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

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2023
or

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

For the transition period from ______ to ______
Commission file number 001-35522

BANC OF CALIFORNIA, INC.
(Exact name of registrant as specified in its charter)

Maryland
(State or other jurisdiction of incorporation or organization)

04-3639825
(IRS Employer Identification No.)

3 MacArthur Place, Santa Ana, California
(Address of principal executive offices)

92707
(Zip Code)

(855) 361-2262
(Registrant's telephone number, including area code)

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

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

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

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

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

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

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

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

Indicate the number of shares outstanding of each of the issuer’s classes of common stock as of the latest practicable date.
As of August 4, 2023, the registrant had outstanding 56,956,386 shares of voting common stock and 477,321 shares of Class B non-voting common stock.

BANC OF CALIFORNIA, INC.

FORM 10-Q QUARTERLY REPORT

June 30, 2023

Table of Contents

		Page
Part I – Financial Information		4
Item 1 –	Financial Statements	4
	Consolidated Statements of Financial Condition	4
	Consolidated Statements of Operations	5
	Consolidated Statements of Comprehensive Income	6
	Consolidated Statements of Stockholders' Equity	7
	Consolidated Statements of Cash Flows	9
	Notes to Consolidated Financial Statements	10
Item 2 –	Management's Discussion and Analysis of Financial Condition and Results of Operations	47
Item 3 –	Quantitative and Qualitative Disclosures About Market Risk	76
Item 4 –	Controls and Procedures	78
Part II – Other Information		80
Item 1 –	Legal Proceedings	80
Item 1A –	Risk Factors	80
Item 2 –	Unregistered Sales of Equity Securities and Use of Proceeds	84
Item 3 –	Defaults Upon Senior Securities	85
Item 4 –	Mine Safety Disclosures	85
Item 5 –	Other Information	85
Item 6 –	Exhibits	86
Signatures		87

Forward-Looking Statements

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

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

i. changes in general economic conditions, either nationally or in our market areas, including the impact of supply chain disruptions, and the risk of recession or an economic downturn;

ii. risks related to the proposed merger with PacWest Bancorp ("PacWest") including, among others, (a) the risk that the proposed merger may not be completed in a timely manner or at all; (b) the failure to satisfy the conditions to the consummation of the proposed merger, including obtaining the requisite approval of the Company stockholders and PacWest stockholders within the time period provided in the merger agreement; (c) the occurrence of any event, change or other circumstance that could give rise to the termination of the merger agreement or the related investment agreements; (d) the inability to obtain alternative capital in the event it becomes necessary to complete the proposed merger; (e) the effect of the announcement or pendency of the proposed merger on Company's and PacWest's business relationships, operating results and business generally; (f) risks that the proposed transaction disrupts current plans and operations of the Company and PacWest; (g) potential difficulties in retaining the Company and PacWest customers and employees as a result of the proposed transaction; (h) diversion of management's attention from ongoing business operations and opportunities; and (i) certain restrictions during the pendency of the proposed transaction that may impact the parties' ability to pursue certain business opportunities or strategic transactions;

iii. changes in the interest rate environment, including the recent and anticipated increases in the FRB benchmark rate, which could adversely affect our revenue and expenses, the value of assets and obligations, and the availability and cost of capital and liquidity;

iv. the impacts of continuing inflation;

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

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

vii. the quality and composition of our securities portfolio;

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

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

x. the costs and effects of litigation;

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

xii. results of examinations by regulatory authorities of the Company and the possibility that any such regulatory authority may, among other things, limit our business activities, restrict our ability to invest in certain assets, refrain from issuing an approval or non-objection to certain capital or other actions, increase our allowance for credit losses, result in write-downs of asset values, restrict our ability or that of our bank subsidiary to pay dividends, or impose fines, penalties or sanctions;

xiii. legislative or regulatory changes that adversely affect our business, including changes in tax laws and policies, accounting policies and practices, privacy laws, and regulatory capital or other rules;

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

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

xvi. failures or security breaches with respect to the network, applications, vendors and computer systems on which we depend, including due to cybersecurity threats

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

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

xix. the impact of bank failures or other adverse developments at other banks on general investor sentiment regarding the stability and liquidity of banks;

xx. the possibility that our recorded goodwill could become impaired, which may have an adverse impact on our earnings and capital;

xxi. the risks, uncertainties and assumptions set forth under the heading, "Cautionary Note Regarding Forward-Looking Statements" in the joint press release issued by the Company and PacWest Bancorp on the date hereof with respect to the proposed merger transaction between the Company and PacWest Bancorp; and

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

PART I – FINANCIAL INFORMATION

ITEM 1 – FINANCIAL STATEMENTS

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

	June 30, 2023	December 31, 2022
ASSETS		
Cash and due from banks	$ 42,532	$ 47,434
Interest-earning deposits in financial institutions	241,197	181,462
Total cash and cash equivalents	283,729	228,896
Securities held-to-maturity, at amortized cost (fair value of $267,045 and $262,460 at June 30, 2023 and December 31, 2022)	328,405	328,641
Securities available-for-sale, at fair value (amortized cost of $977,249 and $909,563 at June 30, 2023 and December 31, 2022; allowance for credit losses of $1,036 and $0 at June 30, 2023 and December 31, 2022)	922,091	868,297
Loans receivable	7,156,206	7,115,038
Allowance for loan losses	(80,883)	(85,960)
Loans receivable, net	7,075,323	7,029,078
Federal Home Loan Bank and other bank stock, at cost	60,281	57,092
Premises and equipment, net	108,235	107,345
Bank owned life insurance	128,973	127,122
Deferred income taxes, net	64,001	50,518
Goodwill	114,312	114,312
Other intangibles	6,603	7,526
Other assets	278,312	278,189
Total assets	**$ 9,370,265**	**$ 9,197,016**
LIABILITIES AND STOCKHOLDERS' EQUITY		
Noninterest-bearing deposits	$ 2,446,693	$ 2,809,328
Interest-bearing deposits	4,424,383	4,311,593
Total deposits	6,871,076	7,120,921
Federal Home Loan Bank (FHLB) advances, net and Federal Reserve Bank (FRB) borrowings	1,147,997	727,348
Long-term debt, net	274,121	274,906
Accrued expenses and other liabilities	120,017	114,223
Total liabilities	8,413,211	8,237,398
Commitments and contingent liabilities		
Common stock, $0.01 par value per share, 446,863,844 shares authorized; 65,328,043 shares issued and 56,944,706 shares outstanding at June 30, 2023; 65,168,380 shares issued and 58,544,534 shares outstanding at December 31, 2022	653	651
Class B non-voting non-convertible common stock, $0.01 par value per share, 3,136,156 shares authorized; 477,321 shares issued and outstanding at June 30, 2023 and December 31, 2022	5	5
Additional paid-in capital	867,994	866,478
Retained earnings	275,430	248,988
Treasury stock, at cost (8,383,337 and 6,623,846 shares at June 30, 2023 and December 31, 2022)	(137,270)	(115,907)
Accumulated other comprehensive loss, net	(49,758)	(40,597)
Total stockholders' equity	957,054	959,618
Total liabilities and stockholders' equity	**$ 9,370,265**	**$ 9,197,016**

See accompanying notes to consolidated financial statements (unaudited)

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

	Three Months Ended			Six Months Ended June 30,	
	June 30, 2023	March 31, 2023	June 30, 2022	2023	2022
Interest and dividend income					
Loans, including fees	$ 92,889	$ 87,418	$ 78,895	$ 180,307	$ 155,129
Securities	15,804	14,909	8,124	30,713	15,433
Other interest-earning assets	7,458	4,592	1,399	12,050	2,125
Total interest and dividend income	116,151	106,919	88,418	223,070	172,687
Interest expense					
Deposits	28,118	20,527	3,180	48,645	4,568
FHLB advances and FRB borrowings	14,703	9,648	3,114	24,351	6,067
Other interest-bearing liabilities	3,698	3,691	3,825	7,389	7,312
Total interest expense	46,519	33,866	10,119	80,385	17,947
Net interest income	69,632	73,053	78,299	142,685	154,740
Provision for (reversal of) credit losses	1,900	2,000	—	3,900	(31,542)
Net interest income after provision for (reversal of) credit losses	67,732	71,053	78,299	138,785	186,282
Noninterest income					
Customer service fees	2,022	1,979	2,578	4,001	5,012
Loan servicing income	574	547	109	1,121	321
Income from bank owned life insurance	951	900	810	1,851	1,606
Net gain on sale of securities available-for-sale	—	—	—	—	16
All other income	2,477	4,433	3,689	6,910	6,141
Total noninterest income	6,024	7,859	7,186	13,883	13,096
Noninterest expense					
Salaries and employee benefits	28,282	29,656	28,264	57,938	57,251
Occupancy and equipment	5,603	5,526	5,741	11,129	11,378
Professional fees	4,001	4,072	4,001	8,073	6,840
Data processing	1,686	1,563	1,782	3,249	3,610
Regulatory assessments	1,301	1,202	1,021	2,503	1,796
Software and technology	3,579	3,274	2,747	6,853	5,447
(Gain) loss on investments in alternative energy partnerships	(36)	1,618	1,043	1,582	1,201
Reversal of loan repurchase reserves	(808)	(11)	(490)	(819)	(961)
Amortization of other intangibles	462	461	313	923	754
Other expense	5,062	3,878	4,190	8,940	7,892
Total noninterest expense	49,132	51,239	48,612	100,371	95,208
Income before income taxes	24,624	27,673	36,873	52,297	104,170
Income tax expense	6,745	7,395	10,161	14,140	28,946
Net income	**17,879**	**20,278**	**26,712**	**38,157**	**75,224**
Preferred stock dividends	—	—	—	—	1,420
Impact of preferred stock redemption	—	—	—	—	3,747
Net income available to common stockholders	**$ 17,879**	**$ 20,278**	**$ 26,712**	**$ 38,157**	**$ 70,057**
Earnings per common share:					
Basic	$ 0.31	$ 0.34	$ 0.44	$ 0.65	$ 1.13
Diluted	$ 0.31	$ 0.34	$ 0.43	$ 0.65	$ 1.13
Earnings per class B common share:					
Basic	$ 0.31	$ 0.34	$ 0.44	$ 0.65	$ 1.13
Diluted	$ 0.31	$ 0.34	$ 0.44	$ 0.65	$ 1.13

See accompanying notes to consolidated financial statements (unaudited)

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

	Three Months Ended			Six Months Ended June 30,	
	June 30, 2023	**March 31, 2023**	**June 30, 2022**	**2023**	**2022**
Net income	$ 17,879	$ 20,278	$ 26,712	$ 38,157	$ 75,224
Other comprehensive income (loss), net of tax:					
Unrealized loss on available-for-sale securities:					
Unrealized loss arising during the period	(5,215)	(3,926)	(15,113)	(9,141)	(42,026)
Reclassification adjustment for gain included in net income	—	—	—	—	(11)
Total change in unrealized loss on available-for-sale securities	(5,215)	(3,926)	(15,113)	(9,141)	(42,037)
Unrealized gain (loss) on cash flow hedge:					
Unrealized gain (loss) arising during the period	5,764	(6,146)	—	(382)	—
Amortization of unrealized loss on securities transferred from available-for-sale to held-to-maturity	182	180	226	362	235
Total other comprehensive income (loss)	731	(9,892)	(14,887)	(9,161)	(41,802)
Comprehensive income	**$ 18,610**	**$ 10,386**	**$ 11,825**	**$ 28,996**	**$ 33,422**

See accompanying notes to consolidated financial statements (unaudited)

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

	Common Stock		Additional Paid-in Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
	Voting	Class B Non-Voting					
Three Months Ended June 30, 2023							
Balance at March 31, 2023	**$ 653**	**$ 5**	**$ 866,306**	**$ 263,524**	**$ (121,092)**	**$ (50,489)**	**$ 958,907**
Comprehensive income:							
Net income	—	—	—	17,879	—	—	17,879
Other comprehensive loss, net	—	—	—	—	—	731	731
Purchase of 1,348,545 shares of treasury stock, including excise tax	—	—	—	—	(16,178)	—	(16,178)
Share-based compensation expense	—	—	1,726	—	—	—	1,726
Restricted stock surrendered due to employee tax liability	—	—	(38)	—	—	—	(38)
Shares purchased under the Dividend Reinvestment Plan	—	—	—	(93)	—	—	(93)
Dividends declared ($0.10 per common share)	—	—	—	(5,880)	—	—	(5,880)
Balance at June 30, 2023	**$ 653**	**$ 5**	**$ 867,994**	**$ 275,430**	**$ (137,270)**	**$ (49,758)**	**$ 957,054**
Three Months Ended June 30, 2022							
Balance at March 31, 2022	**$ 646**	**$ 5**	**$ 855,198**	**$ 187,457**	**$ (45,125)**	**$ (19,172)**	**$ 979,009**
Comprehensive income:							
Net income	—	—	—	26,712	—	—	26,712
Other comprehensive loss, net	—	—	—	—	—	(14,887)	(14,887)
Issuance of common stock	1	—	(1)	—	—	—	—
Repurchase of 2,113,176 shares of common stock	—	—	—	—	(38,888)	—	(38,888)
Share-based compensation expense	—	—	1,482	—	—	—	1,482
Restricted stock surrendered due to employee tax liability	—	—	(600)	—	—	—	(600)
Shares purchased under the Dividend Reinvestment Plan	—	—	—	(30)	—	—	(30)
Dividends declared ($0.06 per common share)	—	—	—	(3,668)	—	—	(3,668)
Balance at June 30, 2022	**$ 647**	**$ 5**	**$ 856,079**	**$ 210,471**	**$ (84,013)**	**$ (34,059)**	**$ 949,130**

See accompanying notes to consolidated financial statements (unaudited)

