company's foreign exchange rate risk. The Company also enters into certain foreign exchange contracts with institutional counterparties, including non-deliverable forward contracts, to manage its foreign exchange rate risk. These foreign exchange contracts are not designated as hedging instruments and are recorded at fair value in other assets and other liabilities. During the three and six months ended June 30, 2024, the changes in fair value on foreign exchange contracts were gains of $370 thousand and $633 thousand, respectively, and were recognized in the Consolidated Statements of Income as other income and fees. During the three and six months ended June 30, 2023, the changes in fair value on foreign exchange contracts were gains of $3 thousand and $9 thousand, respectively, and were recognized in the Consolidated Statements of Income as other income and fees.

At June 30, 2024, the Company had risk participation agreements with an outside counterparty for interest rate swaps related to loans in which it is a participant. The risk participation agreements provide credit protection to the financial institution should the borrowers fail to perform on their interest rate derivative contracts. Risk participation agreements are credit derivatives not designated as hedges. Credit derivatives are not speculative and are not used to manage interest rate risk in assets or liabilities. Changes in the fair value of credit derivatives are recognized directly in earnings. The fee received, less the estimate of the loss for credit exposure, is recognized in earnings at the time of the transaction.

The Company enters into various stand-alone mortgage-banking derivatives in order to hedge the risk associated with the fluctuation of interest rates. Changes in fair value are recorded as mortgage banking revenue. Residential mortgage loans funded with interest rate lock commitments and forward commitments for the future delivery of mortgage loans to third party investors are considered derivatives. At June 30, 2024 and December 31, 2023, the Company had approximately $4.0 million and $1.4 million, respectively, in interest rate lock commitments and total forward sales commitments for the future delivery of residential mortgage loans.

12. Commitments and Contingencies

The following table presents a summary of commitments described below at the dates indicated below:

	June 30, 2024	December 31, 2023
	(Dollars in thousands)	
Commitments to extend credit	$ 2,060,656	$ 2,274,239
Standby letters of credit	137,487	132,132
Other letters of credit	24,925	51,983
Commitments to fund investments in affordable housing partnerships	18,345	21,017

The Company is a party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit, standby letters of credit, commercial letters of credit, and commitments to fund investments in affordable housing partnerships. These instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the Consolidated Statements of Financial Condition.

The Company's exposure to credit loss in the event of nonperformance on commitments to extend credit and standby letters of credit is represented by the contractual notional amount of those instruments. The Company uses the same credit policies in making commitments and conditional obligations as the Company does for extending loan facilities to customers. The Company evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary upon extension of credit, is based on the Company's credit evaluation of the counterparty. The types of collateral that the Company may hold can vary and may include accounts receivable, inventory, property, plant and equipment, and income-producing properties. The estimated exposure to loss from these commitments is included in the reserve for unfunded loan commitments, which amounted to $ 2.5 million at June 30, 2024, and $3.8 million at December 31, 2023.

In the normal course of business, the Company is involved in various legal claims. The Company has reviewed all legal claims against the Company with counsel and has taken into consideration the views of such counsel as to the potential outcome of the claims. Loss contingencies for all legal claims totaled $500 thousand at June 30, 2024, and $535 thousand at December 31, 2023. It is reasonably possible that the Company may incur losses in excess of the amounts currently accrued. However, at this time, the Company is unable to estimate the range of additional losses that are reasonably possible because of a number of factors, including the fact that certain of these litigation matters are still in their early stages. Management believes that none of these legal claims, individually or in the aggregate, will have a material adverse effect on the results of operations or financial condition of the Company.

13. Goodwill, Intangible Assets, and Servicing Assets

Goodwill

The carrying amount of the Company's goodwill at June 30, 2024, and December 31, 2023, was $ 464.5 million. There was no impairment of goodwill recorded during the three and six months ended June 30, 2024.

Goodwill and other intangible assets generated from business combinations and deemed to have indefinite lives are not subject to amortization and instead are tested for impairment annually at the reporting unit level unless a triggering event occurs thereby requiring an updated assessment. Goodwill represents the excess of the purchase price over the sum of the estimated fair values of the tangible and identifiable intangible assets acquired less the estimated fair value of the liabilities assumed. Impairment exists when the carrying value of the goodwill exceeds the fair value of the reporting unit.

At December 31, 2023, the Company performed a qualitative assessment to test for impairment and management has concluded that there was no impairment. As the Company operates as single business unit, goodwill impairment was assessed based on the Company as a whole.

Intangible Assets

Amortization expense related to core deposit intangible assets totaled $ 401 thousand and $802 thousand for the three and six months ended June 30, 2024, respectively. Amortization expense related to core deposit intangible assets totaled $448 thousand and $896 thousand for the three and six months ended June 30, 2023, respectively. The following table provides information regarding the core deposit intangibles at June 30, 2024 and December 31, 2023:

			June 30, 2024		December 31, 2023	
Core Deposit Intangibles Related To:	Amortization Period	Gross Amount	Accumulated Amortization	Carrying Amount	Accumulated Amortization	Carrying Amount
			(Dollars in thousands)			
Wilshire Bancorp acquisition	10 years	$ 18,138	$ (15,005)	$ 3,133	$ (14,203)	$ 3,935

Servicing Assets

Total servicing assets at June 30, 2024, totaled $ 9.0 million and comprised $7.2 million in SBA servicing assets and $ 1.8 million in mortgage related servicing assets. At December 31, 2023, servicing assets totaled $9.6 million and comprised $7.6 million in SBA servicing assets and $ 2.1 million in mortgage related servicing assets.

Management periodically evaluates servicing assets for impairment based upon the fair value of the rights as compared to the carrying amount. Impairment is determined by stratifying rights into groupings based on loan type. Impairment is recognized through a valuation allowance for an individual grouping, to the extent that fair value is less than the carrying amount. At June 30, 2024 and December 31, 2023, the Company did not have a valuation allowance on its servicing assets.

The changes in servicing assets for the three and six months ended June 30, 2024 and 2023, were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
	(Dollars in thousands)			
Balance at beginning of period	$ 8,869	$ 11,628	$ 9,631	$ 11,628
Additions through originations of servicing assets	742	884	749	1,849
Amortization	(627)	(980)	(1,396)	(1,945)
Balance at end of period	$ 8,984	$ 11,532	$ 8,984	$ 11,532

Loans serviced for others are not reported as assets. The principal balances of loans serviced for other institutions were $ 961.1 million at June 30, 2024, and $987.4 million at December 31, 2023.

The Company utilizes the discounted cash flow method to calculate the initial excess servicing assets. The inputs used in evaluating servicing assets for impairment at June 30, 2024 and December 31, 2023, are presented below.

	June 30, 2024	December 31, 2023
SBA Servicing Assets:		
Weighted-average discount rate	10.03%	11.12%
Constant prepayment rate	12.25%	12.17%
Mortgage Servicing Assets:		
Weighted-average discount rate	11.13%	11.00%
Constant prepayment rate	5.51%	9.52%

14. Income Taxes

For the three months ended June 30, 2024, the Company recorded an income tax provision of $ 9.3 million on pretax income of $34.5 million, representing an effective tax rate of 26.85%, compared with an income tax provision of $13.4 million on pretax income of $51.5 million, representing an effective tax rate of 26.13% for the three months ended June 30, 2023.

For the six months ended June 30, 2024, the Company recorded an income tax provision totaling $ 19.3 million on pretax income of $70.4 million, representing an effective tax rate of 27.41%, compared with an income tax provision of $27.1 million on pretax income of $104.3 million, representing an effective tax rate of 26.02% for the six months ended June 30, 2023.

The Company and its subsidiaries are subject to U.S. federal income tax, as well as state income taxes. The Company had total unrecognized tax benefits of $807 thousand at June 30, 2024, and $469 thousand at December 31, 2023, that relate to uncertainties associated with federal and state income tax matters.

Management believes it is reasonably possible that the unrecognized tax benefits may decrease by $ 269 thousand in the next twelve months due to the expiration of statute of limitations.

Income tax expense is the total of the current year income tax due or refundable and the change in deferred tax assets and liabilities (without regard to certain changes to deferred taxes). Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion, or all, of the deferred tax asset will not be realized. In assessing the realization of deferred tax assets, management evaluates both positive and negative evidence, including the existence of any cumulative losses in the current year and the prior two years, the amount of taxes paid in available carry-back years, the forecasts of future income, applicable tax planning strategies, and assessments of current and future economic and business conditions. This analysis is updated quarterly and adjusted as necessary. Based on the analysis, the Company has determined that a valuation allowance for deferred tax assets was not required at June 30, 2024 or December 31, 2023.

15. Fair Value Measurements

Fair value is defined as the exchange price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date reflecting assumptions that a market participant would use when pricing an asset or liability. There are three levels of inputs that may be used to measure fair value. The fair value inputs of the instruments are classified and disclosed in one of the following categories pursuant to ASC 820:

Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. The quoted price shall not be adjusted for any blockage factor (i.e., size of the position relative to trading volume).

Level 2 - Pricing inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Fair value is determined through the use of models or other valuation methodologies, including the use of pricing matrices. If the asset or liability has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Pricing inputs are unobservable for the asset or liability. Unobservable inputs are used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. The inputs into the determination of fair value require significant management judgment or estimation.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an asset's or liability's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

The Company uses the following methods and assumptions in estimating fair value disclosures for financial instruments. Financial assets and liabilities recorded at fair value on a recurring and non-recurring basis are listed as follows:

Investment Securities

The fair values of investment securities available for sale and held to maturity are determined by obtaining quoted prices on nationally recognized securities exchanges (Level 1 inputs) or matrix pricing, which is a technique widely used in the industry to value debt securities without relying exclusively on quoted prices for the specific securities, but rather by relying on the securities' relationship to other benchmark quoted securities (Level 2 inputs).

The fair value of the Company's Level 3 security available for sale was measured using an income approach valuation technique. The primary inputs and assumptions used in the fair value measurement was derived from the security's underlying collateral, which included discount rate, prepayment speeds, payment delays, and an assessment of the risk of default of the underlying collateral, among other factors. Significant increases or decreases in any of the inputs or assumptions could result in a significant increase or decrease in the fair value measurement.

Equity Investments With Readily Determinable Fair Value

The fair value of the Company's equity investments with readily determinable fair value is comprised of mutual funds. The fair value for these investments is obtained from unadjusted quoted prices in active markets on the date of measurement and is therefore classified as Level 1.

Interest Rate Contracts

The Company offers interest rate contracts to certain loan customers to allow them to hedge the risk of rising interest rates on their variable rate loans. The Company originates a variable rate loan and enters into a variable-to-fixed interest rate contract with the customer. The Company also enters into an offsetting interest rate contract with a correspondent bank. These back-to-back agreements are intended to offset each other and allow the Company to originate a variable rate loan, while providing a contract for fixed interest payments for the customer. The net cash flow for the Company is equal to the interest income received from a variable rate loan originated with the customer. The fair value of these derivatives is based on a discounted cash flow approach. The fair value assets and liabilities of centrally cleared interest rate contracts are net of variation margin settled-to-market. Due to the observable nature of the inputs used in deriving the fair value of these derivative contracts, the valuation of interest rate contracts is classified as Level 2.

Mortgage Banking Derivatives

Mortgage banking derivative instruments consist of interest rate lock commitments and forward sale contracts that trade in liquid markets. The fair value is based on the prices available from third party investors. Due to the observable nature of the inputs used in deriving the fair value, the valuation of mortgage banking derivatives is classified as Level 2.

Other Derivatives

Other derivatives consist of interest rate contracts designated as cash flow hedges, foreign exchange contracts and risk participation agreements. The fair values of these other derivative financial instruments are based upon the estimated amount the Company would receive or pay to terminate the instruments, taking into account current interest rates, foreign exchange rates and, when appropriate, the current credit worthiness of the counterparties. Fair value assets and liabilities of centrally cleared derivatives are net of variation margin settled-to-market. Interest rate contracts designated as cash flow hedges and foreign exchange contracts, which includes non-deliverable forward contracts, are classified within Level 2 due to the observable nature of the inputs used in deriving the fair value of these contracts. Credit derivatives such as risk participation agreements are valued based on credit worthiness of the underlying borrower, which is a significant unobservable input and therefore is classified as Level 3.

Collateral-Dependent Loans

The fair values of collateral-dependent loans are generally measured for ACL using the practical expedients permitted by ASC 326-20-35-5 including collateral-dependent loans measured at an observable market price (if available), or at the fair value of the loan's collateral (if the loan is collateral-dependent). Fair value of the loan's collateral, when the loan is dependent on collateral, is determined by appraisals or independent valuation, less costs to sell of 8.5%. Appraisals may utilize a single valuation approach or a combination of approaches including comparable sales and income approach. Adjustment may be made in the appraisal process by the independent appraiser to adjust for differences between the comparable sales and income data available for similar loans and the underlying collateral. For C&I and asset backed loans, independent valuations may include a 20-60% discount for eligible accounts receivable and a 50-70% discount for inventory. These result in a Level 3 classification.

OREO

OREO is fair valued at the time the loan is foreclosed upon and the asset is transferred to OREO. The value is based primarily on third party appraisals, less costs to sell of up to 8.5% and result in a Level 3 classification of the inputs for determining fair value. OREO is reviewed and evaluated on at least a quarterly basis for additional impairment and adjusted to lower of cost or market accordingly, based on the same factors identified above.

Loans Held For Sale

Loans held for sale are carried at the lower of cost or fair value, as determined by outstanding commitments from investors, or based on recent comparable sales (Level 2 inputs), if available. If Level 2 inputs are not available, carrying values are based on discounted cash flows using current market rates applied to the estimated life and credit risk (Level 3 inputs) or may be assessed based upon the fair value of the collateral, which is obtained from recent real estate appraisals (Level 3 inputs). These appraisals may utilize a single valuation approach or a combination of approaches including the income approach. Adjustments are routinely made in the appraisal process by the appraisers to adjust for differences between the comparable sales and income data available. Such adjustments are typically significant and result in a Level 3 classification of the inputs for determining fair value.

Assets and liabilities measured at fair value on a recurring basis are summarized below:

		Fair Value Measurements at the End of the Reporting Period Using		
	June 30, 2024	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	(Dollars in thousands)			
Assets:				
Investment securities AFS:				
U.S. Government agency and U.S. Government sponsored enterprises:				
Agency securities	$ 3,896	$ —	$ 3,896	$ —
Collateralized mortgage obligations	705,576	—	705,576	—
Mortgage-backed securities:				
Residential	393,338	—	393,338	—
Commercial	432,926	—	432,926	—
Asset-backed securities	139,826	—	139,826	—
Corporate securities	19,590	—	19,590	—
Municipal securities	219,639	—	218,824	815
Equity investments with readily determinable fair value	4,298	4,298	—	—
Interest rate contracts	59,158	—	59,158	—
Mortgage banking derivatives	11	—	11	—
Other derivatives	492	—	492	—
Liabilities:				
Interest rate contracts	60,653	—	60,653	—
Mortgage banking derivatives	20	—	20	—
Other derivatives	11,800	—	11,784	16

	December 31, 2023	Fair Value Measurements at the End of the Reporting Period Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	(Dollars in thousands)			
Assets:				
Investment securities AFS:				
U.S. Treasury securities	$ 103,677	$ 103,677	$ —	$ —
U.S. Government agency and U.S. Government sponsored enterprises:				
Agency securities	3,900	—	3,900	—
Collateralized mortgage obligations	747,719	—	747,719	—
Mortgage-backed securities:				
Residential	420,298	—	420,298	—
Commercial	391,888	—	391,888	—
Asset-backed securities	149,670	—	149,670	—
Corporate securities	19,434	—	19,434	—
Municipal securities	308,473	—	307,615	858
Equity investments with readily determinable fair value	4,363	4,363	—	—
Interest rate contracts	54,302	—	54,302	—
Mortgage banking derivatives	7	—	7	—
Other derivatives	11,021	—	11,021	—
Liabilities:				
Interest rate contracts	55,622	—	55,622	—
Mortgage banking derivatives	17	—	17	—
Other derivatives	1,379	—	1,351	28

There were no transfers between Levels 1, 2, and 3 during the three and six months ended June 30, 2024 and 2023.

The table below presents a reconciliation and income statement classification of gains (losses) for the municipal security and risk participation agreements measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the three and six months ended June 30, 2024 and 2023:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
	(Dollars in thousands)			
Municipal securities:				
Beginning Balance	$ 819	$ 982	$ 858	$ 943
Change in fair value included in other comprehensive income	(4)	(52)	(43)	(13)
Ending Balance	$ 815	$ 930	$ 815	$ 930
Risk participation agreements:				
Beginning Balance	$ 13	$ 35	$ 28	$ 32
Change in fair value included in income	3	(7)	(12)	(4)
Ending Balance	$ 16	$ 28	$ 16	$ 28

The Company measures certain assets at fair value on a non-recurring basis including collateral-dependent loans, loans held for sale, and OREO. These fair value adjustments result from individually evaluated ACL recognized during the period, application of the lower of cost or fair value on loans held for sale, and the application of fair value less cost to sell on OREO.

Assets measured at fair value on a non-recurring basis are summarized below:

		Fair Value Measurements at the End of the Reporting Period Using		
	June 30, 2024	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	(Dollars in thousands)			
Assets:				
Collateral-dependent loans receivable at fair value:				
CRE loans	$ 4,162	$ —	$ —	$ 4,162
C&I loans	3,924	—	—	3,924
Loans held for sale, net	26,156	—	26,156	—

		Fair Value Measurements at the End of the Reporting Period Using		
	December 31, 2023	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	(Dollars in thousands)			
Assets:				
Collateral-dependent loans receivable at fair value:				
CRE loans	$ 3,475	$ —	$ —	$ 3,475
C&I loans	2,701	—	—	2,701
Loans held for sale, net	2,287	—	2,287	—
OREO	63	—	—	63

For assets measured at fair value on a non-recurring basis, the total net losses, which include charge offs, recoveries, recorded ACL, valuations, and recognized gains and losses on sales are summarized below:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
	(Dollars in thousands)			
Assets:				
Collateral-dependent loans receivable at fair value:				
CRE loans	$ (323)	$ (642)	$ (360)	$ (762)
C&I loans	(2,968)	(11,472)	(2,968)	(11,861)
Loans held for sale, net	(2,854)	—	(2,854)	—
OREO	—	—	—	(271)

Fair Value of Financial Instruments

Carrying amounts and estimated fair values of financial instruments, not previously presented, at June 30, 2024 and December 31, 2023, were as follows:

	June 30, 2024		
	Carrying Amount	Estimated Fair Value	Fair Value Measurement Using
	(Dollars in thousands)		
Financial Assets:			
Cash and cash equivalents	$ 654,044	$ 654,044	Level 1
Investment securities HTM	258,068	237,621	Level 2
Equity investments without readily determinable fair values	39,980	39,980	Level 2
Loans held for sale	68,316	71,014	Level 2
Loans receivable, net	13,410,983	13,000,721	Level 3
Accrued interest receivable	57,645	57,645	Level 2/3
Servicing assets, net	8,984	15,424	Level 3
Customers' liabilities on acceptances	854	854	Level 2
Financial Liabilities:			
Noninterest bearing deposits	$ 3,671,192	$ 3,671,192	Level 2
Money market, interest bearing demand and savings deposits	4,907,860	4,907,860	Level 2
Time deposits	6,132,419	6,133,189	Level 2
FHLB and FRB borrowings	170,000	170,257	Level 2
Convertible notes	444	423	Level 1
Subordinated debentures	108,474	102,980	Level 3
Accrued interest payable	86,779	86,779	Level 2
Acceptances outstanding	854	854	Level 2

	December 31, 2023		
	Carrying Amount	Estimated Fair Value	Fair Value Measurement Using
	(Dollars in thousands)		
Financial Assets:			
Cash and cash equivalents	$ 1,928,967	$ 1,928,967	Level 1
Investment securities HTM	263,912	250,518	Level 2
Equity investments without readily determinable fair values	39,387	39,387	Level 2
Loans held for sale	3,408	3,419	Level 2
Loans receivable, net	13,694,925	13,270,444	Level 3
Accrued interest receivable	61,720	61,720	Level 2/3
Servicing assets, net	9,631	14,853	Level 3
Customers' liabilities on acceptances	471	471	Level 2
Financial Liabilities:			
Noninterest bearing deposits	$ 3,914,967	$ 3,914,967	Level 2
Money market, interest bearing demand and savings deposits	4,872,029	4,872,029	Level 2
Time deposits	5,966,757	5,974,125	Level 2
FHLB and FRB borrowings	1,795,726	1,795,820	Level 2
Convertible notes, net	444	451	Level 1
Subordinated debentures	107,825	99,358	Level 3
Accrued interest payable	168,174	168,174	Level 2
Acceptances outstanding	471	471	Level 2

The Company measures assets and liabilities for its fair value disclosures based on an exit price notion. Although the exit price notion represents the value that would be received to sell an asset or paid to transfer a liability, the actual price received for a sale of assets or paid to transfer liabilities could be different from exit price disclosed. The methods and assumptions used to estimate fair value are described as follows:

The carrying amount was the estimated fair value for cash and cash equivalents, savings and other interest bearing demand deposits, equity investments without readily determinable fair values, customers' and Bank's liabilities on acceptances, noninterest bearing deposits, short-term debt, secured borrowings, and variable rate loans or deposits that reprice frequently and fully. The fair value of loans was determined through a discounted cash flow analysis, which incorporates probability of default and loss given default rates on an individual loan basis. For fixed rate loans, the discount rate used in a discounted cash flow analysis was based on the SOFR Swap Rate. For variable loans, the discount rate started with the underlying index rate and an adjustment was made on certain loans, which considered factors such as servicing costs, capital charges, duration, asset type incremental costs, and use of projected cash flows. Fair values of residential real estate loans included Fannie Mae and Freddie Mac prepayment speed assumptions or a third-party index based on historical prepayment speeds. Fair value of time deposits was based on discounted cash flow analyses using recent issuance rates over the prior three months and a market rate analysis of recent offering rates for retail products. Wholesale time deposit fair values incorporated brokered time deposit offering rates. The fair value of the Company's debt was based on current rates for similar financing with a liquidity premium added to assumed market spreads to reflect exit pricing and the marketability/liquidity costs contained with consummating an orderly transaction. Fair value for the Company's convertible notes was based on the actual last traded price of the notes. The fair value of commitments to fund loans represents fees currently charged to enter into similar agreements with similar remaining maturities and was not presented herein, as the fair value of these financial instruments was not material to the consolidated financial statements.

16. Stockholders' Equity

Total stockholders' equity at June 30, 2024, was $ 2.11 billion, compared with $ 2.12 billion at December 31, 2023.

In January 2022, the Company's Board of Directors approved a share repurchase program that authorized the Company to repurchase up to $ 50.0 million of its common stock, of which an estimated $35.3 million remained available at June 30, 2024. During the six months ended June 30, 2024, the Company did not repurchase any shares of common stock as part of this program (see Part II, Item 2—"Unregistered Sales of Equity Securities and Use of Proceeds" for additional information).

For the three months ended June 30, 2024 and 2023, the Company paid dividends of $ 0.14 per common share. For the six months ended June 30, 2024 and 2023, the Company paid dividends of $0.28 per common share.

The following table presents the changes to accumulated other comprehensive loss for the three and six months ended June 30, 2024 and 2023:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
	(Dollars in thousands)			
Balance at beginning of period	$ (222,278)	$ (214,257)	$ (204,738)	$ (230,857)
Unrealized net (losses) gains on securities available for sale	(9,381)	(31,071)	(23,115)	144
Unrealized net (losses) gains on interest rate contracts used for cash flow hedges	(2,750)	13,653	(10,936)	7,715
Reclassification adjustments for net gains realized in net income	(3,241)	(3,322)	(6,172)	(5,060)
Tax effect	4,520	6,113	11,831	(826)
Other comprehensive (loss) income, net of tax	(10,852)	(14,627)	(28,392)	1,973
Balance at end of period	$ (233,130)	$ (228,884)	$ (233,130)	$ (228,884)

Reclassifications for net gains and losses realized in net income for the three and six months ended June 30, 2024 and 2023, related to net gains on interest rate contracts designated as cash flow hedges and amortization on unrealized losses from transferred investment securities to HTM. Gains and losses on interest rate contracts are recorded in interest expense in the Consolidated Statements of Income. The unrealized holding losses at the date of transfer on securities HTM will continue to be reported, net of taxes, in AOCI as a component of stockholders' equity and will be amortized over the remaining life of the securities as an adjustment of yield, offsetting the impact on yield of the corresponding discount amortization.

For the three and six months ended June 30, 2024, the Company reclassified net gains of $ 3.8 million and $7.6 million on interest rate contracts designated as cash flow hedges, respectively, from other comprehensive loss to net interest income, compared with $4.1 million and $6.9 million for the three and six months ended June 30, 2023, respectively.

For the three and six months ended June 30, 2024, the Company recorded a reclassification adjustment of $ 978 thousand and $1.8 million, respectively, from other comprehensive loss to a reduction of interest income, to amortize transferred unrealized losses to investment securities HTM, compared with $806 thousand and $1.8 million for the three and six months ended June 30, 2023, respectively.

For the three and six months ended June 30, 2024, the Company reclassified net gains of $ 425 thousand and $425 thousand on the sale of investment securities, respectively, from other comprehensive loss to noninterest income, compared with $0 and $0 for the three and six months ended June 30, 2023, respectively.

17. Stock-Based Compensation

In May 2024, the Company's stockholders approved the 2024 Equity Incentive Plan (the "2024 Plan"), which provides for grants of stock options, stock appreciation rights ("SAR"), restricted stock, performance shares, and performance units to non-employee directors and employees of the Company. Stock options may be either incentive stock options ("ISOs"), as defined in Section 422 of the Internal Revenue Code of 1986, as amended (the "Code"), or nonqualified stock options ("NQSOs").

The 2024 Plan provides the Company flexibility to (i) attract and retain qualified non-employee directors, executives, and other key employees with appropriate equity-based awards; (ii) motivate high levels of performance; (iii) recognize employees' contributions to the Company's success; and (iv) align the interests of the participants with those of the Company's stockholders. The 2024 Plan reserved for 4,500,000 shares available for grant to participants. At June 30, 2024, there were 4,500,000 remaining shares available for future grants as no shares have been granted under the 2024 plan. The pool of available shares can be partially replenished for future grants to the extent there are forfeitures, expirations or otherwise terminations of existing equity awards without issuance of the shares underlying such awards. The exercise price for shares under an ISO may not be less than 100% of fair market value on the date the award is granted under the Code. Similarly, under the terms of the 2024 Plan, the exercise price for SARs and NQSOs may not be less than 100% of fair market value on the date of grant. Performance units are awarded to participants at the market price of the Company's common stock on the date of award, after the lapse of the restriction period and the attainment of the performance criteria. All options not exercised generally expire 10 years after the date of grant.

The shares of common stock previously available under the 2019 Incentive Compensation Plan (the "2019 Plan") will no longer be available for future grant.

ISOs, SARs, and NQSOs have vesting periods of three to five years and have 10-year contractual terms. Restricted stock, performance shares, and performance units are granted with a restriction period of not less than one year from the grant date for performance-based awards and not more than three years from the grant date for time-based vesting of grants. Compensation expense for awards is recognized over the vesting period.