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

	Preferred Stock	Common Stock Voting	Common Stock Class B Non-Voting	Additional Paid-in Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
Six Months Ended June 30, 2023								
Balance at December 31, 2022	**$ —**	**$ 651**	**$ 5**	**$ 866,478**	**$ 248,988**	**$ (115,907)**	**$ (40,597)**	**$ 959,618**
Comprehensive income:								
Net income	—	—	—	—	38,157	—	—	38,157
Other comprehensive loss, net	—	—	—	—	—	—	(9,161)	(9,161)
Issuance of common stock	—	3	—	(3)	—	—	—	—
Purchase of 1,759,491 shares of treasury stock, including excise tax	—	—	—	—	—	(21,363)	—	(21,363)
Share-based compensation expense	—	—	—	3,181	—	—	—	3,181
Restricted stock surrendered due to employee tax liability	—	(1)	—	(1,662)	—	—	—	(1,663)
Shares purchased under the Dividend Reinvestment Plan	—	—	—	—	(189)	—	—	(189)
Dividends declared ($0.20 per common share)	—	—	—	—	(11,526)	—	—	(11,526)
Preferred stock dividends	—	—	—	—	—	—	—	—
Balance at June 30, 2023	**$ —**	**$ 653**	**$ 5**	**$ 867,994**	**$ 275,430**	**$ (137,270)**	**$ (49,758)**	**$ 957,054**
Six Months Ended June 30, 2022								
Balance at December 31, 2021	**$ 94,956**	**$ 646**	**$ 5**	**$ 854,873**	**$ 147,894**	**$ (40,827)**	**$ 7,743**	**$ 1,065,290**
Comprehensive loss:								
Net income	—	—	—	—	75,224	—	—	75,224
Other comprehensive loss, net	—	—	—	—	—	—	(41,802)	(41,802)
Issuance of common stock	—	1	—	(1)	—	—	—	—
Redemption of preferred stock	(94,956)	—	—	—	(3,747)	—	—	(98,703)
Repurchase of 2,328,726 shares of common stock	—	—	—	—	—	(43,186)	—	(43,186)
Share-based compensation expense	—	—	—	2,767	—	—	—	2,767
Restricted stock surrendered due to employee tax liability	—	—	—	(1,560)	—	—	—	(1,560)
Shares purchased under the Dividend Reinvestment Plan	—	—	—	—	(60)	—	—	(60)
Dividends declared ($0.12 per common share)	—	—	—	—	(7,420)	—	—	(7,420)
Preferred stock dividends	—	—	—	—	(1,420)	—	—	(1,420)
Balance at June 30, 2022	**$ —**	**$ 647**	**$ 5**	**$ 856,079**	**$ 210,471**	**$ (84,013)**	**$ (34,059)**	**$ 949,130**

See accompanying notes to consolidated financial statements (unaudited)

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

	Six Months Ended June 30,	
	2023	**2022**
Cash flows from operating activities:		
Net income	$ 38,157	$ 75,224
Adjustments to reconcile net income to net cash provided by operating activities		
Provision for (reversal of) credit losses	3,900	(31,542)
Reversal of loan repurchase reserves	(819)	(961)
Depreciation on premises and equipment	7,345	7,920
Amortization of other intangibles	923	754
Amortization of debt issuance costs	864	837
Net amortization of premium on securities	184	587
Net (accretion) amortization of deferred loan costs (fees) and purchased premiums (discounts)	684	571
Deferred income tax expense	1,669	975
Bank owned life insurance income	(1,851)	(1,606)
Share-based compensation expense	3,181	2,767
Income (loss) from interest rate swaps	14	(185)
Loss on investments in alternative energy partnerships and affordable housing investments	4,520	3,456
Net gain on sale of securities available-for-sale	—	(16)
Gain on redemption of senior notes	(80)	—
Gain on sale-leaseback of branch	—	(771)
Loss on disposal of property and equipment	—	8
Repurchase of mortgage loans	(609)	(1,262)
Proceeds from sales of and principal collected on loans held-for-sale	346	—
Change in accrued interest receivable and other assets	(15,319)	26,514
Change in accrued interest payable and other liabilities	7,327	(8,122)
Net cash provided by operating activities	50,436	75,148
Cash flows from investing activities:		
Proceeds from sales of securities available-for-sale	—	17,645
Proceeds from maturities and calls of securities available-for-sale	20,000	38,500
Purchases of securities available-for-sale	(101,740)	(15,000)
Proceeds from principal repayments of securities held-to-maturity and available-for-sale	14,613	20,495
Loan originations and principal collections, net	9,277	474,252
Purchases of loans	(61,420)	(641,556)
Redemption of FHLB stock	30,543	—
Purchases of FHLB and other bank stock	(33,732)	(6,857)
Purchase of mortgage servicing rights	—	(20,563)
Purchases of premises and equipment	(5,016)	(1,381)
Proceeds from sale-leaseback of branch	—	2,400
Funding of equity investments	(3,597)	(3,950)
Decrease in investments in alternative energy partnerships	717	1,156
Net cash used in investing activities	(130,355)	(134,859)
Cash flows from financing activities:		
Net (decrease) increase in deposits	(249,777)	119,248
Net increase in short-term FHLB advances and FRB borrowings	320,000	35,000
Proceeds from FHLB long-term advances and FRB borrowings	100,000	—
Net increase in other borrowings	—	73,000
Redemption of preferred stock	—	(98,703)
Redemption of long term debt	(920)	—
Purchase of treasury stock	(21,363)	(43,186)
Purchase of stock surrendered to pay tax liability	(1,662)	(1,560)
Dividends paid on preferred stock	—	(1,727)
Dividends paid on common stock	(11,526)	(7,420)
Net cash provided by financing activities	134,752	74,652
Net change in cash and cash equivalents	54,833	14,941
Cash and cash equivalents at beginning of period	228,896	228,123
Cash and cash equivalents at end of period	**$ 283,729**	**$ 243,064**
Supplemental cash flow information		
Interest paid on deposits and borrowed funds	71,734	16,574
Income taxes paid	—	9,692
Supplemental disclosure of non-cash activities		
Transfer from loans to other real estate owned, net	882	—
Reclassification of securities available-for-sale to held-to-maturity	—	329,416
Operating lease right-of-use assets received in exchange for lease liabilities	1,633	1,253
Commitments to fund low income housing tax credit investments	—	7,000
Goodwill adjustments for purchase accounting	—	826

See accompanying notes to consolidated financial statements (unaudited)

BANC OF CALIFORNIA, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(UNAUDITED)*
June 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The Bank offers a variety of financial services to meet the banking and financial needs of the communities it serves, with operations conducted through 33 offices including 27 full-service branches located throughout Southern California as of June 30, 2023.

Basis of Presentation: The accompanying unaudited interim consolidated financial statements have been prepared pursuant to Article 10 of SEC Regulation S-X and other SEC rules and regulations for reporting on the Quarterly Report on Form 10-Q. Accordingly, certain disclosures required by U.S. generally accepted accounting principles (“GAAP”) are not included herein. These interim statements should be read in conjunction with the consolidated financial statements and notes included in the Annual Report on Form 10-K for the year ended December 31, 2022 filed by us with the SEC. Certain prior period amounts have been reclassified to conform to current period presentation. These reclassifications are immaterial and have no effect on net income, comprehensive income (loss), total assets or total shareholders’ equity previously reported.

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

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

Significant Accounting Policies: The accounting and reporting policies of the Company are based upon GAAP and conform to predominant practices within the banking industry. We have not made any changes in our significant accounting policies from those disclosed in our Annual Report on Form 10-K for the year ended December 31, 2022 filed with the SEC, except for those described below, which reflect a new accounting policy adopted and the impact of the adoption of ASU 2022-02:

Derivative Instruments - Cash Flow Hedge: The Company applies hedge accounting for certain derivative instruments used to manage interest rate risk. A cash flow hedge is a derivative instrument used to manage the variability in future expected cash flows that would otherwise be impacted by movements in interest rates. To quality for hedge accounting, the cash flow hedge must be highly effective at reducing the risk associated with the hedged exposure. The effectiveness of the hedging relationship is documented at inception and is monitored at least quarterly through the life of the transaction.

A cash flow hedge that is designated as highly effective is carried at fair value with the change in fair value included in the assessment of hedge effectiveness recorded in other comprehensive income (loss) (“AOCI”) and subsequently recognized in earnings in the same period that the hedged forecasted transaction affects earnings. At that time, the amount reclassified from AOCI is presented in the same income statement line item in which the hedged transaction is reported (interest income or expense). If the cash flow hedge becomes ineffective, the change in fair value is reclassified from AOCI to earnings.

Loan Modifications to Borrowers Experiencing Financial Difficulty: Prior to the adoption of ASU 2022-02, we accounted for the modification to the contractual terms of a loan that resulted in granting a concession to a borrower experiencing financial difficulties as a troubled debt restructuring (“TDR”). Effective January 1, 2023, we adopted ASU 2022-02, which eliminated TDR accounting prospectively for all restructurings occurring on or after January 1, 2023. Loans that were considered a TDR prior to the adoption of ASU 2022-02 will continue to be accounted for under the superseded TDR accounting guidance until the loan is paid off, liquidated, or subsequently modified. Since adoption of ASU 2022-02 on January 1, 2023, we have

evaluated all loan modifications under ASC 310-20 to determine whether a modification made to a borrower results in a new loan or is a continuation of the existing loan.

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

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

Recently Issued Accounting Guidance Not Yet Adopted: In March 2023, the FASB issued ASU 2023-02, *Investments - Equity Method and Joint Ventures (Topic 323): Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method (a consensus of the Emerging Issues Task Force)*("ASU 2023-02"), which permits reporting entities to elect to account for their tax equity investments, regardless of the tax credit program from which the income tax credits are received, using the proportional amortization method, which was previously allowed only for low-income housing tax credit ("LIHTC") investments, if certain conditions are met. ASU 2023-02 is effective for fiscal years beginning after December 15, 2023, and including interim periods within those fiscal years. The amendment must be applied on either a modified retrospective or a retrospective basis, and early adoption is permitted. The Company is currently evaluating the impact of this update on its consolidated financial statements and related disclosures, including assessing eligibility to apply the updated guidance to our investments in alternative energy partnerships currently accounted for using the HLBV method of the equity method of accounting.

NOTE 2 – FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair Value Hierarchy

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

- Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.
- Level 2: Significant observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

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

Assets and Liabilities Measured on a Recurring Basis

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

Derivative Assets and Liabilities:

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

Interest Rate Swaps. We offer interest rate swap products to certain loan clients to allow them to hedge the risk of rising interest rates on their variable rate loans. We originate a variable rate loan and enter into a variable-to-fixed interest rate swap with the client. We also enter into an offsetting swap with a correspondent bank. These back-to-back agreements are intended to offset each other and allow us to originate a variable rate loan while providing a contract for fixed interest payments for the client. The net cash flow for us is equal to the interest income received from a variable rate loan originated with the client plus a fee.

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

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

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

($ in thousands)	Carrying Value	Fair Value Measurement Level: Quoted Prices in Active Markets for Identical Assets (Level 1)	Fair Value Measurement Level: Significant Other Observable Inputs (Level 2)	Fair Value Measurement Level: Significant Unobservable Inputs (Level 3)
June 30, 2023				
Assets				
Securities available-for-sale:				
SBA loan pools securities	$ 9,215	$ —	$ 9,215	$ —
U.S. government agency and U.S. government sponsored enterprise residential mortgage-backed securities	81,708	—	81,708	—
U.S. government agency and U.S. government sponsored enterprise collateralized mortgage obligations	89,260	—	89,260	—
Non-agency residential mortgage-backed securities	111,508	—	111,508	—
Collateralized loan obligations	482,831	—	482,831	—
Corporate debt securities	147,569	—	147,569	—
Derivative assets:				
Interest rate swaps and foreign exchange contracts(1)	2,199	—	2,199	—
Liabilities				
Derivative liabilities:				
Cash flow hedges(2)	454	—	454	—
Interest rate swaps and foreign exchange contracts(2)	2,172	—	2,172	—
December 31, 2022				
Assets				
Securities available-for-sale:				
SBA loan pools securities	$ 11,187	$ —	$ 11,187	$ —
U.S. government agency and U.S. government sponsored enterprise residential mortgage-backed securities	40,206	—	40,206	—
U.S. government agency and U.S. government sponsored enterprise collateralized mortgage obligations	93,191	—	93,191	—
Municipal securities	—	—	—	—
Non-agency residential mortgage-backed securities	80,492	—	80,492	—
Collateralized loan obligations	476,603	—	476,603	—
Corporate debt securities	166,618	—	166,618	—
Derivative assets:				
Interest rate swaps and foreign exchange contracts(1)	2,292	—	2,292	—
Liabilities				
Derivative liabilities:				
Interest rate swaps and foreign exchange contracts(2)	2,251	—	2,251	—

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

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

Assets and Liabilities Measured on a Non-Recurring Basis

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

Other Real Estate Owned ("OREO"): The fair value of OREO is generally based on recent real estate appraisals, less estimated costs to sell. These appraisals may utilize a single valuation approach or a combination of approaches including comparable sales and the income approach. Adjustments are routinely made in the appraisal process by the appraisers for differences between the comparable sales and income data available. Such adjustments are typically deemed significant unobservable inputs used for determining fair value and result in a Level 3 classification.

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

		Fair Value Measurement Level		
($ in thousands)	**Fair Value**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
June 30, 2023				
Assets				
Individually evaluated loans:				
Commercial and industrial	$ 756	$ —	$ —	$ 756
SBA	16	—	—	16
Other consumer	93	—	—	93
Other real estate owned:				
Single family residential	882	—	—	882
December 31, 2022				
Assets				
Individually evaluated loans:				
Single family residential mortgage	$ 3,600	$ —	$ —	$ 3,600
Commercial and industrial	7,115	—	—	7,115
SBA	3,704	—	—	3,704

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

($ in thousands)	Three Months Ended June 30, 2023	Three Months Ended June 30, 2022	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022
Individually evaluated loans:				
Single family residential mortgage	$ —	$ (1)	$ (43)	$ (340)
Commercial and industrial	(5,157)	(564)	(12,300)	(1,198)
SBA	(470)	(198)	(75)	(172)
Other consumer	(152)	(216)	(170)	(243)
Commercial real estate	—	—	(300)	—
Other real estate owned:				
Single family residential	(165)	—	(165)	—

Estimated Fair Values of Financial Instruments

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

		Fair Value Measurement Level			
($ in thousands)	**Carrying Amount**	**Level 1**	**Level 2**	**Level 3**	**Total**
June 30, 2023					
Financial assets					
Cash and cash equivalents	$ 283,729	$ 283,729	$ —	$ —	$ 283,729
Securities held-to-maturity	328,405	—	267,045	—	267,045
Securities available-for-sale	922,091	—	922,091	—	922,091
Federal Home Loan Bank and other bank stock	60,281	—	60,281	—	60,281
Loans receivable, net of allowance for credit losses	7,075,323	—	—	6,578,187	6,578,187
Accrued interest receivable	35,821	35,821	—	—	35,821
Interest rate swaps and foreign exchange contracts	2,199	—	2,199	—	2,199
Financial liabilities					
Deposits	6,871,076	5,217,484	1,642,237	—	6,859,721
Advances from Federal Home Loan Bank and Federal Reserve Bank borrowings	1,147,997	—	1,116,711	—	1,116,711
Long-term debt	274,121	—	256,378	—	256,378
Cash flow hedges	454		454		454
Interest rate swaps and foreign exchange contracts	2,172	—	2,172	—	2,172
Accrued interest payable	14,791	14,791	—	—	14,791
December 31, 2022					
Financial assets					
Cash and cash equivalents	$ 228,896	$ 228,896	$ —	$ —	$ 228,896
Securities held-to-maturity	328,641	—	262,460	—	262,460
Securities available-for-sale	868,297	—	868,297	—	868,297
Federal Home Loan Bank and other bank stock	57,092	—	57,092	—	57,092
Loans receivable, net of allowance for credit losses	7,029,078	—	—	6,526,916	6,526,916
Accrued interest receivable	37,942	37,942	—	—	37,942
Interest rate swaps and foreign exchange contracts	2,292	—	2,292	—	2,292
Financial liabilities					
Deposits	7,120,921	5,931,500	1,175,857	—	7,107,357
Advances from Federal Home Loan Bank	727,348	—	699,730	—	699,730
Long-term debt	274,906	—	269,673	—	269,673
Interest rate swaps and foreign exchange contracts	2,251	—	2,251	—	2,251
Accrued interest payable	7,004	7,004	—	—	7,004