With the exception of the shares that are underlying stock options and restricted stock awards, the Board of Directors may choose to settle the awards by paying the equivalent cash value or by delivering the appropriate number of shares.

The following is a summary of the Company's stock option activity under the 2019 Plan for the six months ended June 30, 2024:

	Number of Shares	Weighted-Average Exercise Price Per Share	Weighted-Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value
				(Dollars in thousands)
Outstanding - January 1, 2024	629,367	$ 16.61		
Granted	—	—		
Exercised	—	—		
Expired	(198,136)	15.79		
Forfeited	—	—		
Outstanding - June 30, 2024	431,231	$ 16.99	2.08	$ —
Options exercisable - June 30, 2024	431,231	$ 16.99	2.08	$ —

The following is a summary of the Company's restricted stock and performance unit activity under the 2019 Plan for the six months ended June 30, 2024:

	Number of Shares	Weighted-Average Grant Date Fair Value
Outstanding (unvested) - January 1, 2024	2,043,621	$ 12.09
Granted	34,634	15.49
Vested	(916,262)	12.58
Forfeited	(109,791)	13.82
Outstanding (unvested) - June 30, 2024	1,052,202	$ 11.60

The total fair value of restricted stock and performance units vested during the six months ended June 30, 2024 and 2023, was $ 10.0 million and $8.0 million, respectively.

The total amounts charged against income related to stock-based payment arrangements were $ 1.7 million and $4.4 million for the three and six months ended June 30, 2024, respectively. For the three and six ended June 30, 2023, $3.4 million and $5.7 million, respectively, of stock-based payment arrangements were charged against income. The income tax benefit recognized was approximately $466 thousand and $1.2 million for the three and six months ended June 30, 2024, respectively, compared with $884 thousand and $1.5 million for the three and six months ended June 30, 2023, respectively.

Since all stock option grants were vested at June 30, 2024, there was no unrecognized compensation expense related to non-vested stock option grants. Unrecognized compensation expense related to non-vested restricted stock and performance units at June 30, 2024 was $6.4 million, and is expected to be recognized over a weighted average vesting period of 1.31 years.

18. Regulatory Matters

The Company and the Bank are subject to various regulatory capital requirements administered by the federal and state banking agencies. Failure to meet minimum capital requirements can result in certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a material and adverse effect on the Company's and the Bank's business, financial condition and results of operation, such as restrictions on growth or the payment of dividends or other capital distributions or management fees. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company and the Bank must meet specific capital guidelines that involve quantitative measures of their assets, liabilities and certain off-balance-sheet items as calculated under regulatory accounting practices. The capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

At June 30, 2024, the capital ratios for the Company and the Bank were in excess of all regulatory minimum capital ratios with the addition of the conservation buffer.

On January 1, 2020, the Company adopted ASU 2016-13 and implemented the CECL methodology. In response to the COVID-19 pandemic, federal regulatory agencies published a final rule that provides the option to delay the cumulative effect of the day 1 impact of CECL adoption on regulatory capital, along with 25% of the change in the adjusted allowance for credit losses (as computed for regulatory capital purposes, which excludes purchased credit deteriorated ("PCD") loans), for two years, followed by a three-year phase-in period. The Company has elected the five-year transition period consistent with the final rule issued by the federal regulatory agencies.

At June 30, 2024 and December 31, 2023, the most recent regulatory notification categorized the Bank as "well-capitalized" under the regulatory framework for prompt corrective action. To generally be categorized as "well-capitalized", the Bank must maintain a minimum total capital ratio, Tier 1 capital ratio, common equity Tier 1 capital ratio, and leverage ratio as set forth in the following table. There are no conditions or events since the most recent notification from regulators that management believes has changed the institution's category.

The Company’s and the Bank’s levels and ratios are presented in the tables below for the dates indicated and include the effects of the Company’s election to utilize the five-year transition described above:

June 30, 2024	Actual			Ratio Required for Capital Adequacy Purposes	Ratio Required To Be Well-Capitalized	Ratio Required for Minimum Capital Adequacy With Capital Conservation Buffer
		Amount	Ratio			
	(Dollars in thousands)					
Common equity Tier 1 capital (to risk weighted assets):						
Company	$	1,882,623	12.70 %	4.50 %	N/A	7.00 %
Bank	$	1,961,022	13.23 %	4.50 %	6.50 %	7.00 %
Tier 1 capital (to risk-weighted assets):						
Company	$	1,987,196	13.40 %	6.00 %	N/A	8.50 %
Bank	$	1,961,022	13.23 %	6.00 %	8.00 %	8.50 %
Total capital (to risk-weighted assets):						
Company	$	2,137,513	14.42 %	8.00 %	N/A	10.50 %
Bank	$	2,111,339	14.25 %	8.00 %	10.00 %	10.50 %
Leverage capital (to average assets):						
Company	$	1,987,196	11.61 %	4.00 %	N/A	N/A
Bank	$	1,961,022	11.46 %	4.00 %	5.00 %	N/A

December 31, 2023	Actual			Ratio Required for Capital Adequacy Purposes	Ratio Required To Be Well-Capitalized	Ratio Required for Minimum Capital Adequacy With Capital Conservation Buffer
		Amount	Ratio			
	(Dollars in thousands)					
Common equity Tier 1 capital (to risk weighted assets):						
Company	$	1,869,774	12.28 %	4.50 %	N/A	7.00 %
Bank	$	1,940,303	12.75 %	4.50 %	6.50 %	7.00 %
Tier 1 capital (to risk-weighted assets):						
Company	$	1,973,698	12.96 %	6.00 %	N/A	8.50 %
Bank	$	1,940,303	12.75 %	6.00 %	8.00 %	8.50 %
Total capital (to risk-weighted assets):						
Company	$	2,120,157	13.92 %	8.00 %	N/A	10.50 %
Bank	$	2,086,762	13.71 %	8.00 %	10.00 %	10.50 %
Leverage capital (to average assets):						
Company	$	1,973,698	10.11 %	4.00 %	N/A	N/A
Bank	$	1,940,303	9.94 %	4.00 %	5.00 %	N/A

19. Revenue Recognition

The Company recognizes revenue when obligations under the terms of a contract with customers are satisfied. ASU 2014-09 (Topic 606) does not apply to revenue associated with financial instruments, including revenue from loans and securities. In addition, certain noninterest income streams such as fees associated with mortgage servicing rights, financial guarantees, derivatives, and certain credit card fees are also out of scope of the new guidance. Topic 606 is applicable to noninterest revenue streams such as deposit related fees, wire transfer and foreign currency fees, and certain OREO related net gains or expenses. However, the recognition of these revenue streams for the Company did not change significantly upon adoption of Topic 606. Noninterest revenue streams within the scope of Topic 606 are discussed below.

Service Charges on Deposit Accounts and Wire Transfer Fees

Service charges on noninterest and interest bearing deposit accounts consist of monthly service charges, customer analysis charges, non-sufficient funds ("NSF") charges, and other deposit account related charges. The Company's performance obligation for account analysis charges and monthly service charges is generally satisfied, and the related revenue is recognized, over the period in which the service is provided. NSF charges, other deposit account related charges, and wire transfer fees are transaction based, and therefore the Company's performance obligation is satisfied at the point of the transaction, and related revenue recognized at that point in time. Payment for service charges on deposit accounts is primarily received immediately or in the following month through a direct charge to customers' accounts.

Service charges on deposit accounts and wire transfers are summarized below:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
	(Dollars in thousands)			
Noninterest bearing deposit account income:				
Monthly service charges	$ 244	$ 241	$ 488	$ 486
Customer analysis charges	1,526	1,259	2,949	2,385
NSF charges	805	711	1,619	1,446
Other service charges	75	89	154	180
Total noninterest bearing deposit account income	2,650	2,300	5,210	4,497
Interest bearing deposit account income:				
Monthly service charges	31	25	58	49
Total service fees on deposit accounts	$ 2,681	$ 2,325	$ 5,268	$ 4,546
Wire transfer fee income:				
Wire transfer fees	$ 495	$ 460	$ 758	$ 867
Foreign exchange fees	479	390	1,028	756
Total wire transfer and foreign currency fees	$ 974	$ 850	$ 1,786	$ 1,623

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations (“MD&A”)

The following discussion and analysis should be read in conjunction with Management’s Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the year ended December 31, 2023 and the unaudited consolidated financial statements and notes set forth elsewhere in this Quarterly Report on Form 10-Q.

GENERAL

Hope Bancorp, Inc. is the holding company of Bank of Hope, a multi-regional bank in the United States with $17.38 billion in total assets at June 30, 2024, and headquartered in Los Angeles, California. From its roots as the largest Korean American bank in the United States, Bank of Hope has grown to serve a multi-ethnic population of customers across the nation through its network of branches and loan production offices. The Bank also operates a representative office in Seoul, Korea to serve its growing base of multi-national commercial and consumer customers. The Bank provides a full suite of consumer and commercial loans, deposit accounts and fee-based products and services, including CRE, C&I, SBA, residential mortgage and other consumer lending; treasury management services and trade finance; foreign currency exchange transactions, and interest rate contracts.

At June 30, 2024, Bank of Hope operated 48 full-service branches and loan production offices in California, New York, Texas, Washington, Illinois, New Jersey, Virginia, Georgia, Florida, Alabama, Colorado, and Oregon, as well as a representative office in Seoul, South Korea. Bank of Hope is a California-chartered bank, and its deposits are insured by the FDIC to the extent provided by law. Bank of Hope is an Equal Opportunity Lender.

The Bank’s principal business involves earning interest on loans and investment securities, primarily funded by deposits and borrowings. Operating income and net income are derived primarily from the difference between interest income received from interest earning assets and interest expense paid on interest bearing liabilities and, to a lesser extent, from fees received in connection with servicing loan and deposit accounts, providing fee-based products and services, and income from the sale of loans. Major expenses are the interest paid on deposits and borrowings, provisions for credit losses and general operating expenses, which primarily consist of salaries and employee benefits, occupancy costs, and other operating expenses. Interest rates are highly sensitive to many factors that are beyond our control, such as changes in the national economy and in the related monetary policies of the FRB, inflation, unemployment, consumer spending, political changes, and other events. We cannot predict the impact that these factors and future changes in domestic and foreign economic and political conditions might have on our business, financial condition, and results of operations.

Selected Financial Data

The following tables set forth a performance overview concerning the periods indicated and should be read in conjunction with the unaudited consolidated financial statements and notes set forth elsewhere in this Quarterly Report on Form 10-Q and the following Results of Operations and Financial Condition sections of this MD&A.

	At or for the Three Months Ended June 30,		At or for the Six Months Ended June 30,	
	2024	2023	2024	2023
	(Dollars in thousands, except share and per share data)			
Income Statement Data:				
Interest income	$ 232,601	$ 267,184	$ 492,275	$ 503,861
Interest expense	126,741	136,495	271,368	239,294
Net interest income	105,860	130,689	220,907	264,567
Provision for credit losses	1,400	9,010	4,000	12,330
Net interest income after provision for credit losses	104,460	121,679	216,907	252,237
Noninterest income	11,071	17,014	19,357	27,992
Noninterest expense	80,987	87,223	165,826	175,957
Income before income tax provision	34,544	51,470	70,438	104,272
Income tax provision	9,274	13,448	19,304	27,129
Net income	$ 25,270	$ 38,022	$ 51,134	$ 77,143
Per Share Data:				
Earnings per common share - basic	$ 0.21	$ 0.32	$ 0.42	$ 0.64
Earnings per common share - diluted	$ 0.21	$ 0.32	$ 0.42	$ 0.64
Cash dividends declared per common share	$ 0.14	$ 0.14	$ 0.28	$ 0.28
Book value per common share (period end)	$ 17.49	$ 17.23	$ 17.49	$ 17.23
Tangible common equity ("TCE") per share (period end) (1)	$ 13.61	$ 13.32	$ 13.61	$ 13.32
TCE ratio (period end) (1)	9.72 %	8.04 %	9.72 %	8.04 %
Common Share Count:				
Number of common shares outstanding (period end)	120,731,342	120,014,888	120,731,342	120,014,888
Weighted average shares - basic	120,664,472	119,953,174	120,425,886	119,753,321
Weighted average shares - diluted	120,939,429	120,129,359	120,964,149	120,179,443
Selected Performance Ratios:				
Return on average assets (2)	0.59 %	0.74 %	0.56 %	0.78 %
Return on average stockholders' equity (2)	4.82 %	7.34 %	4.84 %	7.49 %
Return on average tangible equity (1) (2)	6.20 %	9.49 %	6.22 %	9.70 %
Dividend payout ratio (dividends per share/diluted EPS)	66.99 %	44.23 %	66.24 %	43.62 %
Net interest margin (2) (3)	2.62 %	2.70 %	2.58 %	2.85 %
Efficiency ratio (4)	69.26 %	59.05 %	69.02 %	60.14 %

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
	(Dollars in thousands)			
Average Balance Sheet Data:				
Assets	$ 17,256,638	$ 20,468,810	$ 18,198,707	$ 19,781,806
Interest earning cash and deposits at other banks	428,062	1,996,924	1,223,916	1,239,343
Investment securities AFS and HTM	2,175,379	2,243,614	2,246,266	2,246,033
Loans	13,591,936	15,105,212	13,669,078	15,169,939
Deposits	14,536,325	15,752,782	14,699,239	15,777,603
FHLB & FRB borrowings	219,402	2,177,264	951,368	1,431,000
Stockholders' equity	2,097,108	2,072,859	2,111,720	2,059,583

	June 30, 2024	June 30, 2023
	(Dollars in thousands)	
Statement of Financial Condition Data - at Period End:		
Assets	$ 17,375,091	$ 20,366,138
Interest earning cash and deposits at other banks	466,227	2,094,270
Investment securities AFS and HTM	2,172,859	2,186,346
Loans receivable	13,567,002	14,864,810
Deposits	14,711,471	15,619,352
FHLB and FRB borrowings	170,000	2,260,000
Convertible notes and subordinated debentures, net	108,918	107,632
Stockholders' equity	2,111,282	2,067,998
Consolidated Regulatory Capital Ratios (5)		
Common equity Tier 1 capital ratio	12.70 %	11.05 %
Tier 1 capital ratio	13.40 %	11.68 %
Total capital ratio	14.42 %	12.64 %
Leverage ratio (6)	11.61 %	9.57 %
Asset Quality Ratios:		
Allowance for credit losses to loans receivable	1.15 %	1.16 %
Allowance for credit losses to nonaccrual loans	232.85 %	282.43 %
Nonaccrual loans to loans receivable	0.49 %	0.41 %
Nonperforming loans to loans receivable	0.50 %	0.51 %
Nonperforming assets to total assets	0.39 %	0.38 %

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(1) TCE per share, TCE ratio, and return on average tangible equity are non-GAAP financial measures that we believe provide investors with information useful in understanding our operating results and financial condition. A quantitative reconciliation of the most directly comparable GAAP to non-GAAP financial measures is provided on the following page.