NOTE 3 – INVESTMENT SECURITIES

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

($ in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Losses	Fair Value
June 30, 2023					
Securities held-to-maturity:					
U.S. government agency and U.S. government sponsored enterprise residential mortgage-backed securities	$ 152,843	$ —	$ (27,987)	$ —	$ 124,856
U.S. government agency and U.S. government sponsored enterprise collateralized mortgage obligations	61,359	—	(11,937)	—	49,422
Municipal securities	114,203	—	(21,436)	—	92,767
Total securities held-to-maturity	**$ 328,405**	**$ —**	**$ (61,360)**	**$ —**	**$ 267,045**
Securities available-for-sale:					
SBA loan pool securities	$ 9,251	$ 7	$ (43)	$ —	$ 9,215
U.S. government agency and U.S. government sponsored enterprise residential mortgage-backed securities	82,913	—	(1,205)	—	81,708
U.S. government agency and U.S. government sponsored enterprise collateralized mortgage obligations	95,760	—	(6,500)	—	89,260
Non-agency residential mortgage-backed securities	122,995	—	(11,487)	—	111,508
Collateralized loan obligations	490,534	—	(7,703)	—	482,831
Corporate debt securities	175,796	—	(27,191)	(1,036)	147,569
Total securities available-for-sale	**$ 977,249**	**$ 7**	**$ (54,129)**	**$ (1,036)**	**$ 922,091**
December 31, 2022					
Securities held-to-maturity:					
U.S. government agency and U.S. government sponsored enterprise residential mortgage-backed securities	$ 153,033	$ —	$ (29,807)	$ —	$ 123,226
U.S. government agency and U.S. government sponsored enterprise collateralized mortgage obligations	61,404	—	(11,946)	—	49,458
Municipal securities	114,204	—	(24,428)	—	89,776
Total securities held-to-maturity	**$ 328,641**	**$ —**	**$ (66,181)**	**$ —**	**$ 262,460**
Securities available-for-sale:					
SBA loan pool securities	$ 11,241	$ —	$ (54)	$ —	$ 11,187
U.S. government agency and U.S. government sponsored enterprise residential mortgage-backed securities	40,431	—	(225)	—	40,206
U.S. government agency and U.S. government sponsored enterprise collateralized mortgage obligations	99,075	—	(5,884)	—	93,191
Non-agency residential mortgage-backed securities	90,832	—	(10,340)	—	80,492
Collateralized loan obligations	492,203	—	(15,600)	—	476,603
Corporate debt securities	175,781	32	(9,195)	—	166,618
Total securities available-for-sale	**$ 909,563**	**$ 32**	**$ (41,298)**	**$ —**	**$ 868,297**

During the first quarter of 2022, certain longer-duration fixed-rate mortgage-backed securities and municipal securities with an amortized cost basis of $346.0 million were transferred from the available-for-sale (“AFS”) portfolio to the held-to-maturity (“HTM”) portfolio. At the time of the transfer, the securities had an unrealized gross loss of $16.6 million, which became part of the securities’ amortized cost basis. This amount, along with the unrealized loss included in accumulated other comprehensive income, is subsequently amortized over the remaining life of the security as an adjustment to its yield using the interest method. As a result, there is no impact on the consolidated statements of operations. At June 30, 2023, the gross unrealized loss included in accumulated other comprehensive income was $15.3 million.

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

Accrued interest receivable on AFS and HTM securities totaled $10.4 million and $9.2 million at June 30, 2023 and December 31, 2022, and is included within other assets in the accompanying consolidated statements of financial condition.

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

Pledged Securities

Investment securities with carrying values of $535.1 million and $356.5 million as of June 30, 2023 and December 31, 2022 were pledged to secure FHLB advances, FRB borrowings, public deposits and for other deposits as required or permitted by law.

Securities Available-for-Sale

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

	Three Months Ended June 30,		Six Months Ended June 30,	
($ in thousands)	**2023**	**2022**	**2023**	**2022**
Gross realized gains	$ —	$ —	$ —	$ 209
Gross realized losses	—	—	—	(193)
Net realized gains on sales and calls	**$ —**	**$ —**	**$ —**	**$ 16**
Proceeds from sales and calls	**$ 20,000**	**$ 38,500**	**$ 20,000**	**$ 56,146**

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

	Less Than 12 Months		12 Months or Longer		Total	
($ in thousands)	**Fair Value**	**Gross Unrealized Losses**	**Fair Value**	**Gross Unrealized Losses**	**Fair Value**	**Gross Unrealized Losses**
June 30, 2023						
Securities available-for-sale:						
SBA loan pool securities	$ —	$ —	$ 7,461	$ (43)	$ 7,461	$ (43)
U.S. government agency and U.S. government sponsored enterprise residential mortgage-backed securities	81,708	(1,205)	—	—	81,708	(1,205)
U.S. government agency and U.S. government sponsored enterprise collateralized mortgage obligations	51,780	(767)	37,478	(5,733)	89,258	(6,500)
Non-agency residential mortgage-backed securities	71,394	(1,734)	40,114	(9,753)	111,508	(11,487)
Collateralized loan obligations	41,278	(481)	441,552	(7,222)	482,830	(7,703)
Corporate debt securities	95,031	(10,265)	52,538	(16,926)	147,569	(27,191)
Total securities available-for-sale	**$ 341,191**	**$ (14,452)**	**$ 579,143**	**$ (39,677)**	**$ 920,334**	**$ (54,129)**
December 31, 2022						
Securities available-for-sale:						
SBA loan pool securities	$ 2,260	$ (3)	$ 8,927	$ (51)	$ 11,187	$ (54)
U.S. government agency and U.S. government sponsored enterprise residential mortgage-backed securities	40,206	(225)	—	—	40,206	(225)
U.S. government agency and U.S. government sponsored enterprise collateralized mortgage obligations	76,441	(2,533)	16,750	(3,351)	93,191	(5,884)
Non-agency residential mortgage-backed securities	80,492	(10,340)	—	—	80,492	(10,340)
Collateralized loan obligations	235,936	(7,492)	240,667	(8,108)	476,603	(15,600)
Corporate debt securities	159,492	(8,374)	4,180	(821)	163,672	(9,195)
Total securities available-for-sale	**$ 594,827**	**$ (28,967)**	**$ 270,524**	**$ (12,331)**	**$ 865,351**	**$ (41,298)**

At June 30, 2023, our AFS securities portfolio consisted of 86 securities, of which 85 securities were in an unrealized loss position. At December 31, 2022, our AFS securities portfolio consisted of 77 securities, of which 76 securities were in an unrealized loss position.

We monitor our securities portfolio for identification of potential credit impairment. During the three and six months ended June 30, 2023, we recognized a $1.0 million provision for credit losses on three corporate debt securities of other financial institutions that were downgraded to below investment grade by external credit agencies. During the three and six months ended June 30, 2022, there was no provision for credit losses related to AFS or HTM securities.

Except for the corporate debt securities noted above, we believe there was no credit impairment and the decline in fair value of our securities since acquisition was attributable to a combination of changes in interest rates and general volatility in market conditions. As of June 30, 2023, we did not have the intent to sell securities in an unrealized loss position and further believe, it is more likely than not, that we will not be required to sell these securities before their anticipated recovery. As of June 30, 2023, 82 of our 85 AFS securities in an unrealized loss position received an investment grade credit rating, and all of our HTM securities in an unrealized loss position received an investment grade credit rating.

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

($ in thousands)	Held-to-Maturity		Available-for-Sale	
	Amortized Cost	**Fair Value**	**Amortized Cost**	**Fair Value**
Earlier of maturity or next repricing date:				
Within one year	$ —	$ —	$ 505,106	$ 497,279
One to five years	—	—	171,438	144,892
Five to ten years	37,339	31,963	42,240	34,914
Greater than ten years	291,066	235,082	258,465	245,006
Total	**$ 328,405**	**$ 267,045**	**$ 977,249**	**$ 922,091**

Contractual maturities may not reflect the actual maturities of the investments. The average lives for MBS and collateralized mortgage obligations (“CMOs”) will likely be shorter than their contractual maturities due to prepayments and amortization.

The following table presents the fair value and weighted average yields using amortized cost of the AFS securities portfolio as of June 30, 2023, based on the earlier of contractual maturity dates or next repricing dates:

	One year or less		More than One Year through Five Years		More than Five Years through Ten Years		More than Ten Years		Total	
($ in thousands)	**Fair Value**	**Weighted-Average Yield**	**Fair Value**	**Weighted-Average Yield**	**Fair Value**	**Weighted-Average Yield**	**Fair Value**	**Weighted-Average Yield**	**Fair Value**	**Weighted-Average Yield**
Securities available-for-sale:										
SBA loan pool securities	$ 9,215	3.87 %	$ —	— %	$ —	— %	$ —	— %	$ 9,215	3.87 %
U.S. government agency and U.S. government sponsored enterprise residential mortgage-backed securities	—	— %	—	— %	—	— %	81,708	5.54 %	81,708	5.54 %
U.S. government agency and U.S. government sponsored enterprise collateralized mortgage obligations	5,233	5.70 %	7,795	3.61 %	24,442	3.14 %	51,790	5.19 %	89,260	4.45 %
Non-agency residential mortgage-backed securities	—	— %	—	— %	—	— %	111,508	3.92 %	111,508	3.92 %
Collateralized loan obligations	482,831	6.88 %	—	— %	—	— %	—	— %	482,831	6.88 %
Corporate debt securities	—	— %	137,097	4.82 %	10,472	5.73 %	—	— %	147,569	4.89 %
Total securities available-for-sale	**$ 497,279**	**6.81 %**	**$ 144,892**	**4.76 %**	**$ 34,914**	**3.95 %**	**$ 245,006**	**4.70 %**	**$ 922,091**	**5.77 %**

The following table presents the amortized cost and weighted average yields using amortized cost of the HTM securities portfolio as of June 30, 2023, based on the earlier of contractual maturity dates or next repricing dates:

	One year or less		More than One Year through Five Years		More than Five Years through Ten Years		More than Ten Years		Total	
($ in thousands)	**Amortized Cost**	**Weighted-Average Yield**	**Amortized Cost**	**Weighted-Average Yield**	**Amortized Cost**	**Weighted-Average Yield**	**Amortized Cost**	**Weighted-Average Yield**	**Amortized Cost**	**Weighted-Average Yield**
Securities held-to-maturity:										
U.S. government agency and U.S. government sponsored enterprise residential mortgage-backed securities	$ —	— %	$ —	— %	$ 9,344	2.52 %	$ 143,499	2.70 %	$ 152,843	2.69 %
U.S. government agency and U.S. government sponsored enterprise collateralized mortgage obligations	—	— %	—	— %	—	— %	61,359	2.64 %	61,359	2.64 %
Municipal securities	—	— %	—	— %	27,995	2.32 %	86,208	2.72 %	114,203	2.62 %
Total securities held-to-maturity	**$ —**	**— %**	**$ —**	**— %**	**$ 37,339**	**2.37 %**	**$ 291,066**	**2.69 %**	**$ 328,405**	**2.66 %**

NOTE 4 – LOANS AND ALLOWANCE FOR CREDIT LOSSES

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

($ in thousands)	June 30, 2023	December 31, 2022
Commercial:		
Commercial and industrial[1]	$ 2,000,408	$ 1,845,960
Commercial real estate	1,266,438	1,259,651
Multifamily	1,654,152	1,689,943
SBA	62,898	68,137
Construction	264,684	243,553
Consumer:		
Single family residential mortgage	1,820,721	1,920,806
Other consumer	86,905	86,988
Total loans	**$ 7,156,206**	**$ 7,115,038**
Allowance for loan losses	(80,883)	(85,960)
Loans receivable, net	**$ 7,075,323**	**$ 7,029,078**

(1) Includes warehouse lending balances of $786.1 million and $602.5 million at June 30, 2023 and December 31, 2022.

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

($ in thousands)	June 30, 2023	December 31, 2022
Unpaid principal balance	$ 7,148,929	$ 7,107,897
Unamortized net premiums	16,997	18,319
Unamortized net deferred (fees) costs	(1,238)	(1,880)
Fair value adjustment[1]	(8,482)	(9,298)
Total loans	**$ 7,156,206**	**$ 7,115,038**

(1) At June 30, 2023, includes $7.4 million related to the acquisition of Pacific Mercantile Bancorp ("PMB"), of which $3.7 million related to purchased credit deteriorated ("PCD") loans. At December 31, 2022, includes $8.0 million related to the PMB Acquisition, of which $4.1 million related to PCD loans.