(2) Annualized.

(3) Net interest margin is calculated by dividing annualized net interest income by average total interest earning assets.

(4) Efficiency ratio is defined as noninterest expense divided by the sum of net interest income before provision for credit losses and noninterest income.

(5) The ratios generally required to meet the definition of a "well-capitalized" financial institution under certain banking regulations are 5.0% leverage capital ratio, 6.5% common equity tier 1 capital ratio, 8.0% tier 1 capital ratio, and 10.0% total capital ratio.

(6) Calculations are based on quarterly average asset balances.

Non-GAAP Financial Measurements

We provide certain non-GAAP financial measures that we believe provide investors with meaningful supplemental information that is useful in understanding our operating results and financial condition. The methodologies for calculating non-GAAP measures may differ among companies. The following tables reconcile the non-GAAP financial measures used in this Form 10-Q to the most comparable GAAP performance measures.

Tangible book value per common share is calculated by subtracting goodwill and core deposit intangible assets from total stockholders' equity, then dividing the difference by the number of shares of common stock outstanding. TCE ratio is calculated by subtracting goodwill and core deposit intangible assets from total stockholders' equity, then dividing the difference by total assets after subtracting goodwill and core deposit intangible assets.

	June 30, 2024	June 30, 2023
	(Dollars in thousands, except share data)	
Total stockholders' equity	$ 2,111,282	$ 2,067,998
Less: Goodwill and core deposit intangible assets, net	(467,583)	(469,280)
TCE	$ 1,643,699	$ 1,598,718
Total assets	$ 17,375,091	$ 20,366,138
Less: Goodwill and core deposit intangible assets, net	(467,583)	(469,280)
Tangible assets	$ 16,907,508	$ 19,896,858
Common shares outstanding	120,731,342	120,014,888
Tangible book value per common share	$ 13.61	$ 13.32
TCE ratio	9.72 %	8.04 %

Return on average tangible equity is calculated by dividing net income for the period (annualized) by average stockholders' equity for the period after subtracting average goodwill and core deposit intangible assets for the period from average stockholders' equity.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
	(Dollars in thousands)			
Net income	$ 25,270	$ 38,022	$ 51,134	$ 77,143
Average stockholders' equity	$ 2,097,108	$ 2,072,859	$ 2,111,720	$ 2,059,583
Less: Average goodwill and core deposit intangible assets, net	(467,822)	(469,515)	(468,026)	(469,752)
Average tangible equity	$ 1,629,286	$ 1,603,344	$ 1,643,694	$ 1,589,831
Return on average tangible equity (annualized)	6.20 %	9.49 %	6.22 %	9.70 %

Results of Operations

Overview

Net income for the second quarter of 2024 was $25.3 million, or $0.21 per diluted common share, compared with $38.0 million, or $0.32 per diluted common share, for the same period of 2023, which was a decrease of $12.8 million, or 33.5%. The year-over-year decrease in net income was primarily due to decreases in net interest income and noninterest income, offset partially by decreases in the provision for credit losses and noninterest expense.

Net income for the six months ended June 30, 2024, was $51.1 million, or $0.42 per diluted common share, compared with $77.1 million, or $0.64 per diluted share, for the same period of 2023, which was a decrease of $26.0 million, or 33.7%. The decrease in net income was primarily due to decreases in net interest income and noninterest income, offset partially by decreases in noninterest expense and the provision for credit losses.

Net Interest Income and Net Interest Margin

Net Interest Income

A principal component of our earnings is net interest income, which is the difference between the interest and fees earned on loans and investments, and the interest paid on deposits, borrowed funds, and convertible notes. Net interest income expressed as a percentage of average interest earning assets is referred to as the net interest margin. The net interest spread is the yield on average interest earning assets less the cost of average interest bearing liabilities. Net interest income is affected by changes in the balances of interest earning assets and interest bearing liabilities, changes in yields earned on interest earning assets, and changes in rates paid on interest bearing liabilities.

Comparison of Three Months Ended June 30, 2024, with the Three Months Ended June 30, 2023

Net interest income before provision for credit losses was $105.9 million for the second quarter of 2024, compared with $130.7 million for the same period of 2023, a decrease of $24.8 million, or 19.0%. The year-over-year decrease in net interest income was driven by a decrease in the average balances of loans and interest earning cash and deposits at other banks, and an increased cost of deposits, partially offset by a decrease in the average balance of interest bearing liabilities and expanding yields on interest earning assets. The decrease in the average balance of loans reflected elevated payoffs in a high interest rate environment. The decrease in the average balance of interest earning cash and deposits in other banks was attributable to the payoff of FRB BTFP borrowings, which matured in the first half of 2024, with interest earning cash. The year-over-year increases in interest earning asset yields and deposit costs reflected continued increases in market interest rates during the period. The target Federal Funds rate increased to 5.50% at June 30, 2024, up from 5.25% at June 30, 2023, and 4.50% at December 31, 2022.

Comparison of Six Months Ended June 30, 2024, with the Six Months Ended June 30, 2023

Net interest income before provision for credit losses was $220.9 million for the six months ended June 30, 2024, compared with $264.6 million for the same period of 2023, a decrease of $43.7 million, or 16.5%. The year-over-year decrease in net interest income was driven by a higher cost of funds and a decrease in the average balance of interest earning assets, partially offset by expanding yields on interest earning assets and a decrease in the average balance of interest bearing liabilities.

Net Interest Margin

Net interest margin is impacted by the weighted average rates earned on interest earning assets and paid on interest bearing liabilities. The net interest margin for the second quarter of 2024 was 2.62%, a decrease of 8 basis points from 2.70% for the same period of 2023. The net interest margin for the six months ended June 30, 2024, was 2.58%, a decrease of 27 basis points from 2.85% for the same period of 2023. The decrease in net interest margin was primarily due to a higher cost of funds, and a decrease in average loans, partially offset by loan yield expansion, the net impact of paying off FRB BTFP borrowings, which matured in the first half of 2024, and a decrease in average interest bearing deposits.

The weighted average yield on loans increased to 6.20% for the second quarter of 2024, up 21 basis points from 5.99% for the same period of 2023. The weighted average yield on loans increased by 36 basis points to 6.23% for the six months ended June 30, 2024, up from 5.87% for the same period of 2023. The year-over-year increase in average yields was driven by the upward repricing of variable rate loans in a rising interest rate environment. At June 30, 2024, variable interest rate loans made up 44% of the loan portfolio. For the three and six months ended June 30, 2024, the average weighted rate on new loan originations was 7.71% and 7.97%, respectively, compared with 8.37% and 7.92% for the same periods of 2023, respectively.

The weighted average yield on investment securities for the three and six months ended June 30, 2024, was 3.11% and 3.12%, respectively, compared with 2.78% and 2.75% for the same periods of 2023, respectively. The increase in average yields was primarily due to higher rates on new purchases of investment securities, and an upward repricing of variable rate investments. At June 30, 2024, 13% of the investment portfolio consisted of securities with variable coupon rates. The change in yields was also impacted by fluctuations in the overall investment portfolio yield due to the change in pay-down speeds of investment securities.

The weighted average yield on interest earning cash and deposits at other banks for the second quarter of 2024 was 4.96%, a decrease of 12 basis points from 5.08% for the same period of 2023. The weighted average yield on interest earning cash and deposits at other banks for the six months ended June 30, 2024, was 5.33%, an increase of 41 basis points from 4.92% for the same period of 2023. The yield on interest earning cash and deposits at other banks is tied to the Federal Funds rate.

The weighted average cost of deposits for the second quarter of 2024 was 3.39%, an increase of 60 basis points from 2.79% for the same period of 2023. The weighted average cost of deposits for the six months ended June 30, 2024, was 3.37%, an increase of 79 basis points from 2.58% for the same period of 2023. The year-over-year increase in the cost of deposits was driven by rising market interest rates, a remix of deposits into higher-cost categories due to customer preferences for higher rates, and aggressive deposit pricing competition.

The weighted average cost of FHLB and FRB borrowings for the second quarter of 2024 was 2.62%, a decrease of 173 basis points from 4.35% for the same period of 2023. The weighted average cost of FHLB and FRB borrowings for the six months ended June 30, 2024, was 4.08%, a decrease of 19 basis points from 4.27% for the same period of 2023. The year-over-year decrease in the cost of FHLB and FRB borrowings primarily reflected the payoff of $1.70 billion in FRB BTFP borrowings, which had a weighted average rate of 4.47%, and the impact of our cash flow hedges on borrowing costs.

The weighted average cost of convertible notes for the second quarter of 2024 was 2.00%, a decrease of 48 basis points from 2.48% for the same period of 2023. The weighted average cost of convertible notes for the six months ended June 30, 2024 was 2.00%, a decrease of 45 basis points from 2.45% for the same period of 2023. The cost of convertible notes consisted of the 2.00% coupon rate and non-cash interest expense from the capitalization of issuance costs prior to June 30, 2023. The capitalized issuance costs have been fully amortized since June 30, 2023, and the cost is expected to continue to consist solely of the coupon rate going forward.

The weighted average cost of subordinated debentures for the second quarter of 2024 was 10.35%, an increase of 56 basis points from 9.79% for the same period of 2023. The weighted average cost of subordinated debentures for the six months ended June 30, 2024, was 10.38%, an increase of 76 basis points from 9.62% for the same period of 2023. The subordinated debentures have variable interest rates that are tied to the three-month Chicago Mercantile Exchange term Secured Financing Overnight Rate (“SOFR”) rate, and the three-month LIBOR rate prior to LIBOR cessation at June 2023. The cost increased alongside the year-over-year increase in LIBOR and SOFR rates.

The following tables present our consolidated daily average balance of major assets and liabilities, together with interest rates earned and paid on the various sources and uses of funds for the periods indicated:

	Three Months Ended June 30,					
	2024			2023		
	Average Balance	Interest Income/ Expense	Average Yield/ Rate*	Average Balance	Interest Income/ Expense	Average Yield/ Rate*
	(Dollars in thousands)					
INTEREST EARNINGS ASSETS:						
Loans[1] [2]	$ 13,591,936	$ 209,683	6.20 %	$ 15,105,212	$ 225,671	5.99 %
Investment securities AFS and HTM [3]	2,175,379	16,829	3.11 %	2,243,614	15,534	2.78 %
Interest earning cash and deposits at other banks	428,062	5,284	4.96 %	1,996,924	25,295	5.08 %
FHLB stock and other investments	48,463	805	6.68 %	47,044	684	5.83 %
Total interest earning assets	16,243,840	232,601	5.76 %	19,392,794	267,184	5.53 %
Total noninterest earning assets	1,012,798			1,076,016		
Total assets	**$ 17,256,638**			**$ 20,468,810**		
INTEREST BEARING LIABILITIES:						
Deposits:						
Money market, interest bearing demand and savings deposits	$ 4,948,708	$ 48,708	3.96 %	$ 4,495,879	$ 35,051	3.13 %
Time deposits	5,921,201	73,869	5.02 %	6,890,035	74,673	4.35 %
Total interest bearing deposits	10,869,909	122,577	4.54 %	11,385,914	109,724	3.87 %
FHLB and FRB borrowings	219,402	1,430	2.62 %	2,177,264	23,622	4.35 %
Convertible notes, net	444	2	2.00 %	96,621	598	2.48 %
Subordinated debentures, net	104,378	2,732	10.35 %	103,123	2,551	9.79 %
Total interest bearing liabilities	11,194,133	126,741	4.55 %	13,762,922	136,495	3.98 %
Noninterest bearing liabilities and equity:						
Noninterest bearing demand deposits	3,666,416			4,366,868		
Other liabilities	298,981			266,161		
Stockholders’ equity	2,097,108			2,072,859		
Total liabilities and stockholders’ equity	**$ 17,256,638**			**$ 20,468,810**		
Net interest income/net interest spread (not annualized)		**$ 105,860**	1.21 %		**$ 130,689**	1.55 %
Net interest margin			**2.62 %**			**2.70 %**
Cost of deposits			3.39 %			2.79 %

* Annualized

(1) Interest income on loans includes loan fees.

(2) Average balances of loans consist of loans receivable and loans held for sale.

(3) Interest income and yields are not presented on a tax-equivalent basis.

	Six Months Ended June 30,					
	2024			2023		
	Average Balance	Interest Income/ Expense	Average Yield/ Rate*	Average Balance	Interest Income/ Expense	Average Yield/ Rate*
	(Dollars in thousands)					
INTEREST EARNINGS ASSETS:						
Loans[(1) (2)]	$ 13,669,078	$ 423,309	6.23 %	$ 15,169,939	$ 441,606	5.87 %
Investment securities AFS and HTM [(3)]	2,246,266	34,878	3.12 %	2,246,033	30,659	2.75 %
Interest earning cash and deposits at other banks	1,223,916	32,467	5.33 %	1,239,343	30,217	4.92 %
FHLB stock and other investments	48,299	1,621	6.75 %	47,044	1,379	5.91 %
Total interest earning assets	17,187,559	492,275	5.76 %	18,702,359	503,861	5.43 %
Total noninterest earning assets	1,011,148			1,079,447		
Total assets	**$ 18,198,707**			**$ 19,781,806**		
INTEREST BEARING LIABILITIES:						
Deposits:						
Money market, interest bearing demand and savings deposits	$ 5,010,745	$ 98,852	3.97 %	$ 5,043,522	$ 77,276	3.09 %
Time deposits	5,953,351	147,758	4.99 %	6,220,422	124,796	4.05 %
Total interest bearing deposits	10,964,096	246,610	4.52 %	11,263,944	202,072	3.62 %
FHLB and FRB borrowings	951,368	19,283	4.08 %	1,431,000	30,320	4.27 %
Convertible notes, net	444	4	2.00 %	156,535	1,920	2.45 %
Subordinated debentures, net	104,213	5,471	10.38 %	102,958	4,982	9.62 %
Total interest bearing liabilities	12,020,121	271,368	4.54 %	12,954,437	239,294	3.73 %
Noninterest bearing liabilities and equity:						
Noninterest bearing demand deposits	3,735,143			4,513,659		
Other liabilities	331,723			254,127		
Stockholders' equity	2,111,720			2,059,583		
Total liabilities and stockholders' equity	**$ 18,198,707**			**$ 19,781,806**		
Net interest income/net interest spread (not annualized)		**$ 220,907**	1.22 %		**$ 264,567**	1.70 %
Net interest margin			**2.58 %**			**2.85 %**
Cost of deposits			3.37 %			2.58 %

* Annualized

(1) Interest income on loans includes loan fees.

(2) Average balances of loans consist of loans receivable and loans held for sale.

(3) Interest income and yields are not presented on a tax-equivalent basis.

Changes in net interest income are a function of changes in interest rates and volumes of interest earning assets and interest bearing liabilities. The following table sets forth information regarding the changes in interest income and interest expense for the periods indicated. The total change for each category of interest earning assets and interest bearing liabilities is segmented into the change attributable to variations in volume (changes in volume multiplied by the old rate) and the change attributable to variations in interest rates (changes in rates multiplied by the old volume). Nonaccrual loans are included in average loans used to compute this table.

	Three Months Ended June 30, 2024 over June 30, 2023		
	Net Increase (Decrease)	Change due to: Rate	Change due to: Volume
	(Dollars in thousands)		
INTEREST INCOME:			
Loans, including fees	$ (15,988)	$ 7,604	$ (23,592)
Investment securities AFS and HTM	1,295	1,786	(491)
Interest earning cash and deposits at other banks	(20,011)	(565)	(19,446)
FHLB stock and other investments	121	100	21
Total interest income	$ (34,583)	$ 8,925	$ (43,508)
INTEREST EXPENSE:			
Money market, interest bearing demand and savings deposits	$ 13,657	$ 10,582	$ 3,075
Time deposits	(804)	10,535	(11,339)
FHLB and FRB borrowings	(22,192)	(6,804)	(15,388)
Convertible notes, net	(596)	(96)	(500)
Subordinated debentures, net	181	150	31
Total interest expense	$ (9,754)	$ 14,367	$ (24,121)
NET INTEREST INCOME	$ (24,829)	$ (5,442)	$ (19,387)

	Six Months Ended June 30, 2024 over June 30, 2023		
	Net Increase (Decrease)	Change due to: Rate	Change due to: Volume
	(Dollars in thousands)		
INTEREST INCOME:			
Loans, including fees	$ (18,297)	$ 26,407	$ (44,704)
Investment securities AFS and HTM	4,219	4,216	3
Interest earning cash and deposits at other banks	2,250	2,621	(371)
FHLB stock and other investments	242	204	38
Total interest income	$ (11,586)	$ 33,448	$ (45,034)
INTEREST EXPENSE:			
Money market, interest bearing demand and savings deposits	$ 21,576	$ 23,841	$ (2,265)
Time deposits	22,962	28,476	(5,514)
FHLB and FRB borrowings	(11,037)	(1,333)	(9,704)
Convertible notes, net	(1,916)	(299)	(1,617)
Subordinated debentures, net	489	424	65
Total interest expense	$ 32,074	$ 51,109	$ (19,035)
NET INTEREST INCOME	$ (43,660)	$ (17,661)	$ (25,999)

Provision for Credit Losses

The provision for credit losses reflects management's assessment of the current period cost associated with credit risk inherent in the loan portfolio. The provision for credit losses for each period includes provision for credit loss on loans and provision for unfunded loan commitments. Provision for credit loss on loans is dependent upon many factors, including loan growth, net charge offs, changes in the composition of the loan portfolio, delinquencies, assessments by management, examinations of the loan portfolio, the value of the underlying collateral on problem loans, the general economic conditions in our market areas, and future projections of the economy. Specifically, the provision for credit loss on loans represents the amount charged against current period earnings to achieve an allowance for credit losses that, in management's judgment, is adequate to absorb probable lifetime losses inherent in the loan portfolio. Provision for unfunded loan commitments is based on the estimated future funding of loan commitments. Periodic fluctuations in the provision for credit losses result from management's assessment of the adequacy of the allowance for credit losses and allowance for unfunded loan commitments, and actual credit losses may vary in material respects from current estimates. If the allowances are inadequate, we may be required to record additional provisions, which may have a material and adverse effect on business, financial condition, and results of operations.

The provision for credit losses for the second quarter of 2024 was $1.4 million, a decrease of $7.6 million from $9.0 million for the same period of the prior year. Provision for credit losses for the six months ended June 30, 2024, was $4.0 million, a decrease of $8.3 million from $12.3 million in provision for credit losses for the same period of the prior year. The provision for credit losses includes both provision for credit loss on loans and provision for unfunded loan commitments. The year-over-year decreases in provision for credit losses was largely due to the lower provision for credit loss on loans of $1.7 million and $5.3 million for the three and six months ended June 30, 2024, respectively, compared with $8.9 million and $10.6 million for the same periods in 2023, respectively. The provision for credit loss on loans decreased year over year because of a lower provision on individually evaluated loans and lower balances of loans receivable. The recapture of provision for unfunded loan commitments was $300 thousand and $1.3 million for the three and six months ended June 30, 2024, respectively, compared with a provision for unfunded loan commitments of $110 thousand and $1.7 million for the same periods of 2023, respectively. The year-over-year decreases to the provision for unfunded loan commitments was due to lower balances of unfunded loan and trade finance commitments.

The allowance for credit losses coverage ratio was 1.15% of loans receivable at June 30, 2024, compared with 1.16% at June 30, 2023.

See the "Financial Condition" section of this MD&A for additional information and further discussion.

Noninterest Income

Noninterest income is primarily comprised of service fees on deposit accounts, international service fees (fees received on trade finance letters of credit), wire transfer and foreign currency fees, swap fee income, net gains on sales of loans, and other income and fees. Noninterest income for the second quarter of 2024 was $11.1 million, compared with $17.0 million for the same period of 2023, a decrease of $5.9 million, or 34.9%. Noninterest income for the six months ended June 30, 2024, was $19.4 million, compared with $28.0 million for the same period of the prior year, a decrease of $8.6 million, or 30.8%.

Noninterest income by category is summarized in the tables below:

	Three Months Ended June 30,		Increase (Decrease)	
	2024	2023	Amount	Percent (%)
	(Dollars in thousands)			
Service fees on deposit accounts	$ 2,681	$ 2,325	$ 356	15.3 %
International service fees	696	854	(158)	(18.5) %
Wire transfer and foreign currency fees	974	850	124	14.6 %
Swap fees	25	674	(649)	(96.3) %
Net gains on sales of SBA loans	1,980	1,872	108	5.8 %
Net gains on sales of investment securities AFS	425	—	425	100.0 %
Other income and fees	4,290	10,439	(6,149)	(58.9) %
Total noninterest income	$ 11,071	$ 17,014	$ (5,943)	(34.9) %

	Six Months Ended June 30,		Increase (Decrease)	
	2024	2023	Amount	Percent (%)
	(Dollars in thousands)			
Service fees on deposit accounts	$ 5,268	$ 4,546	$ 722	15.9 %
International service fees	1,730	1,942	(212)	(10.9) %
Wire transfer and foreign currency fees	1,786	1,623	163	10.0 %
Swap fees	168	716	(548)	(76.5) %
Net gains on sales of SBA loans	1,980	4,097	(2,117)	(51.7) %
Net gains on sales of investment securities AFS	425	—	425	100.0 %
Other income and fees	8,000	15,068	(7,068)	(46.9) %
Total noninterest income	$ 19,357	$ 27,992	$ (8,635)	(30.8) %

The year-over-year decrease in second quarter noninterest income was primarily driven by lower other income and fees, due to a $5.8 million cash distribution gain from investment in an affordable housing partnerships in the year-ago quarter that did not recur in the current year. For the six months ended June 30, 2024, the decrease was additionally attributable to lower gains on sales of SBA loans, compared with the same period of 2023.

The Bank resumed the sales of SBA guaranteed loans in the second quarter of 2024 due to improved conditions in the secondary markets, after retaining loan production on balance sheet starting in the second half of 2023. During the three and six months ended June 30, 2024, we sold $29.8 million in SBA guaranteed loans and recorded $2.0 million in net gains on sale of SBA loans. This compares with net gains of $1.9 million and $4.1 million, respectively, on SBA guaranteed loans sold of $38.4 million and $79.1 million, respectively, for the three and six months ended June 30, 2023.

Swap fee income represents fees earned from back to back swap transactions for our loan customers. The number of swap transactions and their total notional amounts decreased in 2024 which has resulted in a decrease in swap fee income for the three and six months ended June 30, 2024, compared with the same periods in 2023.

During the second quarter of 2024, investment securities AFS with a total book value of $92.2 million were sold at a net gain of $425 thousand. There were no investments sold during the first quarter of 2024, as well as the three and six months ended June 30, 2023.

During the three and six months ended June 30, 2023, other income and fees included a $5.8 million gain from a cash distribution from an investment in an affordable housing partnership, which did not recur in the same periods of 2024. During the three and six months ended June 30, 2023, other income and fees also included $315 thousand and $815 thousand, respectively, in fee income from our investment services line that was eliminated after 2023 due to the restructuring, and a gain of $169 thousand and $405 thousand, respectively, on debt extinguishment from our repurchase of convertible notes, neither of which recurred in the same periods of 2024.

Noninterest Expense

Noninterest expense for the second quarter of 2024 was $81.0 million, a decrease of $6.2 million, or 7.1%, from $87.2 million for the second quarter of 2023. Noninterest expense for the six months ended June 30, 2024, was $165.8 million, a decrease of $10.1 million, or 5.8%, from $176.0 million for the same period of the prior year.

The breakdown of changes in noninterest expense by category is shown in the following tables:

	Three Months Ended June 30,		Increase (Decrease)	
	2024	2023	Amount	Percent (%)
	(Dollars in thousands)			
Salaries and employee benefits	$ 44,107	$ 52,305	$ (8,198)	(15.7) %
Occupancy	6,906	6,967	(61)	(0.9) %
Furniture and equipment	5,475	5,393	82	1.5 %
Data processing and communications	2,997	2,917	80	2.7 %
Professional fees	2,191	1,416	775	54.7 %
Amortization of investments in affordable housing partnerships	2,284	1,912	372	19.5 %
FDIC assessments	3,003	4,691	(1,688)	(36.0) %
FDIC special assessment	(309)	—	(309)	100.0 %
Earned interest credit expense	6,139	5,090	1,049	20.6 %
Restructuring-related costs	576	—	576	100.0 %
Merger-related costs	1,589	—	1,589	100.0 %
Other noninterest expense	6,029	6,532	(503)	(7.7) %
Total noninterest expense	$ 80,987	$ 87,223	$ (6,236)	(7.1) %

	Six Months Ended June 30,		Increase (Decrease)	
	2024	2023	Amount	Percent (%)
	(Dollars in thousands)			
Salaries and employee benefits	$ 91,684	$ 109,474	$ (17,790)	(16.3) %
Occupancy	13,692	14,488	(796)	(5.5) %
Furniture and equipment	10,815	10,451	364	3.5 %
Data processing and communications	5,987	5,739	248	4.3 %
Professional fees	4,710	2,959	1,751	59.2 %
Amortization of investments in affordable housing partnerships	4,417	3,628	789	21.7 %
FDIC assessments	5,929	6,472	(543)	(8.4) %
FDIC special assessment	691	—	691	100.0 %
Earned interest credit expense	11,973	9,517	2,456	25.8 %
Restructuring-related costs	978	—	978	100.0 %
Merger-related costs	2,633	—	2,633	100.0 %
Other noninterest expense	12,317	13,229	(912)	(6.9) %
Total noninterest expense	$ 165,826	$ 175,957	$ (10,131)	(5.8) %

The year-over-year decrease in noninterest expense for the three and six months ended June 30, 2024 compared with the same periods in 2023, was primarily driven by lower salaries and employee benefits expense and FDIC assessment expense, excluding FDIC special assessment expense, partially offset by merger-related costs, restructuring-related costs and higher earned interest credits expense.

Salaries and employee benefits expense decreased $8.2 million, or 15.7%, for the second quarter of 2024, compared with the same period of 2023, and decreased $17.8 million, or 16.3%, for the six months ended June 30, 2024, compared with the same period in 2023. The year-over-year decrease in salaries and employee benefits reflected headcount reductions related to the Company’s restructuring in late 2023. The number of full-time equivalent employees decreased to 1,238 at June 30, 2024, down from 1,469 at June 30, 2023.