Credit Quality Indicators

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

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

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

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

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

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

	Term Loans Amortized Cost Basis by Origination Year								
($ in thousands)	2023	2022	2021	2020	2019	Prior	Revolving Loans Amortized Cost Basis	Revolving Loans Amortized Cost Basis Converted to Term	Total
June 30, 2023									
Commercial:									
Commercial and industrial									
Pass	$ 50,265	$ 250,300	$ 172,125	$ 54,809	$ 38,087	$ 219,373	$ 1,120,399	$ 17,845	$ 1,923,203
Special mention	—	1,568	3,761	—	8,817	9,660	6,800	392	30,998
Substandard	—	4,051	135	2,422	301	13,056	14,167	2,716	36,848
Doubtful [(1)]	3,910	—	—	71	—	—	5,378	—	9,359
Commercial and industrial	**54,175**	**255,919**	**176,021**	**57,302**	**47,205**	**242,089**	**1,146,744**	**20,953**	**2,000,408**
Commercial real estate									
Pass	25,752	393,803	342,564	59,987	82,821	343,679	2,265	57	1,250,928
Special mention	—	—	5,352	—	6,899	—	—	—	12,251
Substandard	—	1,761	—	—	—	658	—	840	3,259
Doubtful	—	—	—	—	—	—	—	—	—
Commercial real estate	**25,752**	**395,564**	**347,916**	**59,987**	**89,720**	**344,337**	**2,265**	**897**	**1,266,438**
Multifamily									
Pass	23,474	624,664	387,413	153,613	225,130	212,731	3	9,215	1,636,243
Special mention	—	—	—	2,995	—	—	—	—	2,995
Substandard	—	—	—	—	—	14,914	—	—	14,914
Doubtful	—	—	—	—	—	—	—	—	—
Multifamily	**23,474**	**624,664**	**387,413**	**156,608**	**225,130**	**227,645**	**3**	**9,215**	**1,654,152**
SBA									
Pass	—	9,288	12,199	3,543	5,787	19,274	326	447	50,864
Special mention	—	—	676	—	—	579	—	1	1,256
Substandard	—	—	—	303	877	8,443	351	502	10,476
Doubtful	—	—	—	—	—	—	—	302	302
SBA	**—**	**9,288**	**12,875**	**3,846**	**6,664**	**28,296**	**677**	**1,252**	**62,898**

Construction									
Pass	1,996	96,130	113,770	27,795	—	24,984	9	—	264,684
Special mention	—	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—	—	—	—
Construction	**1,996**	**96,130**	**113,770**	**27,795**	**—**	**24,984**	**9**	**—**	**264,684**
Consumer:									
Single family residential mortgage									
Pass	—	595,050	768,940	70,311	44,030	302,777	2,445	—	1,783,553
Special mention	—	—	680	—	—	2,321	—	—	3,001
Substandard	—	9,656	6,607	2,161	—	13,876	1,867	—	34,167
Doubtful	—	—	—	—	—	—	—	—	—
Single family residential mortgage	**—**	**604,706**	**776,227**	**72,472**	**44,030**	**318,974**	**4,312**	**—**	**1,820,721**
Other consumer									
Pass	16,210	18,972	13,592	7,650	4,288	15,541	8,696	1,183	86,132
Special mention	—	—	—	—	—	1	349	52	402
Substandard	—	—	111	—	122	57	81	—	371
Doubtful	—	—	—	—	—	—	—	—	—
Other consumer	**16,210**	**18,972**	**13,703**	**7,650**	**4,410**	**15,599**	**9,126**	**1,235**	**86,905**
Total loans	**$ 121,607**	**$ 2,005,243**	**$ 1,827,925**	**$ 385,660**	**$ 417,159**	**$ 1,201,924**	**$ 1,163,136**	**$ 33,552**	**$ 7,156,206**
Total loans									
Pass	$ 117,697	$ 1,988,207	$ 1,810,603	$ 377,708	$ 400,143	$ 1,138,359	$ 1,134,143	$ 28,747	$ 6,995,607
Special mention	—	1,568	10,469	2,995	15,716	12,561	7,149	445	50,903
Substandard	—	15,468	6,853	4,886	1,300	51,004	16,466	4,058	100,035
Doubtful [(1)]	3,910	—	—	71	—	—	5,378	302	9,661
Total loans	**$ 121,607**	**$ 2,005,243**	**$ 1,827,925**	**$ 385,660**	**$ 417,159**	**$ 1,201,924**	**$ 1,163,136**	**$ 33,552**	**$ 7,156,206**

(1) Doubtful loans in origination year 2023 included one commercial and industrial loan that was modified and accounted for as a new loan.

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

	Term Loans Amortized Cost Basis by Origination Year								
($ in thousands)	2022	2021	2020	2019	2018	Prior	Revolving Loans Amortized Cost Basis	Revolving Loans Amortized Cost Basis Converted to Term	Total
December 31, 2022									
Commercial:									
Commercial and industrial									
Pass	$ 269,367	$ 170,513	$ 62,931	$ 53,001	$ 76,811	$ 164,394	$ 932,464	$ 19,803	$ 1,749,284
Special mention	—	19,203	1,042	—	1	11,528	17,142	483	49,399
Substandard	3,833	64	3,002	502	3,630	2,729	23,012	6,501	43,273
Doubtful	—	—	—	4,004	—	—	—	—	4,004
Commercial and industrial	**273,200**	**189,780**	**66,975**	**57,507**	**80,442**	**178,651**	**972,618**	**26,787**	**1,845,960**
Commercial real estate									
Pass	348,298	363,335	60,564	94,772	155,790	224,213	1,163	61	1,248,196
Special mention	—	—	—	—	—	1,745	—	—	1,745
Substandard	—	—	—	—	1	8,799	910	—	9,710
Doubtful	—	—	—	—	—	—	—	—	—
Commercial real estate	**348,298**	**363,335**	**60,564**	**94,772**	**155,791**	**234,757**	**2,073**	**61**	**1,259,651**
Multifamily									
Pass	626,186	390,928	154,636	229,511	109,887	138,063	3	9,307	1,658,521
Special mention	—	—	2,997	—	—	—	—	—	2,997
Substandard	—	—	—	—	11,069	17,356	—	—	28,425
Doubtful	—	—	—	—	—	—	—	—	—
Multifamily	**626,186**	**390,928**	**157,633**	**229,511**	**120,956**	**155,419**	**3**	**9,307**	**1,689,943**
SBA									
Pass	9,421	15,468	4,009	5,899	1,176	19,090	603	123	55,789
Special mention	—	—	—	—	201	598	—	1	800
Substandard	—	—	320	339	385	9,097	628	779	11,548
Doubtful	—	—	—	—	—	—	—	—	—
SBA	**9,421**	**15,468**	**4,329**	**6,238**	**1,762**	**28,785**	**1,231**	**903**	**68,137**

Construction									
Pass	85,430	98,572	27,704	6,495	—	25,352	—	—	243,553
Special mention	—	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—	—	—	—
Construction	**85,430**	**98,572**	**27,704**	**6,495**	**—**	**25,352**	**—**	**—**	**243,553**
Consumer:									
Single family residential mortgage									
Pass	627,213	797,744	72,658	47,284	89,492	255,520	—	—	1,889,911
Special mention	1,716	218	—	1,537	3,378	2,252	—	—	9,101
Substandard	3,571	—	2,171	—	8,573	7,479	—	—	21,794
Doubtful	—	—	—	—	—	—	—	—	—
Single family residential mortgage	**632,500**	**797,962**	**74,829**	**48,821**	**101,443**	**265,251**	**—**	**—**	**1,920,806**
Other consumer									
Pass	23,340	15,986	8,805	5,524	3,363	15,920	10,914	2,747	86,599
Special mention	—	—	—	3	—	19	62	54	138
Substandard	—	—	56	—	83	31	81	—	251
Doubtful	—	—	—	—	—	—	—	—	—
Other consumer	**23,340**	**15,986**	**8,861**	**5,527**	**3,446**	**15,970**	**11,057**	**2,801**	**86,988**
Total loans	**$ 1,998,375**	**$ 1,872,031**	**$ 400,895**	**$ 448,871**	**$ 463,840**	**$ 904,185**	**$ 986,982**	**$ 39,859**	**$ 7,115,038**
Total loans									
Pass	$ 1,989,255	$ 1,852,546	$ 391,307	$ 442,486	$ 436,519	$ 842,552	$ 945,147	$ 32,041	$ 6,931,853
Special mention	1,716	19,421	4,039	1,540	3,580	16,142	17,204	538	64,180
Substandard	7,404	64	5,549	841	23,741	45,491	24,631	7,280	115,001
Doubtful	—	—	—	4,004	—	—	—	—	4,004
Total loans	**$ 1,998,375**	**$ 1,872,031**	**$ 400,895**	**$ 448,871**	**$ 463,840**	**$ 904,185**	**$ 986,982**	**$ 39,859**	**$ 7,115,038**

Past Due Loans

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

($ in thousands)	30 - 59 Days Past Due	60 - 89 Days Past Due	Greater than 89 Days Past due	Total Past Due	Current	Total
June 30, 2023						
Commercial:						
Commercial and industrial	1,430	4,442	16,631	22,503	1,977,905	2,000,408
Commercial real estate	2,047	831	1,760	4,638	1,261,800	1,266,438
Multifamily	—	1,124	—	1,124	1,653,028	1,654,152
SBA	735	247	9,193	10,175	52,723	62,898
Construction	—	—	—	—	264,684	264,684
Consumer:						
Single family residential mortgage	43,956	9,466	12,504	65,926	1,754,795	1,820,721
Other consumer	119	349	81	549	86,356	86,905
Total	**$ 48,287**	**$ 16,459**	**$ 40,169**	**$ 104,915**	**$ 7,051,291**	**$ 7,156,206**
December 31, 2022						
Commercial:						
Commercial and industrial	4,002	481	13,833	18,316	1,827,644	1,845,960
Commercial real estate	311	—	910	1,221	1,258,430	1,259,651
Multifamily	—	—	—	—	1,689,943	1,689,943
SBA	287	—	10,299	10,586	57,551	68,137
Construction	—	—	—	—	243,553	243,553
Consumer:						
Single family residential mortgage	36,338	5,068	19,431	60,837	1,859,969	1,920,806
Other consumer	163	16	81	260	86,728	86,988
Total	**$ 41,101**	**$ 5,565**	**$ 44,554**	**$ 91,220**	**$ 7,023,818**	**$ 7,115,038**

Nonaccrual Loans

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

	June 30, 2023		December 31, 2022	
($ in thousands)	Total Nonaccrual Loans	Nonaccrual Loans with no ACL	Total Nonaccrual Loans	Nonaccrual Loans with no ACL
Nonaccrual loans				
Commercial:				
Commercial and industrial	$ 21,228	$ 10,824	$ 22,613	$ 10,959
Commercial real estate	2,600	2,600	910	910
SBA	9,611	9,502	10,417	5,613
Consumer:				
Single family residential mortgage	33,496	33,495	21,116	17,187
Other consumer	371	260	195	195
Total nonaccrual loans	**$ 67,306**	**$ 56,681**	**$ 55,251**	**$ 34,864**

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

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

At June 30, 2023, other real estate owned totaled $0.9 million and consisted of one single-family residence acquired as a result of foreclosure in the second quarter. There was no other real estate owned at December 31, 2022.

At June 30, 2023, there were 4 single-family residential mortgage loans totaling $3.2 million in process of foreclosure. There were 9 single-family residential mortgage loans totaling $11.7 million in process of foreclosure at December 31, 2022.

Allowance for Credit Losses - Loans

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

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

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

The RUC is established to cover the current expected credit losses for the estimated level of funding of these loan commitments, except for unconditionally cancellable commitments for which no reserve is required under ASC 326. At June 30, 2023 and December 31, 2022, the reserve for unfunded loan commitments was $4.0 million and $5.3 million and was included in accrued expenses and other liabilities on the consolidated statements of financial condition.

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

	Three Months Ended June 30,					
($ in thousands)	**2023**			**2022**		
	Allowance for Loan Losses	**Reserve for Unfunded Loan Commitments**	**Allowance for Credit Losses**	**Allowance for Loan Losses**	**Reserve for Unfunded Loan Commitments**	**Allowance for Credit Losses**
Balance at beginning of period	$ 84,560	$ 4,805	$ 89,365	$ 93,226	$ 5,405	$ 98,631
Charge-offs	(5,667)	—	(5,667)	(494)	—	(494)
Recoveries	326	—	326	1,561	—	1,561
Net (charge-offs) recoveries	(5,341)	—	(5,341)	1,067	—	1,067
Provision for (reversal of) credit losses	1,664	(800)	864	(500)	500	—
Balance at end of period	**$ 80,883**	**$ 4,005**	**$ 84,888**	**$ 93,793**	**$ 5,905**	**$ 99,698**

	Six Months Ended June 30,					
($ in thousands)	**2023**			**2022**		
	Allowance for Loan Losses	**Reserve for Unfunded Loan Commitments**	**Allowance for Credit Losses**	**Allowance for Loan Losses**	**Reserve for Unfunded Loan Commitments**	**Allowance for Credit Losses**
Balance at beginning of period	$ 85,960	$ 5,305	$ 91,265	$ 92,584	$ 5,605	$ 98,189
Charge-offs	(9,616)	—	(9,616)	(725)	—	(725)
Recoveries	375	—	375	33,776	—	33,776
Net (charge-offs) recoveries	(9,241)	—	(9,241)	33,051	—	33,051
Provision for (reversal of) credit losses	4,164	(1,300)	2,864	(31,842)	300	(31,542)
Balance at end of period	**$ 80,883**	**$ 4,005**	**$ 84,888**	**$ 93,793**	**$ 5,905**	**$ 99,698**

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

Accrued interest receivable on loans receivable, net totaled $25.1 million and $28.6 million at June 30, 2023 and December 31, 2022, and is included within other assets in the accompanying consolidated statements of financial condition. Accrued interest receivable is excluded from the allowance of credit losses.

The following table presents the activity and balance in the ALL as of or for the three and six months ended June 30, 2023:

($ in thousands)	Commercial and Industrial	Commercial Real Estate	Multifamily	SBA	Construction	Single Family Residential Mortgage	Other Consumer	Total
ALL:								
Three Months Ended June 30, 2023:								
Balance at March 31, 2023	$ 32,644	$ 16,119	$ 15,038	$ 2,097	$ 6,425	$ 11,481	$ 756	$ 84,560
Charge-offs	(4,450)	—	—	(1,081)	—	—	(136)	(5,667)
Recoveries	22	—	—	286	—	1	17	326
Net (charge-offs) recoveries	(4,428)	—	—	(795)	—	1	(119)	(5,341)
Provision for (reversal of) credit losses - loans	4,607	(352)	(341)	85	(372)	(1,964)	1	1,664
Balance at June 30, 2023	**$ 32,823**	**$ 15,767**	**$ 14,697**	**$ 1,387**	**$ 6,053**	**$ 9,518**	**$ 638**	**$ 80,883**
Six Months Ended June 30, 2023:								
Balance at December 31, 2022	$ 34,156	$ 15,977	$ 14,696	$ 2,648	$ 5,850	$ 12,050	$ 583	$ 85,960
Charge-offs	(7,711)	(300)	—	(1,081)	—	(372)	(152)	(9,616)
Recoveries	39	—	—	310	—	2	24	375
Net (charge-offs) recoveries	(7,672)	(300)	—	(771)	—	(370)	(128)	(9,241)
Provision for (reversal of) credit losses - loans	6,339	90	1	(490)	203	(2,162)	183	4,164
Balance at June 30, 2023	**$ 32,823**	**$ 15,767**	**$ 14,697**	**$ 1,387**	**$ 6,053**	**$ 9,518**	**$ 638**	**$ 80,883**

The following table presents the activity and balance in the ALL as of or for the three and six months ended June 30, 2022:

($ in thousands)	Commercial and Industrial	Commercial Real Estate	Multifamily	SBA	Construction	Single Family Residential Mortgage	Other Consumer	Total
ALL:								
Three Months Ended June 30, 2022:								
Balance at March 31, 2022	$ 39,967	$ 16,490	$ 15,337	$ 3,041	$ 6,268	$ 11,029	$ 1,094	$ 93,226
Charge-offs	(138)	—	—	(139)	—	—	(217)	(494)
Recoveries	1,400	—	—	3	—	154	4	1,561
Net recoveries (charge-offs)	1,262	—	—	(136)	—	154	(213)	1,067
Provision for (reversal of) credit losses - loans	184	(748)	341	128	(2,013)	1,622	(14)	(500)
Balance at June 30, 2022	**$ 41,413**	**$ 15,742**	**$ 15,678**	**$ 3,033**	**$ 4,255**	**$ 12,805**	**$ 867**	**$ 93,793**
Six Months Ended June 30, 2022:								
Balance at December 31, 2021	$ 33,557	$ 21,727	$ 17,893	$ 3,017	$ 5,622	$ 9,608	$ 1,160	$ 92,584
Charge-offs	(320)	—	—	(152)	—	(10)	(243)	(725)
Recoveries	32,817	—	—	761	—	192	6	33,776
Net recoveries (charge-offs)	32,497	—	—	609	—	182	(237)	33,051
(Reversal of) provision for credit losses - loans	(24,641)	(5,985)	(2,215)	(593)	(1,367)	3,015	(56)	(31,842)
Balance at June 30, 2022	**$ 41,413**	**$ 15,742**	**$ 15,678**	**$ 3,033**	**$ 4,255**	**$ 12,805**	**$ 867**	**$ 93,793**

The following table presents the gross charge-offs by class of loans and origination year as of June 30, 2023:

	Gross Charge-offs						
($ in thousands)	**2023**	**2022**	**2021**	**2020**	**2019**	**Prior**	**Total**
Three Months Ended June 30, 2023							
Commercial:							
Commercial and industrial	$ —	$ (4,118)	$ (332)	$ —	$ —	$ —	$ (4,450)
SBA	—	—	(64)	—	—	(1,017)	(1,081)
Consumer:							
Other consumer	—	—	—	(59)	—	(77)	(136)
Total loans	**$ —**	**$ (4,118)**	**$ (396)**	**$ (59)**	**$ —**	**$ (1,094)**	**$ (5,667)**
Six Months Ended June 30, 2023							
Commercial:							
Commercial and industrial	$ —	$ (5,717)	$ (1,085)	$ —	$ —	$ (909)	$ (7,711)
Commercial real estate	—	—	—	—	—	(300)	(300)
SBA	—	—	(64)	—	—	(1,017)	(1,081)
Consumer:							
Single family residential mortgage	—	—	—	(372)	—	—	(372)
Other consumer	—	(16)	—	(59)	—	(77)	(152)
Total loans	**$ —**	**$ (5,733)**	**$ (1,149)**	**$ (431)**	**$ —**	**$ (2,303)**	**$ (9,616)**

Collateral Dependent Loans

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

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

	June 30, 2023				
	Real Estate				
($ in thousands)	**Commercial**	**Residential**	**Business Assets**	**Automobile**	**Total**
Commercial:					
Commercial and industrial	$ —	$ —	$ 15,538	$ 62	$ 15,600
Commercial real estate	2,600	—	—	—	2,600
SBA	18	2,948	6,645	—	9,611
Consumer:					
Single family residential mortgage	—	33,496	—	—	33,496
Other consumer	—	81	—	290	371
Total loans	**$ 2,618**	**$ 36,525**	**$ 22,183**	**$ 352**	**$ 61,678**

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

Loan Modifications to Borrowers Experiencing Financial Difficulty

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

($ in thousands)	**Commercial and industrial**	**Single family residential mortgage**	**Total**
June 30, 2023			
Interest rate reduction:			
Amortized cost basis	$ —	$ 1,071	$ 1,071
% of total class of loans	— %	0.1 %	— %
Term extension:			
Amortized cost basis	$ —	$ 286	$ 286
% of total class of loans	— %	— %	— %
Combination - principal reduction and payment delays:			
Amortized cost basis	$ 3,910	$ —	$ 3,910
% of total class of loans	0.2 %	— %	0.1 %
Total amortized cost basis	$ 3,910	$ 1,357	$ 5,267
Percentage of total class of loans	0.2 %	0.1 %	0.1 %

The following table presents the aging of loans modified to borrowers experiencing financial difficulty at June 30, 2023:

($ in thousands)	30-59 Days Past Due	60-89 Days Past Due	Over 90 Days Past Due	Total Past Due	Current	Total
June 30, 2023						
Commercial:						
Commercial and industrial	$ —	$ 3,910	$ —	$ 3,910	$ —	$ 3,910
Consumer:						
Single family residential mortgage	—	—	—	—	1,357	1,357
	$ —	$ 3,910	$ —	$ 3,910	$ 1,357	$ 5,267

There were no loan modifications made to borrowers experiencing financial difficulty during the quarter ended June 30, 2023 that subsequently defaulted.

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

At June 30, 2023 and December 31, 2022, we had 10 and 15 loans classified as TDRs, with an aggregate balance of $8.0 million and $16.1 million. During the six months ended June 30, 2023 a $3.9 million commercial and industrial ("C&I") loan that was restructured during 2022 was modified and accounted for as a new loan. Additionally, $4.0 million relating to two commercial relationships were paid down during this same period.

Accruing TDRs were $2.5 million and nonaccrual TDRs were $5.5 million at June 30, 2023, compared to accruing TDRs of $2.7 million and nonaccrual TDRs of $13.4 million at December 31, 2022.

Purchases, Sales, and Transfers

From time to time, we purchase and sell loans in the secondary market. There were no loans purchased during the three months ended June 30, 2023. During the six months ended June 30, 2023, we purchased loans aggregating $61.4 million. During the three and six months ended June 30, 2022, we purchased loans aggregating $277.2 million and $641.5 million.

There were no loans transferred from held for investment to loans held-for-sale, and there were no sales of loans for the three and six months ended June 30, 2023 and 2022.

Non-Traditional Mortgage ("NTM") Loans

We no longer originate SFR loans, however we have purchased and may continue to purchase pools of loans that include NTM loans such as interest only loans with maturities of up to 40 years and flexible initial repricing dates, ranging from 1 to 10 years, and periodic repricing dates through the life of the loan.

NTM loans are included in our SFR mortgage portfolio and are comprised primarily of interest only loans. As of June 30, 2023 and December 31, 2022, the NTM loans totaled $811.7 million, or 11.3% of total loans, and $862.3 million, or 12.1% of total loans. The total NTM portfolio decreased by $50.7 million, or 5.9% during the six months ended June 30, 2023. The decrease was due to principal paydowns and payoffs.

At June 30, 2023 and December 31, 2022, nonperforming NTM loans totaled $13.3 million and $3.0 million.

Non-Traditional Mortgage Performance Indicators

Our risk management policy and credit monitoring include reviewing delinquency, FICO scores, and LTV ratios on the NTM loan portfolio. We also continually monitor market conditions for our geographic lending areas. We have determined that the most significant performance indicators for NTM loans are LTV ratios. At June 30, 2023, our NTM portfolio had a weighted average LTV of approximately 61%.

NOTE 5 – GOODWILL AND OTHER INTANGIBLES

Goodwill

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
($ in thousands)	**2023**	**2022**	**2023**	**2022**
Goodwill, beginning of period	$ 114,312	$ 95,127	$ 114,312	$ 94,301
Goodwill adjustments for purchase accounting	—	—	—	826
Goodwill, end of period	**$ 114,312**	**$ 95,127**	**$ 114,312**	**$ 95,127**

The acquisition of Deepstack in the third quarter of 2022 resulted in the recognition of $18.2 million in goodwill. We also adjusted goodwill in the first quarter of 2022 as a result of updates to the initial fair value of core deposit intangibles and finalization of income tax returns related to the acquisition of PMB.

We evaluate goodwill for impairment as of October 1 each year, and more frequently if events or circumstances indicate that there may be impairment. We completed our most recent annual goodwill impairment test as of October 1, 2022 and determined that no goodwill impairment existed. For the three and six months ended June 30, 2023, we analyzed indicators related to potential goodwill impairment due to volatility in the financial markets and recent events in the banking sector. Based on this analysis, we did not identify any impairment to goodwill.

Other Intangibles

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

($ in thousands)	**June 30, 2023**	**December 31, 2022**
Core deposit intangibles	$ 3,363	$ 3,932
Developed technology	2,357	2,637
Other intangibles	883	957
Total other intangibles	**$ 6,603**	**$ 7,526**

Other intangibles are amortized over their estimated useful lives and reviewed for impairment at least quarterly. As of June 30, 2023, the weighted average remaining amortization period for core deposit intangibles was approximately 6.3 years. Amortization periods for developed technology and other intangibles acquired in the acquisition of Deepstack have useful lives ranging from 3 to 10 years.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
($ in thousands)	**2023**	**2022**	**2023**	**2022**
Other intangibles:				
Balance, beginning of period	$ 38,778	$ 34,978	$ 38,778	$ 35,958
Purchase accounting adjustments	—	—	—	(980)
Balance, end of period	**38,778**	**34,978**	**38,778**	**34,978**
Accumulated amortization:				
Balance, beginning of period	31,713	29,988	31,252	29,547
Amortization of other intangibles	462	313	923	754
Balance, end of period	**32,175**	**30,301**	**32,175**	**30,301**
Other intangibles	**$ 6,603**	**$ 4,677**	**$ 6,603**	**$ 4,677**

The following table presents estimated future amortization expense of other intangibles as of June 30, 2023:

($ in thousands)	Remainder of 2023	2024	2025	2026	2027	2028 and After	Total
Estimated future amortization expense	$ 876	$ 1,425	$ 1,107	$ 1,013	$ 811	$ 1,371	$ 6,603

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

Federal Home Loan Bank (FHLB) Advances

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

($ in thousands)	June 30, 2023	December 31, 2022
Fixed rate:		
Outstanding balance [(1)]	$ 811,000	$ 711,000
Interest rates ranging from	0.64 %	0.64 %
Interest rates ranging to	3.70 %	3.70 %
Weighted average interest rate	3.04 %	2.97 %
Variable rate:		
Outstanding balance	$ —	$ 20,000
Weighted average interest rate	— %	4.59 %

(1) Excludes $3.0 million and $3.7 million of unamortized debt issuance costs at June 30, 2023 and December 31, 2022.

As of June 30, 2023, FHLB advances consisted of $611 million in term advances with a weighted average life of 3 years and a weighted average interest rate of 2.91% and $200 million in putable advances with a weighted average life of 4.5 years and a weighted average interest rate of 3.44%. Term advances are payable at maturity date, and advances paid early are subject to a prepayment penalty. The putable advances can be called quarterly until maturity at the option of the FHLB beginning in December 2023.

FHLB advances are collateralized by a blanket lien on all real estate loans. As of June 30, 2023, our secured borrowing capacity with the FHLB totaled $2.39 billion, of which the Bank was eligible to borrow an additional $1.16 billion based on qualifying loans with an aggregate unpaid principal balance of $3.47 billion as of that date.

The Bank’s investment in the capital stock of the FHLB of San Francisco totaled $25.7 million and $22.6 million at June 30, 2023 and December 31, 2022.

Federal Reserve Bank (FRB) Borrowings

At June 30, 2023, the Bank had borrowing capacity with the Federal Reserve Bank of San Francisco (the “Federal Reserve”) of $1.45 billion, including the secured borrowing capacity through the FRB Discount Window, Borrower-in-Custody (“BIC”), and Bank Term Funding (“BTFP”) programs. Borrowings under the BIC program are overnight advances with interest chargeable at the primary credit borrowing rate. Borrowings under the BTFP, which was established in March 2023, are for periods up to one year in length, with interest rates based on the one-year overnight index swap (“OIS”) rate plus a spread of 10 basis points. BTFP borrowings are collateralized by eligible investment securities valued at par and provide an additional source of liquidity leveraging high-quality securities.

At June 30, 2023, the Bank pledged certain qualifying loans with an unpaid principal balance of $1.40 billion and securities with a carrying value of $515.3 million as collateral for the FRB credit programs.

Borrowings from the Federal Reserve through the FRB Discount Window and BIC programs were $340.0 million and zero at June 30, 2023 and December 31, 2022. There were no borrowings under the BTFP at June 30, 2023.

The Bank’s investment in capital stock of the Federal Reserve totaled $34.6 million and $34.5 million at June 30, 2023 and December 31, 2022.

Other Borrowings

The Bank maintained available unsecured federal funds lines with six correspondent banks totaling $290.0 million, with no outstanding borrowings at June 30, 2023 and December 31, 2022. The Bank also has the ability to access unsecured overnight borrowings from various financial institutions through the American Financial Exchange platform ("AFX"). The availability of

such unsecured borrowings fluctuates regularly and are subject to the counterparties discretion and totaled $365.0 million and $445.0 million at June 30, 2023 and December 31, 2022. Borrowings from the correspondent banks and AFX totaled zero at June 30, 2023 and December 31, 2022.

In December 2022, the holding company renewed its $50.0 million revolving line of credit with another financial institution. The line of credit matures on December 18, 2023 and is subject to certain operational and financial covenants. There were no borrowings under this line of credit at June 30, 2023 and December 31, 2022, and we were in compliance with all covenants.

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

NOTE 7 – LONG-TERM DEBT

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

			June 30, 2023		December 31, 2022	
($ in thousands)	**Interest Rate**	**Maturity Date**	**Par Value**	**Unamortized Debt Issuance Cost and Discount**	**Par Value**	**Unamortized Debt Issuance Cost and Discount**
Senior notes	5.25%	4/15/2025	$ 174,000	$ (609)	$ 175,000	$ (722)
Subordinated notes[(1)]	4.375%	10/30/2030	85,000	(1,797)	85,000	(1,899)
PMB Statutory Trust III, junior subordinated debentures	SOFR + 3.40%	9/26/2032	7,217	—	7,217	—
PMB Capital Trust III, junior subordinated debentures	SOFR + 2.00%	10/8/2034	10,310	—	10,310	—
Total			**$ 276,527**	**$ (2,406)**	**$ 277,527**	**$ (2,621)**

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

During the three and six months ended June 30, 2023, we repurchased senior notes with an outstanding balance of $1.0 million at a discount and recognized an $80 thousand gain.

At June 30, 2023, we were in compliance with all covenants under our long-term debt agreements.