FDIC assessments expense decreased by $1.7 million, or 36.0%, for the second quarter of 2024, compared with the same period of 2023, and decreased $543 thousand or 8.4% for the six months ended June 30, 2024, compared with the same period in 2023. The FDIC assessment expense utilizes an initial base assessment rate, which is calculated as a percentage of the Bank’s average consolidated total assets less average tangible equity. In addition to the initial assessment base, adjustments are added based upon the Bank’s regulatory rating and on other financial measures. In 2023, the FDIC annual base assessment rate increased by two basis points industry-wide. In addition, in November 2023, the FDIC approved a special assessment at the rate of approximately 13.4 basis points per year, paid in eight quarterly installments beginning in the first quarter of 2024. This rate was applied to an assessment base of the insured depository institution’s estimated uninsured deposits reported as of December 31, 2022, adjusted to exclude the first $5 billion in estimated uninsured deposits. In February 2024, the FDIC informed banks of an increase from the original estimate related to this special assessment. This additional amount is expected to be paid in two additional quarterly installments, at a rate of approximately 9.4 basis points per year on the same adjusted assessment base. The decrease in FDIC assessments expense for the three and six months ended June 30, 2024, compared with the same periods in 2023, was due primarily to lower average consolidated total assets and a lower assessment base.

Earned interest credits are provided to certain commercial depositors to help offset deposit service charges incurred. The earned interest credits are tied to short-term interest rates and have increased with the increases in the Federal Funds rate since mid-2022. Earned interest credit expense increased to $6.1 million for the second quarter of 2024, compared with $5.1 million for the same period in 2023, and increased to $12.0 million for the six months ended June 30, 2024, compared with $9.5 million in the year-ago period.

Restructuring-related costs of $576 thousand and $978 thousand for the three and six months ended June 30, 2024, respectively, primarily reflect professional fees related to the Company’s strategic reorganization announced in October 2023.

Merger-related costs of $1.6 million and $2.6 million for the three and six months ended June 30, 2024, respectively, primarily relate to professional fees for the definitive merger agreement with Territorial Bancorp, Inc. announced in April 2024. See Note 1—“Hope Bancorp, Inc.” for additional information regarding the merger.

Provision for Income Taxes

Income tax provision expense was $9.3 million and $19.3 million for the three and six months ended June 30, 2024, respectively, compared with $13.4 million and $27.1 million for the same periods of 2023, respectively. The effective income tax rate for the three and six months ended June 30, 2024, was 26.85% and 27.41%, respectively, compared with 26.13% and 26.02% for the same periods of 2023, respectively.

We invest in affordable housing partnerships and receive CRA credits and tax credits that reduce our overall effective tax rate. Amortization of investments in affordable housing partnerships is recorded in noninterest expense based on benefit schedules of individual investment projects under the equity method of accounting. The benefit schedules show tax deductions investors can take each year. We amortize the initial cost of the investments in affordable housing partnerships. This amortization expense is more than offset by both tax credits received, which reduce our tax provision expense dollar for dollar, and the tax benefits related to any tax losses generated through the affordable housing project’s expenditures. For the three and six months ended June 30, 2024, total tax credits related to our investment in affordable housing partnerships were approximately $2.1 million and $4.3 million, respectively. This compares with approximately $2.0 million and $4.0 million in tax credits related to our investment in affordable housing partnerships for the same periods in 2023, respectively. The balance of investments in affordable housing partnerships increased to $50.1 million at June 30, 2024, from $44.0 million at June 30, 2023.

Financial Condition

At June 30, 2024, total assets were $17.38 billion, a decrease of $1.76 billion, or 9.2%, from $19.13 billion at December 31, 2023. The decrease in total assets was primarily due to decreases in cash and cash equivalents, which were used to pay off $1.70 billion of FRB BTFP borrowings, followed by smaller decreases in loans receivable and investment securities during the six months ended June 30, 2024.

Cash and Cash Equivalents

Cash and cash equivalents of $654.0 million at June 30, 2024, was down from $1.93 billion at December 31, 2023, primarily reflecting the full payoff of $1.70 billion of FRB BTFP borrowings with interest earning cash in the six months ended June 30, 2024.

Investment Securities Portfolio

At June 30, 2024, we had $1.91 billion in investment securities AFS, compared with $2.15 billion at December 31, 2023. The net unrealized loss on the investment securities AFS at June 30, 2024, was $308.3 million, compared with a net unrealized loss on securities AFS of $284.7 million at December 31, 2023. The year-to-date increase in net unrealized loss position reflected movements in market interest rates. At June 30, 2024, we had $258.1 million in investment securities HTM, compared with $263.9 million at December 31, 2023. We have the ability and intent to hold securities classified as HTM to maturity.

During the six months ended June 30, 2024, $80.3 million in investment securities were purchased, $79.6 million in investment securities were paid down, $121.7 million in investment securities matured and were called, and $92.6 million in investment securities AFS were sold.

We performed an analysis on our investment securities in unrealized loss positions at June 30, 2024 and December 31, 2023, and determined that an allowance for credit losses was not required for investment securities AFS or HTM. The majority of our investment portfolio consists of securities issued by U.S. Government agencies or U.S. Government sponsored enterprises, which were determined to have a zero loss expectation. At June 30, 2024, we also had one asset-backed security, six corporate securities, and 73 municipal bonds not issued by U.S. Government agencies or U.S. Government sponsored enterprises that were in unrealized loss positions. Based on our analysis of these investment securities, we concluded a credit loss did not exist due to the strength of the issuers, high bond ratings, and because full payment of principal and interest is expected.

Equity Investments

Total equity investments include equity investments with readily determinable fair values and equity investments without readily determinable fair values. Equity investments at June 30, 2024, totaled $44.3 million, an increase of $528 thousand, or 1.2%, from $43.8 million at December 31, 2023.

At June 30, 2024 and December 31, 2023, total equity investments with readily determinable fair values totaled $4.3 million and $4.4 million, respectively, consisting of mutual funds. Changes to the fair value of equity investments with readily determinable fair values is recorded in other noninterest income.

We also had $40.0 million and $39.4 million in equity investments without readily determinable fair values at June 30, 2024 and December 31, 2023, respectively. At June 30, 2024, equity investments without readily determinable fair values included $38.6 million in CRA investments, $1.0 million in CDFI investments, and $370 thousand in correspondent bank stock. Equity investments without readily determinable fair values are carried at cost, less impairment, and adjustments are made to the carrying balance based on observable price changes. There were no impairments or observable price changes for equity investments without readily determinable fair values during the six months ended June 30, 2024 and 2023.

Loans Held For Sale

Loans held for sale at June 30, 2024, totaled $68.3 million, compared with $3.4 million at December 31, 2023. Loans held for sale at June 30, 2024, comprised $40.2 million in SBA loans, $2.0 million in residential mortgage loans, and $26.2 million in other C&I loans. At December 31, 2023, loans held for sale consisted of $1.1 million in residential mortgage loans and $2.3 million in other loans. During the six months ended June 30, 2024, we sold $65.6 million in loans, consisting of $29.8 million in SBA loans, $12.1 million in residential mortgage loans, and $23.7 million in other loans.

Loans Receivable

At June 30, 2024, loans receivable totaled $13.57 billion, a decrease of $286.6 million, or 2.1%, from $13.85 billion at December 31, 2023. The following table summarizes our loan portfolio by amount and percentage of total loans outstanding in each loan segment as of the dates indicated:

	June 30, 2024		December 31, 2023	
	Amount	Percent (%)	Amount	Percent (%)
	(Dollars in thousands)			
Loan portfolio composition				
CRE loans	$ 8,679,515	64 %	$ 8,797,884	64 %
C&I loans	3,854,284	28 %	4,135,044	30 %
Residential mortgage loans	996,601	8 %	883,687	6 %
Consumer and other loans	36,602	— %	37,004	— %
Total loans receivable, net of deferred costs and fees	13,567,002	100 %	13,853,619	100 %
Allowance for credit losses	(156,019)		(158,694)	
Loans receivable, net of allowance for credit losses	$ 13,410,983		$ 13,694,925	

The year-to-date decrease in our total loans receivable was primarily due to declines in C&I and CRE loans as loan payoffs, paydowns and sales exceeded new origination volume, reflecting, in part, elevated payoffs of commercial loans in a high interest rate environment. These decreases were partially offset by growth in residential mortgage loans over the same period.

Lines of credit or loan commitments to business customers are not normally made for periods longer than one year. The same credit policies are used in making commitments and conditional obligations as for providing loan facilities to customers. Annual reviews of such commitments are performed prior to renewal.

The following table shows loan commitments and letters of credit outstanding as of the dates indicated:

	June 30, 2024	December 31, 2023
	(Dollars in thousands)	
Commitments to extend credit	$ 2,060,656	$ 2,274,239
Standby letters of credit	137,487	132,132
Other commercial letters of credit	24,925	51,983
Total loan commitments and letters of credit	$ 2,223,068	$ 2,458,354

Nonperforming Assets

Nonperforming assets, which consist of nonaccrual loans, accruing delinquent loans past due 90 days or more, and OREO, totaled $67.3 million at June 30, 2024, compared with $45.5 million at December 31, 2023. The increase in nonperforming loans was largely driven by an increase in C&I nonaccrual loans. The ratio of nonperforming assets to total assets increased to 0.39% at June 30, 2024, compared with 0.24% at December 31, 2023. Nonaccrual loans to loans receivable was 0.49% at June 30, 2024, compared with 0.33% at December 31, 2023.

The following table summarizes the composition of our nonperforming assets as of the dates indicated:

	June 30, 2024	December 31, 2023
	(Dollars in thousands)	
Nonaccrual loans [1]	$ 67,003	$ 45,204
Accruing delinquent loans past due 90 days or more	273	261
Total nonperforming loans	67,276	45,465
OREO	—	63
Total nonperforming assets	$ 67,276	$ 45,528
Nonaccrual loans to loans receivable	0.49 %	0.33 %
Nonperforming loans to loans receivable	0.50 %	0.33 %
Nonperforming assets to total assets	0.39 %	0.24 %
Allowance for credit losses to nonaccrual loans	232.85 %	351.06 %
Allowance for credit losses to nonperforming loans	231.91 %	349.05 %
Allowance for credit losses to nonperforming assets	231.91 %	348.56 %

(1) Nonaccrual loans exclude the guaranteed portion of delinquent SBA loans that are in liquidation totaling $11.2 million at June 30, 2024, and $11.4 million at December 31, 2023.

Allowance for Credit Losses

The ACL was $156.0 million at June 30, 2024, compared with $158.7 million at December 31, 2023. The ACL was 1.15% and 1.15% of loans receivable at June 30, 2024 and December 31, 2023, respectively. The ACL to loans receivable ratio does not include discount on acquired loans. Total discount on acquired loans at June 30, 2024 and December 31, 2023, totaled $3.9 million and $5.7 million, respectively.

The third-party economic forecast used in the calculation at June 30, 2024, improved slightly relative to the forecast used at December 31, 2023. The updated macroeconomic forecast projected a higher near-term GDP growth and CRE price index, but a more moderated growth in GDP and CRE price index in the mid-term. Overall ACL coverage at June 30, 2024, remained unchanged compared with December 31, 2023.

The following table reflects the allocation of the ACL by loan segment and the ratio of total ACL to total loans as of the dates indicated:

	June 30, 2024	December 31, 2023
	(Dollars in thousands)	
CRE loans	$ 95,643	$ 93,940
C&I loans	56,014	51,291
Residential mortgage loans	3,909	12,838
Consumer and other loans	453	625
Total	$ 156,019	$ 158,694
Allowance for credit losses to loans receivable	1.15 %	1.15 %

The ACL coverage ratio at June 30, 2024, remained unchanged from 1.15% at December 31, 2023. The decrease in total ACL at June 30, 2024, compared with December 31, 2023, consisted of a decrease in ACL for collectively evaluated loans, partially offset by an increase in ACL for individually evaluated loans. The decrease in ACL on residential mortgage loans at June 30, 2024, compared with December 31, 2023, was primarily due to model enhancements made to the CECL model for residential loans during the second quarter of 2024. The updated model takes into greater account property values when estimating losses for collectively evaluated residential mortgage loans and the coverage ratios for these loans are now more in line with industry averages. During the second quarter of 2024, the owner-occupied CRE CECL model was also enhanced, to place greater importance on the underlying income from the lenders' businesses. This resulted in increased estimated losses, increasing the ACL on CRE loans, which was partially offset by the decrease in CRE loans outstanding year-to-date. ACL on C&I loans increased, reflecting changes in macroeconomic variables projected for 2025 and 2026.

The following table presents the provisions for credit losses on loans, the amount of loans charged off, and the recoveries on loans previously charged off, together with the balance of the ACL at the beginning and end of each period, the balance of average loans and loans receivable outstanding, and related ratios at the dates and for the periods indicated:

	At or for the Three Months Ended June 30,		At or for the Six Months Ended June 30,	
	2024	2023	2024	2023
	(Dollars in thousands)			
LOANS:				
Average loans	$ 13,591,936	$ 15,105,212	$ 13,669,078	$ 15,169,939
Loans receivable (end of period)	$ 13,567,002	$ 14,864,810	$ 13,567,002	$ 14,864,810
ALLOWANCE:				
Balance, beginning of period	$ 158,758	$ 163,544	$ 158,694	$ 162,359
Less loan charge offs:				
CRE loans	(520)	(561)	(558)	(561)
C&I loans	(5,972)	(298)	(10,591)	(738)
Consumer and other loans	(46)	(120)	(109)	(175)
Total loan charge offs	(6,538)	(979)	(11,258)	(1,474)
Plus loan recoveries:				
CRE loans	6	123	541	192
C&I loans	2,072	1,389	2,619	1,673
Consumer and other loans	21	19	123	53
Total loan recoveries	2,099	1,531	3,283	1,918
Net loan charge offs (recoveries)	(4,439)	552	(7,975)	444
ASU 2022-02 day 1 adjustment	—	—	—	(407)
Provision for credit losses on loans	1,700	8,900	5,300	10,600
Balance, end of period	$ 156,019	$ 172,996	$ 156,019	$ 172,996
Net loan charge offs (recoveries) to average loans*	0.13 %	(0.01)%	0.12 %	(0.01)%
Allowance for credit losses to loans receivable at end of period	1.15 %	1.16 %	1.15 %	1.16 %

* Annualized

Net loan charge offs as a percentage of average loans were 0.13% and 0.12%, annualized, for the three and six months ended June 30, 2024, respectively, compared with an annualized net recovery ratio of 0.01% and 0.01%, respectively, for the same periods in 2023. Net loan charge offs for the three and six months ended June 30, 2024, primarily reflected C&I loan net charge offs of $3.9 million and $8.0 million, respectively.