NOTE 8 – INCOME TAXES

For the three and six months ended June 30, 2023, income tax expense was $6.7 million and $14.1 million, resulting in an effective tax rate of 27.4% and 27.0%. For the three and six months ended June 30, 2022, income tax expense was $10.2 million and $28.9 million, resulting in an effective tax rate of 27.6% and 27.8%. The effective tax rate for the three and six months ended June 30, 2023 and 2022, differs from the combined federal and state statutory rate for the consolidated company of 28.9% due primarily to various permanent tax differences, tax credits and other discrete tax items that impact our effective tax rate.

We account for income taxes by recognizing deferred tax assets and liabilities based upon temporary differences between the amounts for financial reporting purposes and the tax basis of our assets and liabilities. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion, or all, of the deferred tax asset will not be realized. In assessing the realization of deferred tax assets, management will continue to evaluate both positive and negative evidence on a quarterly basis, including considering the four possible sources of future taxable income, such as future reversal of existing taxable temporary differences, future taxable income exclusive of reversing temporary differences and carryforwards, taxable income in prior carryback year(s), and future tax planning strategies. Based on this analysis, management determined, it was more likely than not, that all of the deferred tax assets would be realized; therefore, no valuation allowance was provided against the net deferred tax assets of $64.0 million and $50.5 million at June 30, 2023 and December 31, 2022.

ASC 740-10-25 relates to the accounting for uncertainty in income taxes recognized in an enterprise's financial statements. ASC 740-10-25 prescribes a threshold and a measurement process for recognizing in the financial statements a tax position taken or expected to be taken in a tax return and also provides guidance on de-recognition, classification, interest and penalties,

accounting in interim periods, disclosure and transition. We had unrecognized tax benefits of $0.8 million at both June 30, 2023 and December 31, 2022. We do not believe that the unrecognized tax benefits will change materially in the next twelve months. As of June 30, 2023, the total unrecognized tax benefit that, if recognized, would impact the effective tax rate was $0.6 million.

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

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

NOTE 9 – DERIVATIVE INSTRUMENTS

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

The Company recognizes all derivatives on the consolidated balance sheet at fair value in other assets and other liabilities. On the date we enter into a derivative contract, the derivative is designated as either a fair value hedge, cash flow hedge, or a hedge designation is not made as it is a customer-related transaction. When a derivative is designated as a fair value hedge or cash flow hedge, the Company performs an assessment at inception, and, at least quarterly thereafter, to determine the effectiveness of the derivative in offsetting changes in the fair value or cash flows of the hedged items.

Cash flow hedge

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

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

At June 30, 2023, the fair value of the cash flow hedges represent a liability of $0.5 million, of which $0.4 million (net of tax) was included in accumulated other comprehensive loss on the consolidated statements of financial condition.

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

During the three and six months ended June 30, 2023, changes in fair value of interest rate swaps on loans and foreign exchange contracts were gains of $10 thousand and losses of $14 thousand and were included in other income on the consolidated statements of operations. During the three and six months ended June 30, 2022, changes in fair value of interest rate swaps on loans and foreign exchange contracts were gains of $82 thousand and $0.2 million.

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

	June 30, 2023		December 31, 2022	
($ in thousands)	**Notional Amount**	**Fair Value**	**Notional Amount**	**Fair Value**
Derivative assets:				
Interest rate swaps on loans	$ 32,677	$ 2,158	$ 33,694	$ 2,134
Foreign exchange contracts	4,892	41	5,885	158
Total	**$ 37,569**	**$ 2,199**	**$ 39,579**	**$ 2,292**
Derivative liabilities:				
Cash flow hedges	$ 300,000	$ 454	$ —	$ —
Interest rate swaps on loans	32,677	2,138	33,694	2,107
Foreign exchange contracts	4,892	34	5,885	144
Total	**$ 337,569**	**$ 2,626**	**$ 39,579**	**$ 2,251**

NOTE 10 – EMPLOYEE STOCK COMPENSATION

On May 31, 2018, our stockholders approved the Company's 2018 Omnibus Stock Incentive Plan ("2018 Omnibus Plan"). The 2018 Omnibus Plan provides that the maximum number of shares available for awards is 4,417,882. As of June 30, 2023, there were 1,901,039 shares available for future awards.

Stock-based Compensation Expense

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

	Three Months Ended June 30,		Six Months Ended June 30,	
($ in thousands)	2023	2022	2023	2022
Restricted stock awards and units	$ 1,726	$ 1,482	$ 3,181	$ 2,767
Related tax benefits	$ 499	$ 428	$ 920	$ 799

Total stock-based compensation expense represents the cost of service-based restricted stock units, performance-based restricted stock units and performance-based restricted stock units with market conditions. At June 30, 2023, unrecognized compensation expense totaled $12.8 million and will be recognized over a weighted average remaining period of 2.5 years.

Restricted Stock Awards and Restricted Stock Units

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

The following table presents unvested restricted stock awards and restricted stock units activity for the three and six months ended June 30, 2023:

	Three Months Ended June 30, 2023		Six Months Ended June 30, 2023	
	Number of Shares	Weighted Average Grant Date Fair Value Per Share	Number of Shares	Weighted Average Grant Date Fair Value Per Share
Outstanding at beginning of period	1,450,539	$ 14.85	1,403,245	$ 14.68
Granted [(1)]	80,395	$ 10.20	374,200	$ 16.07
Vested [(2)]	(51,294)	$ 17.94	(283,077)	$ 17.39
Forfeited [(3)]	(129,430)	$ 20.32	(144,158)	$ 13.55
Outstanding at end of period	**1,350,210**	**$ 14.61**	**1,350,210**	**$ 14.61**

(1) There were zero and 79,784 performance-based shares/units included in shares granted for the three and six months ended June 30, 2023.
(2) There were zero and 66,699 performance-based shares/units included in vested shares for the three and six months ended June 30, 2023.
(3) The number of forfeited shares included aggregate performance-based shares/units of 113,650 and 124,882 for the three and six months ended June 30, 2023.

Stock Options

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

	Three Months Ended June 30, 2023		Six Months Ended June 30, 2023			
($ in thousands, except per share data)	**Number of Shares**	**Weighted-Average Exercise Price Per Share**	**Number of Shares**	**Weighted-Average Exercise Price Per Share**	**Weighted-Average Remaining Contract Term**	**Aggregate Intrinsic Value**
Outstanding at beginning of period	14,904	$ 13.05	14,904	$ 13.05		
Exercised	—	$ —	—	$ —		
Outstanding at end of period	**14,904**	**$ 13.05**	**14,904**	**$ 13.05**	**1.8 years**	**$ 2**
Exercisable at end of period	**14,904**	**$ 13.05**	**14,904**	**$ 13.05**	**1.8 years**	**$ 2**

NOTE 11 – STOCKHOLDERS' EQUITY

Preferred Stock

We are authorized to issue 50,000,000 shares of preferred stock with par value of $0.01 per share. Preferred shares outstanding rank senior to common shares both as to dividends and liquidation preference but generally have no voting rights. All of our shares of preferred stock had a $1,000 per share liquidation preference and there were no preferred shares outstanding since March 2022.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
($ in thousands)	**2023**	**2022**	**2023**	**2022**
Series E Preferred Stock:				
Depositary shares repurchased	—	—	—	3,948,080
Preferred Stock retired (shares)	—	—	—	98,702
Consideration paid	$ —	$ —	$ —	$ 98,703
Carrying value	—	—	—	94,956
Impact of preferred stock redemption	$ —	$ —	$ —	$ 3,747

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

Common Share Repurchase Program

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

During the three and six months ended June 30, 2023, common stock repurchased under the program totaled 1,348,545 shares and 1,759,491 shares at a weighted average price of $11.85 and $12.02. As of June 30, 2023, the Company had $13.9 million remaining under the current stock repurchase authorization.

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

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

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
($ in thousands)	**2023**	**2022**	**2023**	**2022**
Balance at beginning of period	$ (50,489)	$ (19,172)	$ (40,597)	$ 7,743
Unrealized loss on securities available-for-sale:				
Unrealized loss arising during the period	(7,334)	(21,016)	(12,857)	(59,103)
Reclassification adjustment from other comprehensive income	—	—	—	(16)
Total unrealized loss on securities available-for-sale	(7,334)	(21,016)	(12,857)	(59,119)
Amortization of unrealized loss of available-for-sale securities transferred to held-to-maturity	252	246	505	333
Unrealized gain (loss) on cash flow hedges:				
Unrealized gain (loss) arising during the period	8,168	—	(454)	—
Tax effect of current period changes	(355)	5,883	3,645	16,984
Total changes, net of taxes	731	(14,887)	(9,161)	(41,802)
Balance at end of period	**$ (49,758)**	**$ (34,059)**	**$ (49,758)**	**$ (34,059)**

NOTE 12 – VARIABLE INTEREST ENTITIES

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

Unconsolidated VIEs

Alternative Energy Partnerships

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

We use the HLBV method to account for our investments in alternative energy partnerships as an equity investment. Under the HLBV method, an equity method investor determines its share of an investee's net earnings by comparing its claim on the investee's book value at the beginning and end of the period, assuming the investee were to liquidate all assets at their U.S. GAAP amounts and distribute the resulting cash to creditors and investors under their respective priorities. The difference between the calculated liquidation distribution amounts at the beginning and the end of the reporting period, after adjusting for capital contributions and distributions, is our share of the earnings or losses from the equity investment for the period. To account for the tax credits earned on investments in alternative energy partnerships, we use the flow-through income statement method. Under this method, the tax credits are recognized as a reduction to income tax expense and the initial book-tax differences in the basis of the investments are recognized as additional tax expense in the year they are earned. Investments in alternative energy partnerships totaled $19.1 million and $21.4 million at June 30, 2023 and December 31, 2022.

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

($ in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Return of capital	$ 352	$ 582	$ 717	$ 1,156
Gain (loss) on investments in alternative energy partnerships	36	(1,043)	(1,582)	(1,201)
Tax expense (benefit) recognized from HLBV application	10	(301)	(457)	(347)

There were no fundings of alternative energy partnerships or related income tax credits recognized for the three and six months ended June 30, 2023 and 2022.

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

($ in thousands)	June 30, 2023	December 31, 2022
Cash	$ 2,910	$ 4,110
Equipment, net of depreciation	233,152	237,641
Other assets	10,078	9,838
Total unconsolidated assets	**$ 246,140**	**$ 251,589**
Total unconsolidated liabilities	**$ 11,426**	**$ 11,679**
Maximum loss exposure	**$ 19,111**	**$ 21,410**

The maximum loss exposure that would be absorbed by us in the event that all of the assets in alternative energy partnerships are deemed worthless is $19.1 million, which is our recorded investment amount at June 30, 2023.

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

Qualified Affordable Housing Partnerships - Low Income Housing Tax Credits

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

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

($ in thousands)	June 30, 2023	December 31, 2022
Ending balance[(1)]	$ 42,818	$ 45,726
Aggregate funding commitment	72,997	72,967
Total amount funded	57,290	55,487
Unfunded commitment	15,707	17,480
Maximum loss exposure	42,818	45,726

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
($ in thousands)	2023	2022	2023	2022
Fundings	$ 1,168	$ 919	$ 1,803	$ 2,024
Proportional amortization recognized	1,427	1,027	2,938	2,573
Income tax credits recognized	1,688	1,163	3,375	2,536

Other CRA Investments

We invest in other CRA investments that are accounted for using the equity method of accounting or the measurement alternative to fair value for equity investments without a readily determinable fair value. Other CRA investments totaled $89.0 million and $85.0 million at June 30, 2023 and December 31, 2022.

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

Multifamily Securitization

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

The maximum loss exposure that would be absorbed by us in the event that all of the assets in the securitization trust are deemed worthless is $68.8 million, which represents the aforementioned obligation to guarantee credit losses up to 12%. We believe that the loss exposure on the multifamily securitization is reduced by both loan-to-value ratios of the underlying collateral balances and the overcollateralization that exists within the securitization trust. At June 30, 2023, the remaining unpaid principal balance on the securitization totaled $91.0 million, and we have a $1.2 million repurchase reserve related to this VIE.

Capital Trusts - Trust Preferred Securities

In connection with our acquisition of PMB, we acquired investments in two grantor trusts. These grantor trusts were originally formed to sell and issue trust preferred securities to institutional investors (Refer to Note 7 - *Long-term Debt*). We are not the primary beneficiary, and consequently, these grantor trusts are not consolidated in the consolidated financial statements. At

June 30, 2023 and December 31, 2022, our investment in these grantor trusts, which is included in other assets in the consolidated statements of financial condition, totaled $0.5 million.

NOTE 13 – EARNINGS PER COMMON SHARE

The following table presents computations of basic and diluted earnings per common share (“EPS”) for the three and six months ended June 30, 2023:

	Three Months Ended June 30, 2023		Six Months Ended June 30, 2023	
($ in thousands except per share data)	**Common Stock**	**Class B Common Stock**	**Common Stock**	**Class B Common Stock**
Net income	**$ 17,732**	**$ 147**	**$ 37,846**	**$ 311**
Weighted average common shares outstanding	**57,503,213**	**477,321**	**58,017,185**	**477,321**
Dilutive effects of restricted shares/units	45,268	—	104,941	—
Dilutive effects of stock options	205	—	866	—
Average shares and dilutive common shares	**57,548,686**	**477,321**	**58,122,992**	**477,321**
Basic earnings per common share	**$ 0.31**	**$ 0.31**	**$ 0.65**	**$ 0.65**
Diluted earnings per common share	**$ 0.31**	**$ 0.31**	**$ 0.65**	**$ 0.65**

For the three and six months ended June 30, 2023, there were 609,324 and 457,960 anti-dilutive restricted shares/units and 11,232 and zero anti-dilutive stock options that were excluded from computing diluted earnings per common share.

The following table presents computations of basic and diluted EPS for the three and six months ended June 30, 2022:

	Three Months Ended June 30, 2022		Six Months Ended June 30, 2022	
($ in thousands except per share data)	**Common Stock**	**Class B Common Stock**	**Common Stock**	**Class B Common Stock**
Net income	$ 26,504	$ 208	$ 74,645	$ 579
Less: preferred stock dividends	—	—	(1,409)	(11)
Less: preferred stock redemption	—	—	(3,718)	(29)
Net income allocated to common stockholders	**$ 26,504**	**$ 208**	**$ 69,518**	**$ 539**
Weighted average common shares outstanding	**60,873,481**	**477,321**	**61,497,261**	**477,321**
Dilutive effects of stock units	245,571	—	269,093	—
Dilutive effects of stock options	4,242	—	4,701	—
Average shares and dilutive common shares	**61,123,294**	**477,321**	**61,771,055**	**477,321**
Basic earnings per common share	**$ 0.44**	**$ 0.44**	**$ 1.13**	**$ 1.13**
Diluted earnings per common share	**$ 0.43**	**$ 0.44**	**$ 1.13**	**$ 1.13**

For the three and six months ended June 30, 2022, there were 354,484 and 806 anti-dilutive restricted shares/units and no anti-dilutive stock options that were excluded from computing diluted earnings per common share.

NOTE 14 – LOAN COMMITMENTS AND OTHER RELATED ACTIVITIES

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

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

	June 30, 2023		December 31, 2022	
($ in thousands)	Fixed Rate	Variable Rate	Fixed Rate	Variable Rate
Commitments to extend credit	$ 39,729	$ 161,036	$ 50,193	$ 180,696
Unused lines of credit	47,334	1,330,913	8,392	1,505,122
Letters of credit	1,671	7,462	2,461	7,016

Other Commitments

At June 30, 2023, we had unfunded commitments of $15.7 million, $7.5 million, and $20.0 million for LIHTC investments, SBIC investments, and other investments. At December 31, 2022, we had unfunded commitments of $17.5 million, $8.6 million, and $9.8 million for LIHTC investments, SBIC investments, and other investments.

NOTE 15 – OTHER ASSETS AND OTHER LIABILITIES

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

($ in thousands)	June 30, 2023	December 31, 2022
Accrued interest receivable	$ 35,821	$ 37,942
Prepaid expenses	9,816	8,068
Derivative instruments[(1)]	2,199	2,292
Operating lease right-of-use assets	26,630	28,780
Servicing assets	21,051	22,484
Other real estate owned	882	—
Income taxes receivable	—	7,679
Investments:		
CRA and other equity investments[(2)]	94,703	90,295
LIHTCs[(2)]	42,818	45,726
Alternative energy partnerships[(2)]	19,111	21,410
Other assets	25,281	13,513
Total other assets	**$ 278,312**	**$ 278,189**

(1) See Note 9 - Derivative Instruments for information regarding derivative instruments
(2) See Note 12 - Variable Interest Entities regarding alternative energy partnerships, LIHTC and other CRA investments

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

($ in thousands)	June 30, 2023	December 31, 2022
Accrued interest payable	$ 14,791	$ 7,004
Accounts payable and accrued expenses	43,791	37,560
Income taxes payable	682	—
Derivative liabilities[(1)]	2,626	2,251
Lease liability	30,505	33,122
Commitments to fund LIHTC[(2)]	15,707	17,480
Reserve for unfunded noncancellable loan commitments	4,005	5,305
Reserve for loss on repurchased loans	1,977	2,989
Other liabilities	5,933	8,512
Total accrued expenses and other liabilities	**$ 120,017**	**$ 114,223**

(1) See Note 9 - Derivative Instruments for information regarding derivative instruments
(2) See Note 14 - Loan Commitments and Other Related Activities regarding commitments to fund LIHTC

NOTE 16 – REVENUE RECOGNITION

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

($ in thousands)	Three Months Ended June 30, 2023	Three Months Ended June 30, 2022	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022
Noninterest income				
In scope of Topic 606				
Deposit service fees	$ 1,377	$ 1,627	$ 2,640	$ 3,281
Debit card fees	424	542	801	995
Other	331	137	699	296
Noninterest income (in-scope of Topic 606)	2,132	2,306	4,140	4,572
Noninterest income (out-of-scope of Topic 606)	3,892	4,880	9,743	8,524
Total noninterest income	**$ 6,024**	**$ 7,186**	**$ 13,883**	**$ 13,096**

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

Sale-leaseback Transactions

In January 2022, we completed a sale-leaseback transaction for $2.4 million and recognized a gain of $0.8 million. Gains related to sale-leaseback are included in other income in the accompanying consolidated statements of operations.

NOTE 17 – RELATED-PARTY TRANSACTIONS

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

Transactions with Related Parties

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

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

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

NOTE 18 – LITIGATION

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

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

NOTE 19 – SUBSEQUENT EVENTS

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

On July 25, 2023, the Company and PacWest announced the execution of an Agreement and Plan of Merger, pursuant to which (a) a newly formed merger subsidiary of the Company will merge with and into PacWest, with PacWest surviving (the “merger”), (b) immediately following the merger, PacWest will merge into the Company, with the Company surviving (the “second-step merger”), (c) promptly following the second-step merger, Pacific Western Bank, a California-chartered non-member bank and prior to the second-step merger, a wholly-owned subsidiary of PacWest (“PacWest Bank”), will become a member of the Federal Reserve System (the “FRS Membership”) and (d) promptly following the effectiveness of the FRS Membership, the Bank will merge into PacWest Bank, with PacWest Bank surviving as a wholly-owned subsidiary of the Company. Upon closing of the transaction, the combined holding company and bank will operate under the Banc of California name and brand. At the closing of the merger, PacWest stockholders will be entitled to receive 0.6569 of a share of the Company’s common stock for each share held of PacWest common stock. Each outstanding share of PacWest’s 7.75% series A fixed-rate reset noncumulative perpetual preferred stock will be converted into the right to receive one share of a newly created series of substantially identical preferred stock of the Company with the same terms and conditions.

In connection with the proposed transaction, the Company also entered into separate investment agreements (the “Investment Agreements”) with affiliates of funds managed by Warburg Pincus LLC (the “Warburg Investors”) and certain investment vehicles sponsored, managed or advised by Centerbridge Partners, L.P. and its affiliates (the “Centerbridge Investors” and, together with the Warburg Investors, the “Investors”), which together will invest a total of $400 million for newly issued equity securities of the Company substantially concurrently with and subject to closing of the transaction.

Subject to the terms and conditions of the Investment Agreements, at the closing of the transactions contemplated thereby, the Company expects to issue to the Warburg Investors and the Centerbridge Investors, in the aggregate, approximately 21.8 million shares of common stock at a purchase price of $12.30 per share and 10.8 million shares of a new class of nonvoting, common-equivalent stock at a purchase price of $12.30 per share.

Additionally, the Warburg Investors will receive warrants to purchase approximately 15.9 million of the Company’s nonvoting, common-equivalent shares, and the Centerbridge Investors will receive warrants to purchase approximately 3.0 million shares of the Company’s common stock, each with an exercise price of $15.375 per share. The warrants are exercisable for a period of seven years and subject to mandatory exercise when the market price of the Company’s common stock reaches or exceeds $24.60 for twenty or more trading days during any thirty-consecutive trading day period.

Simultaneously with entering into the definitive merger agreement, Banc of California, N.A. entered into an aggregate of $3.5 billion in interest rate swap options to hedge interest rate risk for a total cost of $15.7 million, and a contingent forward asset sale agreement on the SFR loan portfolio of $1.8 billion.

Except as noted, there have been no other subsequent events that occurred during such period that would require disclosure in this report or would be required to be recognized in the consolidated financial statements as of June 30, 2023.

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

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

Executive Overview

We are focused on providing core banking products and services, including customized and innovative banking and lending solutions, designed to cater to the unique needs of California’s diverse businesses, entrepreneurs and communities through our 27 full service branches in California, extending from San Diego to Santa Barbara. Through our dedicated professionals, we are committed to servicing and building enduring relationships by providing a higher standard of banking. We offer a
variety of financial products and services designed to serve the banking and financial needs of our target clients. We also acquired Deepstack Technologies in 2022 to be able to offer full stack payment processing solutions and further our ability to serve as the hub of our clients' financial services ecosystem.

Economy and Banking Industry Impact

Economic uncertainty and concerns regarding the stability of the U.S. banking system following recent bank failures earlier in the year contributed to a challenging operating environment for our Company in the first half of 2023. Additionally, the Federal Reserve continued to raise the short-term federal funds rate, which increased 100 basis points since the start of the year through July 2023, as inflation persists. Since the beginning of 2022 through July 2023, the Federal Reserve has increased the federal funds target rate 525 basis points. As our assets and liabilities are primarily monetary in nature, the effect of changes in interest rates has a significant impact on our performance.

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

During the first quarter of 2023, in response to volatility in the financial markets, we proactively performed liquidity-enhancing measures, including additional advances from the FHLB and draws on available FRB facilities. We reduced our excess liquidity toward the end of the second quarter as volatility in the markets began to stabilize. We had primary and secondary liquidity availability of just over $3.9 billion, or 2.2 times our uninsured and uncollateralized deposits at quarter end. While these actions had a negative impact on our level of profitability and net interest margin in the second quarter and year-to-date period, we believe it was prudent from a risk management perspective.

Recently Announced Merger with PacWest

On July 25, 2023, the Company and PacWest announced the execution of a definitive merger agreement pursuant to which the companies will combine in an all-stock merger transaction. Pursuant to the terms and conditions of the agreement, PacWest will merge into the Company, with the Company surviving, and the Bank will merge into PacWest Bank, with PacWest Bank surviving as wholly-owned subsidiary of the Company. The combined holding company and bank will operate under the Banc of California name and brand following closing of the transaction. At the closing of the merger, PacWest stockholders will be entitled to receive 0.6569 of a share of the Company’s common stock for each share held of PacWest common stock.

In connection with entering into the definitive merger agreement, the Company also entered into the Investment Agreements with the Warburg Investors and the Centerbridge Investors. Subject to the terms and conditions of the Investment Agreements, at closing, the Investors will invest an aggregate of $400 million for newly issued equity securities substantially concurrently with, and subject to, closing of the merger. The proceeds from this capital raise are expected to be utilized in conjunction with other planned actions to reposition the combined company’s balance sheet. It is expected that, after closing the transaction, the combined company will repay approximately $13 billion in wholesale borrowings and high-cost deposits using proceeds from the sale of certain loan and investment securities assets. The Bank has also entered into an aggregate of $3.5 billion notional amount in interest rate swap options to hedge interest rate risk and a contingent forward asset sale agreement to lock in proceeds for certain asset sales contemplated in connection with the closing of the transaction.

Upon completion of the proposed transaction, (a) the shares issued to PacWest stockholders in the merger are expected to represent approximately 47% of the outstanding shares of the combined company, (b) the shares issued to the Investors in the equity capital raise transaction discussed above are expected to represent approximately 19% of the outstanding shares of the

combined company and (c) the shares of Banc of California common stock that are outstanding immediately prior to completion of the merger are expected to represent approximately 34% of the outstanding shares of the combined company.

Financial Highlights

For the second quarter of 2023, net income was $17.9 million, or $0.31 per diluted common share. This compares to net income of $20.3 million, or $0.34 per diluted common share, for the first quarter of 2023 and net income of $26.7 million, or $0.43 per diluted common share, for the second quarter of 2022.

On an adjusted basis, net income was $18.4 million for the quarter, or $0.32 per diluted common share, for the second quarter of 2023.(1) This compares to adjusted net income of $21.7 million, or $0.37 per diluted common share, for the first quarter of 2023, and $27.8 million, or $0.45 per diluted common share for the second quarter of 2022.(1)

Second quarter of 2023 highlights:

- **Interest income growth**, up $9.2 million or 9% from the prior quarter due to higher interest rates and changes in the portfolio as new originations have higher yields than payoffs. Overall, net interest income was down $3.4 million or 5% from the prior quarter due to higher funding costs, changes in the balance sheet mix and the impact of the strategy to hold extra liquidity, which resulted in higher short-term borrowings from the FHLB and FRB.
- **Stable overall deposits**, down approximately 1% on average and period-end balances, with the period-end noninterest-bearing percentage stable at approximately 36% quarter over quarter.
- **Noninterest-bearing deposit growth from new clients**, which contributed inflows of $74.8 million in the quarter, consistent with the prior quarter's growth and up 13% over the same period last year.
- **Loan growth,** up $101.8 million or 1% from the prior quarter and 6% annualized, highlighted by core commercial and industrial growth of $64 million or 6% and increased warehouse utilization.
- **Lower noninterest expenses,** which declined $2.1 million or 4% from the prior quarter due primarily to lower losses in alternative energy partnerships and compensation expenses.
- **High liquidity levels**, with immediately available on-balance sheet liquidity and unused borrowing capacity of $3.9 billion. Available liquidity was 2.2 times the level of uninsured and uncollateralized deposits, which was consistent with the prior quarter.
- **Low unrealized losses**, with AFS unrealized losses of $54.1 million on securities of $922.1 million, representing 4.3% of CET1 capital. Total AFS and HTM unrealized losses of $115.5 million on total securities of $1.25 billion represented 9.1% of CET1 capital.
- **Strong capital ratios** well above the regulatory thresholds for "well capitalized" banks, including a 14.26% Total risk-based capital ratio, 11.88% Tier 1 capital ratio, 11.88% CET1 capital ratio and 9.39% Tier 1 leverage ratio.
- **Other performance highlights** as follows:
  - Book value per share of $16.67, up from $16.33
  - Tangible common equity per share of $14.56, up from $14.26(1)
  - Repurchased $16.0 million of common stock during the quarter and $21.1 million during the six months ended June 30, 2023

CRITICAL ACCOUNTING ESTIMATES

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

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

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[1] *Non-GAAP measures; refer to section "Non-GAAP Measures"*

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

ACL - AFS Securities. For AFS securities which are in an unrealized loss position, we assess whether we intend to sell, or it is more likely than not, that we will be required to sell the security before recovery of the amortized cost basis. If either of the criteria is met, the amortized cost basis of the security is written down to fair value through income. For AFS securities that do not meet the aforementioned criteria, we evaluate whether the decline in fair value has resulted from an actual or estimated credit loss event or other factors. In making this assessment, we consider the extent to which fair value is less than amortized cost, changes to the rating of the security, and adverse conditions specifically related to the security, among other factors. If this assessment indicates that a credit loss is likely, the present value of cash flows expected to be collected from the security are compared to the amortized cost basis of the security. If the present value of the cash flows expected to be collected is less than the amortized cost basis, an ACL is recorded as a valuation allowance for the estimated credit loss, reducing the carrying value of the securities on the balance sheet and limited by the amount that the fair value is less than the amortized cost basis. Changes in the ACL are recorded as a provision for credit loss. Losses are charged against the allowance when we believe the uncollectibility of an AFS security has been confirmed or if either of the criteria regarding intent or requirement to sell is met.

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

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

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

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

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

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

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

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

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

Deferred Taxes. Deferred income tax assets and liabilities are computed for differences between the financial statement and tax basis of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Deferred tax assets are also recognized for operating loss and tax credit carryforwards. Accounting guidance requires that companies assess whether a valuation allowance should be established against the deferred tax assets based on the consideration of all available evidence using a "more likely than not" standard. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion, or all, of the deferred tax asset will not be realized. In assessing the realization of deferred tax assets, management will continue to evaluate both positive and negative evidence on a quarterly basis, including considering the four possible sources of future taxable income, such as future reversal of existing taxable temporary differences, future taxable income exclusive of reversing temporary differences and carryforwards, taxable income in prior carryback year(s), and future tax planning strategies.