We believe the ACL at June 30, 2024, was adequate to absorb current expected lifetime losses in the loan portfolio. However, there is no assurance that actual losses will not exceed the current estimated credit losses. Among other things, if the effects of the 2023 banking industry disruption, rising or continued elevated levels of inflation, potential economic recession, and the wars in the Gaza Strip and Ukraine are worse than we currently expect, or if the effects are prolonged, actual losses could exceed the estimated credit losses, which could have a material and adverse effect on our financial condition and results of operations.

At June 30, 2024, we had $48.0 million in accrued interest receivables on loans, compared with $49.3 million at December 31, 2023.

Investments in Affordable Housing Partnerships

At June 30, 2024, we had $50.1 million in investments in affordable housing partnerships, compared with $54.5 million at December 31, 2023. The decrease in investments in affordable housing partnerships reflected amortization during the six months ended June 30, 2024. Commitments to fund investments in affordable housing partnerships totaled $18.3 million at June 30, 2024, compared with $21.0 million at December 31, 2023.

OREO

At June 30, 2024, OREO, net, totaled $0 compared with $63 thousand at December 31, 2023. During the six months ended June 30, 2024, there were no loans transferred to OREO and we sold one OREO property with a carrying balance of $63 thousand. OREO are presented on the balance sheet net of OREO valuation allowances.

Deposits, Borrowings, Convertible Notes, and Subordinated Debentures

Deposits

Deposits are our primary source of funds used in lending and investment activities. At June 30, 2024, total deposits were $14.71 billion, a decrease of $42.3 million, or 0.3%, from $14.75 billion at December 31, 2023. Demand deposits decreased $243.8 million during the six months ended June 30, 2024, while time deposits increased $165.7 million, and money market, NOW accounts, and savings deposits increased $35.8 million during the six months ended June 30, 2024. Year-to-date, total deposits were essentially stable, with growth in customer deposits nearly offsetting planned reductions of brokered time deposits.

At June 30, 2024, 24.9% of total deposits were noninterest bearing demand deposits, 41.7% were time deposits, and 33.4% were interest bearing money market, NOW accounts, and savings deposits. At December 31, 2023, 26.5% of total deposits were noninterest bearing demand deposits, 40.5% were time deposits, and 33.0% were interest bearing money market, NOW accounts, and savings deposits.

At June 30, 2024, we had $1.36 billion in brokered deposits and $300.0 million in California State Treasurer deposits, compared with $1.54 billion in brokered deposits and $300.0 million in California State Treasurer deposits at December 31, 2023. The California State Treasurer time deposits at June 30, 2024, had original maturities of six months, a weighted average interest rate of 5.33%, and were collateralized with securities with a total fair value of $207.2 million and a $150.0 million letter of credit issued by the FHLB. At June 30, 2024, time deposits of more than $250 thousand totaled $2.56 billion, compared with $2.24 billion at December 31, 2023.

The Bank’s estimated insured deposits at June 30, 2024, were equivalent to approximately 62% of the Bank’s total deposits, the ratio being unchanged from December 31, 2023. The Bank’s estimated uninsured deposits at June 30, 2024, totaled $5.63 billion (38% of deposits), a decrease from $5.67 billion (38% of deposits) at December 31, 2023. Uninsured deposits are estimated based on the portion of account balances in excess of FDIC insurance limits.

The following is a schedule of time deposit maturities at June 30, 2024:

	June 30, 2024	
	Balance	Percent (%)
	(Dollars in thousands)	
Three months or less	$ 1,559,278	25 %
Over three months through six months	2,091,302	34 %
Over six months through nine months	1,394,986	23 %
Over nine months through twelve months	908,611	15 %
Over twelve months	178,242	3 %
Total time deposits	$ 6,132,419	100 %

FHLB and FRB Borrowings and Other Borrowings

We utilize FHLB and FRB borrowings as a secondary source of funds in addition to deposits, which we consider our primary source of funds. FHLB advances are typically secured by pledged loans and/or securities with a market value at least equal to the outstanding advances plus our investment in FHLB stock. At June 30, 2024, borrowings totaled $170.0 million, consisting of $100.0 million in FHLB borrowings and $70.0 million in FRB borrowings, compared with $1.80 billion in borrowings at December 31, 2023, consisting of $100.0 million in FHLB borrowings and $1.70 billion in FRB borrowings. At June 30, 2024 and December 31, 2023, the weighted average remaining maturity of total FHLB and FRB borrowings was less than two months and three months, respectively. The weighted average rate for FHLB and FRB borrowings were 5.61% and 5.50%, respectively, at June 30, 2024, compared to 5.73% and 4.47% for FHLB and FRB borrowings at December 31, 2023. We fully paid off $1.70 billion in BTFP borrowings in the six months ended June 30, 2024, resulting in cash and cash equivalent levels decreasing to $654.0 million at June 30, 2024, from $1.93 billion at December 31, 2023.

We did not have federal funds purchased at June 30, 2024, and December 31, 2023.

Convertible Notes

In 2018, we issued $217.5 million aggregate principal amount of 2.00% convertible senior notes maturing on May 15, 2038, in a private offering to qualified institutional buyers under Rule 144A of the Securities Act of 1933. The convertible notes were issued as part of our plan to repurchase common stock and pay interest on a semi-annual basis. The net carrying balance of convertible notes at both June 30, 2024 and December 31, 2023, was $444 thousand. In 2023, we repurchased notes in the aggregate principal amount of $19.9 million and recorded a gain on debt extinguishment of $405 thousand. The repurchased notes were immediately cancelled subsequent to repurchase. On May 15, 2023, most holders of our convertible notes exercised their right to put their notes and therefore we paid off $197.1 million of convertible note principal in cash. No notes were repurchased or paid off in the six months ended June 30, 2024.

Subordinated Debentures

Trust preferred securities accrue and pay distributions periodically at specified annual rates as provided in the related indentures for the securities. The trusts used the net proceeds from their respective offerings to purchase a like amount of subordinated debentures issued by us. The subordinated debentures are the sole assets of the trusts. Our obligations under the subordinated debentures and related documents, taken together, constitute a full and unconditional guarantee by us of the obligations of the trusts. The subordinated debentures totaled $108.5 million at June 30, 2024, and $107.8 million at December 31, 2023. The trust preferred securities are mandatorily redeemable upon the maturity of the subordinated debentures, or upon earlier redemption as provided in the indentures. We have the right to redeem the subordinated debentures in whole (but not in part) on or after specific dates, at a redemption price specified in the indentures plus any accrued but unpaid interest to the redemption date (see Note 10—“Convertible Notes and Subordinated Debentures” for additional information regarding the subordinated debentures issued).

Off-Balance-Sheet Activities and Contractual Obligations

We routinely engage in activities that involve, to varying degrees, elements of risk that are not reflected, in whole or in part, in the consolidated financial statements. These activities are part of our normal course of business and include traditional off-balance-sheet credit-related financial instruments, interest rate swap contracts, foreign exchange contracts, and long-term debt.

Traditional off-balance-sheet credit-related financial instruments are primarily commitments to extend credit and standby letters of credit. These activities could require us to make cash payments to third parties if certain specified future events occur. The contractual amounts represent the extent of our exposure in these off-balance-sheet activities. These activities are necessary to meet the financing needs of our customers.

We enter into interest rate contracts under which we are required to either receive cash from or pay cash to counterparties depending on changes in interest rates. We utilize interest rate contracts, interest rate floors, and interest rate caps to help manage the risk of changing interest rates. We also sell interest rate contracts to certain adjustable rate commercial loan customers to fix the interest rate on their floating rate loans. When the fixed rate interest rate contract is originated with the customer, an identical offsetting interest rate contract is also entered into by us with a correspondent bank.

We have outstanding risk participation agreements that are part of syndicated loan transactions that we participated in as a means to earn additional fee income. Risk participation agreements are credit derivatives not designated as hedges, in which we share in the risk related to the interest rate swap on participated loans. Credit derivatives are not speculative and are not used to manage interest rate risk in assets or liabilities.

We enter into various stand-alone mortgage-banking derivatives in order to hedge the risk associated with the fluctuation of interest rates. The first type of derivative, an interest rate lock commitment, is a commitment to originate loans whereby the interest rate on the loan is determined prior to funding. To mitigate interest rate risk on these rate lock commitments, we also enter into forward commitments, or commitments to deliver residential mortgage loans on a future date, which are also considered derivatives. The net change in the fair value of derivatives represents income recorded from changes in fair value for these mortgage derivative instruments.

We do not anticipate that our current off-balance-sheet activities will have a material impact on our future results of operations or our financial condition. Further information regarding our financial instruments with off-balance-sheet risk can be found in Item 3 “Quantitative and Qualitative Disclosures about Market Risk.”

Stockholders’ Equity and Regulatory Capital

Historically, our primary source of capital has been the retention of earnings, net of interest payments on subordinated debentures and convertible notes and dividend payments to stockholders. We seek to maintain capital at a level sufficient to assure our stockholders, customers, and regulators that Hope Bancorp and the Bank are financially sound. For this purpose, we perform ongoing assessments of capital related risks, components of capital, as well as projected sources and uses of capital in conjunction with projected increases in assets and levels of risks.

Total stockholders’ equity was $2.11 billion at June 30, 2024, compared with $2.12 billion at December 31, 2023. During the six months ended June 30, 2024, stockholders’ equity decreased by $10.0 million due to dividends paid of $33.7 million and an increase in accumulated other comprehensive loss of $28.4 million, partially offset by net income earned of $51.1 million, and an increase in additional paid-in capital consisting of $1.0 million in stock-based compensation. The increase in accumulated other comprehensive loss from December 31, 2023 to June 30, 2024, reflected an increase in unrealized losses on our investment securities AFS and a decrease in net unrealized gains on our cash flow hedges due to changes in market interest rates.

In January 2022, our Board of Directors approved a stock repurchase plan that authorized management to repurchase up to $50.0 million of common stock. Stock repurchases through the plan may be executed through various means, including, without limitation, open market transactions, privately negotiated transactions or by other means as determined by management and in accordance with SEC rules and regulations. We had $35.3 million remaining of the $50.0 million stock repurchase plan at both June 30, 2024 and December 31, 2023.

At June 30, 2024 and December 31, 2023, the most recent regulatory notification generally categorized the Bank as "well capitalized" under the general regulatory framework for Prompt Corrective Action. To be generally categorized as "well-capitalized" the Bank must maintain the common equity Tier 1 capital, total capital, Tier 1 capital, and Tier 1 leverage capital ratios as set forth in the tables below.

	June 30, 2024			
	Actual		Ratio Required To Be Well-Capitalized	Excess Over Well-Capitalized
	Amount	Ratio		
	(Dollars in thousands)			
Hope Bancorp, Inc.				
Common equity tier 1 capital (to risk-weighted assets)	$ 1,882,623	12.70 %	N/A	N/A
Tier 1 capital (to risk-weighted assets)	$ 1,987,196	13.40 %	N/A	N/A
Total capital (to risk-weighted assets)	$ 2,137,513	14.42 %	N/A	N/A
Leverage capital (to average assets)	$ 1,987,196	11.61 %	N/A	N/A
Bank of Hope				
Common equity tier 1 capital (to risk-weighted assets)	$ 1,961,022	13.23 %	6.50 %	6.73 %
Tier 1 capital (to risk-weighted assets)	$ 1,961,022	13.23 %	8.00 %	5.23 %
Total capital (to risk-weighted assets)	$ 2,111,339	14.25 %	10.00 %	4.25 %
Leverage capital (to average assets)	$ 1,961,022	11.46 %	5.00 %	6.46 %

	December 31, 2023			
	Actual		Ratio Required To Be Well-Capitalized	Excess Over Well-Capitalized
	Amount	Ratio		
	(Dollars in thousands)			
Hope Bancorp, Inc.				
Common equity tier 1 capital (to risk-weighted assets)	$ 1,869,774	12.28 %	N/A	N/A
Tier 1 capital (to risk-weighted assets)	$ 1,973,698	12.96 %	N/A	N/A
Total capital (to risk-weighted assets)	$ 2,120,157	13.92 %	N/A	N/A
Leverage capital (to average assets)	$ 1,973,698	10.11 %	N/A	N/A
Bank of Hope				
Common equity tier 1 capital (to risk-weighted assets)	$ 1,940,303	12.75 %	6.50 %	6.25 %
Tier 1 capital (to risk-weighted assets)	$ 1,940,303	12.75 %	8.00 %	4.75 %
Total capital (to risk-weighted assets)	$ 2,086,762	13.71 %	10.00 %	3.71 %
Leverage capital (to average assets)	$ 1,940,303	9.94 %	5.00 %	4.94 %

Liquidity Management

Liquidity risk is the risk of reduction in our earnings or capital that would result if we were not able to meet our obligations when they come due without incurring unacceptable losses. Liquidity risk includes the risk of unplanned decreases or changes in funding sources and changes in market conditions that affect our ability to liquidate assets quickly and with minimum loss of value. Factors considered in liquidity risk management are the stability of the deposit base; the marketability, maturity, and pledging of our investments; the availability of alternative sources of funds; and our demand for credit. The objective of our liquidity management is to have funds available to meet cash flow requirements arising from fluctuations in deposit levels and the demands of daily operations, which include funding of securities purchases, providing for customers' credit needs, and ongoing repayment of borrowings.

Our primary sources of liquidity are derived from financing activities, which include deposits, federal funds facilities, and borrowings from the FHLB and the FRB's Discount Window. These funding sources are augmented by payments of principal and interest on loans and securities, proceeds from sale of loans, and the liquidation or sale of securities from our available for sale portfolio or sale of equity investments. Primary uses of funds include withdrawal of and interest payments on deposits, originations of loans, purchases of investment securities, and payment of operating expenses.

At June 30, 2024, our total borrowing capacity, cash and cash equivalents, and unpledged securities totaled $7.51 billion, compared with $7.66 billion at December 31, 2023. At June 30, 2024, our borrowing capacity comprised $4.29 billion from the FHLB ($4.19 billion unused and available to borrow), $513.5 million from the FRB ($443.5 million unused and available to borrow), and $304.8 million of Fed funds facilities with other banks (entirely unused). At June 30, 2024, our total remaining available borrowing capacity was $4.94 billion. In addition to these lines, cash and cash equivalents, interest earning cash deposits and deposits with other banks totaled $654.0 million, and unpledged investment securities AFS amounted to $1.91 billion. We believe our liquidity sources are sufficient to meet all reasonably foreseeable short-term and intermediate-term needs.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The objective of the Company’s asset and liability management activities is to optimize earnings while maintaining adequate liquidity and exposure to interest rate risk deemed to be acceptable by management, by adjusting the type and mix of assets and liabilities to effectively address changing conditions and risks. Primary operating strategies for attaining this objective include managing the net interest margin through appropriate risk/return pricing of assets and liabilities, and emphasizing growth of low-cost, stable customer deposits. Various methods are used to protect against exposure to interest rate fluctuations, reducing the effects of fluctuations on associated cash flows or values. Internal analyses are performed to measure, evaluate, and monitor liquidity and interest rate risk.

Interest Rate Risk

Interest rate risk is the most significant market risk impacting the Company. Interest rate risk occurs when interest rate sensitive assets and liabilities do not reprice simultaneously and/or in equal volumes. A key objective of asset and liability management is to manage interest rate risk associated with changing asset and liability cash flows and values, and market interest rate movements. The management of interest rate risk is governed by policies reviewed and approved annually by the Board of Directors. The Board delegates responsibility for interest rate risk management to the Board Risk Committee and to the Asset and Liability Management Committee (“ALM”), which is composed of the Bank’s senior executives and other designated officers.

The fundamental objective of the ALM is to manage exposure to interest rate fluctuations while maintaining adequate levels of liquidity and capital. ALM meets regularly to monitor interest rate risk, the sensitivity of assets and liabilities to interest rate changes, the book and market values of assets and liabilities, and the Company’s investment activities. It also directs changes in the composition of assets and liabilities. Overall, the Company aims to reduce the sensitivity of earnings to interest rate fluctuations. Certain assets and liabilities, however, may react in different degrees to changes in market interest rates. Furthermore, interest rates on certain types of assets and liabilities may fluctuate prior to changes in market interest rates, while interest rates on other types of assets and liabilities may lag behind changes in market interest rates. The expected maturities of various assets or liabilities may shorten or lengthen as interest rates change. Management considers the anticipated effects of these factors when implementing interest rate risk management objectives.

Interest Rate Sensitivity

One of the methods used to monitor interest rate risk is the use of a net interest income simulation model. In order to measure, at June 30, 2024, the sensitivity of forecasted net interest income to changing interest rates, both rising and falling interest rate scenarios were projected and compared to base market interest rate forecasts. Scenarios included parallel and non-parallel interest rate shifts, instantaneous shocks and ramps. Scenarios were based on adjusted balance sheets that incorporated assumptions related to asset prepayment and time deposit withdrawal speeds, noninterest bearing deposit migration, and estimated deposit betas; these assumptions differ in rising or falling interest rate scenarios and are anchored in historical performance. Deposit betas represent the change in the rates paid on deposits against a change in benchmark interest indices. The net interest income simulation model does not represent a forecast of the Company’s net interest income but is a tool utilized to assess the impact of changing market interest rates across a range of market interest rate environments. As a result, actual results will differ from simulated results for multiple reasons, which may include actual balance sheet composition differences, timing, magnitude and frequency of interest rate changes, deviations from projected customer behavioral assumptions, and changes in market conditions or management strategies. The adjusted balance sheet used in the interest income simulation model does not reflect forecasted growth or attrition that would occur under a dynamic environment of rising or falling interest rates.

Another application of the simulation model is the economic value of equity. This analysis assesses the changes in the market values of interest rate sensitive financial instruments that would occur in response to changes in benchmark interest rates, under varying scenarios.

The hypothetical impacts on net interest income and economic value of equity from parallel changes in market interest rates, over a 12-month ramp, using an adjusted balance sheet and an implied forward interest rate curve, as projected by the simulation model are illustrated in the following table. The net interest income sensitivity analysis illustrates the impact of forecast net interest income over a one-year time horizon. The economic value of equity volatility is a point-in-time analysis of balance sheet and off-balance sheet positions that incorporates the cash flows over their estimated remaining lives.

	June 30, 2024		June 30, 2023	
Simulated Rate Changes	Estimated Net Interest Income Sensitivity	Economic Value Of Equity Volatility	Estimated Net Interest Income Sensitivity	Economic Value Of Equity Volatility
+ 300 basis points	(4.33) %	(18.97) %	(1.34) %	(8.70) %
+ 100 basis points	(0.20) %	(5.53) %	(0.61) %	(2.08) %
- 100 basis points	(1.02) %	2.69 %	0.59 %	1.19 %
- 300 basis points	(5.51) %	3.25 %	0.74 %	(1.66) %

The simulation results presented in the table above are based on an adjusted balance sheet as of June 30, 2024, which reflects changes to loan prepayment speeds, deposit mix changes, early withdrawal assumptions for time deposits, and migration assumptions for non-maturity deposits, and does not reflect growth that would occur in a dynamic environment of rising or falling interest rates. The results do not represent a forecast of the Company’s net interest income but are a tool utilized to assess the impact of changing market interest rates across a range of market interest rate environments. Year-over-year, assumptions change reflecting continuous assumption reviews, model calibration and model enhancements. The simulation results are based on a parallel shift off of base interest rates as of June 30, 2024, and June 30, 2023, using an implied forward interest rate curve. The upper limit of the Federal Funds target range was 5.50% as of June 30, 2024, and 5.25% as of June 30, 2023. The year-over-year change in interest rates and the composition of the balance sheet impacted the dollar amount of the base interest income, the replacement yields and rates for maturing assets and liabilities, and the deposit beta assumptions utilized in the simulation model. Future actual performance will be dependent on market conditions, the level of competition for deposits, the magnitude of continued interest rate increases, and the timing and magnitude of eventual interest rate decreases.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Disclosure controls and procedures are controls and procedures designed to ensure that information required to be disclosed by us in reports filed or submitted under the Securities Exchange Act of 1934, as amended (the “Exchange Act”) is recorded, processed, summarized, and reported within the time periods specified in the rules and forms of the SEC, and that such information is accumulated and communicated to our management, including our Chairman, President, and Chief Executive Officer and our Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures.

In designing and evaluating disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

We conducted an evaluation under the supervision and with the participation of our management, including our Chairman, President, and Chief Executive Officer and our Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) as of the end of the period covered by this Quarterly Report on Form 10-Q. Based upon that evaluation, our Chairman, President, and Chief Executive Officer and our Chief Financial Officer determined that our disclosure controls and procedures were effective at June 30, 2024.

Changes in Internal Control over Financial Reporting

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

PART II
OTHER INFORMATION

Item 1. Legal Proceedings

In the normal course of business, the Company is involved in various legal claims. Management has reviewed all legal claims against the Company with counsel and has taken into consideration the views of such counsel as to the potential outcome of the claims in determining our accrued loss contingency. Accrued loss contingencies for all legal claims totaled approximately $500 thousand at June 30, 2024. It is reasonably possible the Company may incur losses in excess of our accrued loss contingency. However, at this time, the Company is unable to estimate the range of additional losses that are reasonably possible because of a number of factors, including the fact that certain of these litigation matters are still in their early stages. Management believes that none of these legal claims, individually or in the aggregate, will have a material adverse effect on the results of operations or financial condition of the Company.

Item 1A. Risk Factors

Management is not aware of any material changes to the risk factors discussed in Part 1, Item 1A, of the Annual Report on Form 10-K for the year ended December 31, 2023. In addition to the other information set forth in this Quarterly Report on Form 10-Q, you should carefully consider the risk factors discussed in Part 1, Item 1A, of the Annual Report on Form 10-K for the year ended December 31, 2023, which could materially and adversely affect the Company’s business, financial condition, results of operations, and stock price. The risks described in the Annual Report on Form 10-K are not the only risks facing the Company. Additional risks and uncertainties not presently known to management, or that management presently believes not to be material, may also result in material and adverse effects on the Company’s business, financial condition, results of operations, and stock price.

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

The Company did not have any unregistered sales of equity securities during the three months ended June 30, 2024.

In January 2022, the Company's Board of Directors approved a stock repurchase program that authorized the Company to repurchase up to $50.0 million of its common stock. The stock repurchase authorization does not have an expiration date and may be modified, amended, suspended, or discontinued at the Company's discretion at any time without notice. The Company did not repurchase any shares as part of this program during the three months ended June 30, 2024.

The following table summarizes stock repurchase activities during the three months ended June 30, 2024:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Program
				(Dollars in thousands)
April 1, 2024 to April 30, 2024	—	$ —	—	$ 35,333
May 1, 2024 to May 31, 2024	—	—	—	35,333
June 1, 2024 to June 30, 2024	—	—	—	35,333
Total	—	$ —	—	

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not Applicable.

Item 5. Other Information

During the three months ended June 30, 2024, no director or officer of the Company adopted or terminated a Rule 10b5-1 trading arrangement or non-Rule 10b5-1 trading arrangement, as defined in Item 408 of Regulation S-K.

Item 6. Exhibits

See "Index to Exhibits."

INDEX TO EXHIBITS

Exhibit No.	Description
3.1	Second Amended and Restated Certificate of Incorporation of Hope Bancorp, Inc. (incorporated herein by reference to the Current Report on Form 8-K, Exhibit 3.1, filed with the SEC on May 29, 2024)
3.2	Amended and Restated Bylaws of Hope Bancorp, Inc. (incorporated herein by reference to the Current Report on Form 8-K, Exhibit 3.2, filed with the SEC on May 29, 2024)
10.1	Hope Bancorp, Inc. 2024 Equity Incentive Plan (incorporated herein by reference to the Current Report on Form 8-K, Exhibit 10.1, filed with the SEC on May 29, 2024) +
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 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**
101.INS	The instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH	Inline XBRL Taxonomy Extension Schema Document*
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document*
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document*
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document*
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document*
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)*

Management contract, compensatory plan, or arrangement

Filed herewith

Furnished herewith

SIGNATURES

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

HOPE BANCORP, INC.

Date: August 6, 2024	/s/ Kevin S. Kim
	Kevin S. Kim
	Chairman, President, and Chief Executive Officer
Date: August 6, 2024	/s/ Julianna Balicka
	Julianna Balicka
	Executive Vice President and Chief Financial Officer

EXHIBIT 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Kevin S. Kim, certify that:

1. I have reviewed this periodic report on Form 10-Q of Hope Bancorp, Inc.

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

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

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

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

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

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

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

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

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

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

Date: August 6, 2024

/s/ Kevin S. Kim

Kevin S. Kim

Chairman, President, and Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Julianna Balicka certify that:

1. I have reviewed this periodic report on Form 10-Q of Hope Bancorp, Inc.

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

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

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

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

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

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

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

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

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

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

Date: August 6, 2024

/s/ Julianna Balicka
Julianna Balicka
Executive Vice President and Chief Financial Officer

EXHIBIT 32.1

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

In connection with the periodic report of Hope Bancorp, Inc. (the “Company”) on Form 10-Q for the period ended June 30, 2024, as filed with the Securities and Exchange Commission (the “Report”), I, Kevin S. Kim, Chief Executive Officer of the Company, hereby certify as of the date hereof, solely for purposes of Title 18, Chapter 63, Section 1350 of the United States Code, that:

(1) the Report fully complies with the requirements of section 13(a) or 15(d), as applicable, 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.

This Certification has not been, and shall not be deemed, “filed” with the Securities and Exchange Commission.

Date: August 6, 2024

/s/ Kevin S. Kim

Kevin S. Kim

Chairman, President, and Chief Executive Officer

EXHIBIT 32.2

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

In connection with the periodic report of Hope Bancorp, Inc (the “Company”) on Form 10-Q for the period ended June 30, 2024, as filed with the Securities and Exchange Commission (the “Report”), I, Julianna Balicka, Chief Financial Officer of the Company, hereby certify as of the date hereof, solely for purposes of Title 18, Chapter 63, Section 1350 of the United States Code, that:

(1) the Report fully complies with the requirements of section 13(a) or 15(d), as applicable, 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.

This Certification has not been, and shall not be deemed, “filed” with the Securities and Exchange Commission.

Date: August 6, 2024

/s/ Julianna Balicka
Julianna Balicka
Executive Vice President and Chief Financial Officer