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

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

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

Recently Issued Accounting Pronouncements Not Yet Adopted

See Note 1 - *Summary of Significant Accounting Policies*.

Non-GAAP Financial Measures

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

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

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

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

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

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

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

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

($ in thousands, except per share data) *(Unaudited)*	**June 30, 2023**	**December 31, 2022**
Tangible common equity, and tangible common equity to tangible assets ratio		
Total assets	$ 9,370,265	$ 9,197,016
Less goodwill	(114,312)	(114,312)
Less other intangible assets	(6,603)	(7,526)
Tangible assets[(1)]	$ 9,249,350	$ 9,075,178
Total stockholders' equity	$ 957,054	$ 959,618
Less goodwill	(114,312)	(114,312)
Less other intangible assets	(6,603)	(7,526)
Tangible common equity[(1)]	$ 836,139	$ 837,780
Total stockholders' equity to total assets	10.21 %	10.43 %
Tangible common equity to tangible assets[(1)]	9.04 %	9.23 %
Common shares outstanding	56,944,706	58,544,534
Class B non-voting non-convertible common shares outstanding	477,321	477,321
Total common shares outstanding	57,422,027	59,021,855
Book value per common share	$ 16.67	$ 16.26
Tangible common equity per common share[(1)]	$ 14.56	$ 14.19

(1) Non-GAAP measure.

	Three Months Ended			**Six Months Ended June 30,**	
($ in thousands) *(Unaudited)*	**June 30, 2023**	**March 31, 2023**	**June 30, 2022**	**2023**	**2022**
Return on tangible common equity					
Average total stockholders' equity	$ 997,049	$ 1,004,794	$ 969,885	$ 1,000,900	$ 1,009,677
Less average preferred stock	—	—	—	—	(37,773)
Average total common stockholders' equity	997,049	1,004,794	969,885	1,000,900	971,904
Less average goodwill	(114,312)	(114,312)	(95,127)	(114,312)	(94,719)
Less average other intangibles	(6,885)	(7,355)	(4,869)	(7,119)	(5,543)
Average tangible common equity[(1)]	$ 875,852	$ 883,127	$ 869,889	$ 879,469	$ 871,642
Net income available to common stockholders	$ 17,879	$ 20,278	$ 26,712	$ 38,157	$ 70,057
Add amortization of other intangibles	462	461	313	923	754
Less tax effect on amortization of other intangibles[(2)]	(137)	(136)	(93)	(273)	(223)
Net income available to common stockholders[(1)]	$ 18,204	$ 20,603	$ 26,932	$ 38,807	$ 70,588
Return on average equity	7.19 %	8.18 %	11.05 %	7.69 %	15.02 %
Return on average tangible common equity[(1)]	8.34 %	9.46 %	12.42 %	8.90 %	16.33 %

(1) Non-GAAP measure.
(2) Adjustments shown net of a statutory Federal tax rate of 29.6%.

($ in thousands) (Unaudited)	Three Months Ended June 30, 2023	Three Months Ended March 31, 2023	Three Months Ended June 30, 2022	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022
Adjusted noninterest income					
Total noninterest income	$ 6,024	$ 7,859	$ 7,186	$ 13,883	$ 13,096
Noninterest income adjustments:					
Net loss (gain) on securities available-for-sale	—	—	—	—	(16)
Total noninterest income adjustments	—	—	—	—	(16)
Adjusted noninterest income[1]	$ 6,024	$ 7,859	$ 7,186	$ 13,883	$ 13,080
Adjusted noninterest expense					
Total noninterest expense	$ 49,132	$ 51,239	$ 48,612	$ 100,371	$ 95,208
Noninterest expense adjustments:					
Indemnified legal (fees) recoveries	(752)	(380)	(455)	(1,132)	(349)
Noninterest expense adjustments before (loss) gain in alternative energy partnership investments	(752)	(380)	(455)	(1,132)	(349)
(Loss) gain in alternative energy partnership investments	36	(1,618)	(1,043)	(1,582)	(1,201)
Total noninterest expense adjustments	(716)	(1,998)	(1,498)	(2,714)	(1,550)
Adjusted noninterest expense[1]	$ 48,416	$ 49,241	$ 47,114	$ 97,657	$ 93,658
Average assets	$ 9,611,239	$ 9,317,209	$ 9,342,696	$ 9,465,035	$ 9,367,364
Noninterest income to total revenue	7.96 %	9.71 %	8.41 %	8.87 %	7.80 %
Adjusted noninterest income to adjusted total revenue[1]	7.96 %	9.71 %	8.41 %	8.87 %	7.79 %
Noninterest expense to average total assets[2]	2.05 %	2.23 %	2.09 %	2.14 %	2.05 %
Adjusted noninterest expense to average total assets[1][2]	2.02 %	2.14 %	2.02 %	2.08 %	2.02 %

(1) Non-GAAP measure.

(2) Ratio presented on an annualized basis.

($ in thousands) (Unaudited)	Three Months Ended			Six Months Ended June 30,	
	June 30, 2023	March 31, 2023	June 30, 2022	2023	2022
Adjusted pre-tax pre-provision income					
Net interest income	$ 69,632	$ 73,053	$ 78,299	$ 142,685	$ 154,740
Noninterest income	6,024	7,859	7,186	13,883	13,096
Total revenue	75,656	80,912	85,485	156,568	167,836
Noninterest expense	49,132	51,239	48,612	100,371	95,208
Pre-tax pre-provision income(1)	$ 26,524	$ 29,673	$ 36,873	$ 56,197	$ 72,628
Total revenue	$ 75,656	$ 80,912	$ 85,485	$ 156,568	$ 167,836
Total noninterest income adjustments	—	—	—	—	(16)
Adjusted total revenue(1)	75,656	80,912	85,485	156,568	167,820
Noninterest expense	49,132	51,239	48,612	100,371	95,208
Total noninterest expense adjustments	(716)	(1,998)	(1,498)	(2,714)	(1,550)
Adjusted noninterest expense(1)	48,416	49,241	47,114	97,657	93,658
Adjusted pre-tax pre-provision income(1)	$ 27,240	$ 31,671	$ 38,371	$ 58,911	$ 74,162
Average assets	$ 9,611,239	$ 9,317,209	$ 9,342,696	$ 9,465,035	$ 9,367,364
Pre-tax pre-provision income ROAA(1)(2)	1.11 %	1.29 %	1.58 %	1.20 %	1.56 %
Adjusted pre-tax pre-provision income ROAA(1)(2)	1.14 %	1.38 %	1.65 %	1.26 %	1.60 %
Efficiency ratio(1)(2)	64.94 %	63.33 %	56.87 %	64.11 %	56.73 %
Adjusted efficiency ratio(1)(2)	63.99 %	60.86 %	55.11 %	62.37 %	55.81 %

(1) Non-GAAP measure.
(2) Ratio presented on an annualized basis.

($ in thousands) *(Unaudited)*	Three Months Ended June 30, 2023	Three Months Ended March 31, 2023	Three Months Ended June 30, 2022	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022
Adjusted net income					
Net income[1]	$ 17,879	$ 20,278	$ 26,712	$ 38,157	$ 7
Adjustments:					
Noninterest income	—	—	—	—	
Noninterest expense adjustments	716	1,998	1,498	2,714	
Tax impact of adjustments above[2]	(212)	(591)	(443)	(802)	
Adjustments to net income	504	1,407	1,055	1,912	
Adjusted net income[1][3]	$ 18,383	$ 21,685	$ 27,767	$ 40,069	$ 7
Average assets	$ 9,611,239	$ 9,317,209	$ 9,342,696	$ 9,465,035	$ 9,36
ROAA[4]	0.75 %	0.88 %	1.15 %	0.81 %	
Adjusted ROAA[3][4]	0.77 %	0.94 %	1.19 %	0.85 %	
Adjusted net income available to common stockholders					
Net income available to common stockholders	$ 17,879	$ 20,278	$ 26,712	$ 38,157	$ 7
Adjustments to net income	504	1,407	1,055	1,912	
Adjustments for impact of preferred stock redemption	—	—	—	—	
Adjusted net income available to common stockholders[3]	$ 18,383	$ 21,685	$ 27,767	$ 40,069	$ 7
Average diluted common shares	58,026,007	59,206,619	61,600,615	58,600,313	62,24
Diluted EPS	$ 0.31	$ 0.34	$ 0.43	$ 0.65	$
Adjusted diluted EPS[3][5]	$ 0.32	$ 0.37	$ 0.45	$ 0.68	$

(1) Net income and adjusted net income for the six months ended June 30, 2022 includes a $31.3 million pre-tax reversal of credit losses due to the recovery from the settlement of a previously charged-off loan; there is no similar recovery in any of the other periods presented. The Bank previously recognized a $35.1 million charge-off for this loan during the third quarter of 2019.
(2) Tax impact of adjustments shown at an effective tax rate of 29.6%.
(3) Non-GAAP measure.
(4) Ratio presented on an annualized basis.
(5) Represents adjusted net income available to common stockholders divided by average diluted common shares.

($ in thousands) *(Unaudited)*	June 30, 2023
Adjusted Common Equity Tier 1 (CET 1) capital[1]	
CET 1 capital	$ 892,009
Less unrealized loss on AFS securities, net of tax	(38,103)
Less unrealized loss on HTM securities, net of tax	(43,197)
Adjusted CET 1 capital[2]	$ 810,709
Unrealized loss on AFS securities, net of tax, to CET 1 capital	4.27 %
Total unrealized loss on AFS and HTM securities, net of tax, to CET 1 capital	9.11 %

(1) June 30, 2023 presented to reflect management's assessment of capital impact from net unrealized losses on securities. Tax rate of 29.6% used for calculation purposes.
(2) Non-GAAP measure.

RESULTS OF OPERATIONS

Net Interest Income

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

	Three Months Ended								
	June 30, 2023			March 31, 2023			June 30, 2022		
($ in thousands)	Average Balance	Interest and Dividends	Yield/Cost	Average Balance	Interest and Dividends	Yield/ Cost	Average Balance	Interest and Dividends	Yield/Cost
Interest-earning assets:									
Total loans[1][2]	$ 7,061,016	$ 92,889	5.28 %	$ 6,994,958	$ 87,418	5.07 %	$ 7,269,655	$ 78,895	4.35 %
Securities	1,311,362	15,804	4.83 %	1,297,640	14,909	4.66 %	1,216,612	8,124	2.68 %
Other interest-earning assets [3]	595,234	7,458	5.03 %	389,051	4,592	4.79 %	295,715	1,399	1.90 %
Total interest-earning assets	8,967,612	116,151	5.20 %	8,681,649	106,919	4.99 %	8,781,982	88,418	4.04 %
Allowance for loan losses	(82,282)			(84,267)			(94,217)		
BOLI and noninterest-earning assets [4]	725,909			719,827			654,931		
Total assets	**$ 9,611,239**			**$ 9,317,209**			**$ 9,342,696**		
Interest-bearing liabilities:									
Interest-bearing checking	$ 1,761,341	9,751	2.22 %	$ 1,951,618	8,514	1.77 %	$ 2,363,233	1,457	0.25 %
Savings and money market	1,015,181	2,609	1.03 %	1,070,911	2,001	0.76 %	1,598,663	860	0.22 %
Certificates of deposit	1,566,636	15,758	4.03 %	1,189,658	10,012	3.41 %	631,415	863	0.55 %
Total interest-bearing deposits	4,343,158	28,118	2.60 %	4,212,187	20,527	1.98 %	4,593,311	3,180	0.28 %
FHLB advances and FRB borrowings	1,441,244	14,703	4.09 %	1,067,125	9,648	3.67 %	485,629	3,114	2.57 %
Other borrowings	358	3	3.36 %	4,773	57	4.84 %	117,688	325	1.11 %
Long-term debt	275,012	3,695	5.39 %	274,939	3,634	5.36 %	274,515	3,500	5.11 %
Total interest-bearing liabilities	6,059,772	46,519	3.08 %	5,559,024	33,866	2.47 %	5,471,143	10,119	0.74 %
Noninterest-bearing deposits	2,425,719			2,617,973			2,804,877		
Noninterest-bearing liabilities	128,699			135,418			96,791		
Total liabilities	8,614,190			8,312,415			8,372,811		
Total stockholders' equity	997,049			1,004,794			969,885		
Total liabilities and stockholders' equity	**$ 9,611,239**			**$ 9,317,209**			**$ 9,342,696**		
Net interest income/spread		**$ 69,632**	**2.12 %**		**$ 73,053**	**2.52 %**		**$ 78,299**	**3.30 %**
Net interest margin [5]			**3.11 %**			**3.41 %**			**3.58 %**
Ratio of interest-earning assets to interest-bearing liabilities	**148 %**			**156 %**			**161 %**		
Total deposits[6]	**6,768,877**	**28,118**	**1.67 %**	**6,830,160**	**20,527**	**1.22 %**	**7,398,188**	**3,180**	**0.17 %**
Total funding [7]	**8,485,491**	**46,519**	**2.20 %**	**8,176,997**	**33,866**	**1.68 %**	**8,276,020**	**10,119**	**0.49 %**

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

(2) *Total loans are net of deferred fees, related direct costs, premiums and discounts, but exclude the ACL. Nonaccrual loans are included in the average balance. Interest income includes net (amortization) accretion of deferred loan (costs) fees and purchased (premiums) discounts of $(1.0) million, $0.3 million and $(0.2) million for the three months ended June 30, 2023, March 31, 2023 and June 30, 2022.*

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

(4) *Includes average balance of bank-owned life insurance of $128.4 million, $127.4 million and $124.8 million for the three months ended June 30, 2023, March 31, 2023 and June 30, 2022.*

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

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

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

Three Months Ended June 30, 2023 Compared to Three Months Ended March 31, 2023

Net interest income decreased $3.4 million, or 4.7%, to $69.6 million for the second quarter primarily due to the impact of higher market interest rates, changes in the balance sheet mix, and the cost of excess short-term borrowings from the FHLB and FRB related to maintaining higher levels of liquidity during the quarter, which was partially offset by higher average balances and yields on interest-earning assets.

The net interest margin decreased 30 basis points to 3.11% for the second quarter as the average cost of funds increased 52 basis points while the average interest-earning assets yield increased 21 basis points.

The yield on average interest-earning assets increased 21 basis points to 5.20% for the second quarter from 4.99% in the first quarter mainly due to higher yields on loans, securities and other interest-earning assets. The overall loan yield increased 21 basis points to 5.28% during the second quarter as a result of the impact of higher market interest rates and changes in portfolio mix from originations and payoffs. The yield on securities increased 17 basis points to 4.83% due mostly to rate resets in the CLO portfolio.

The average cost of funds increased 52 basis points to 2.20% for the second quarter from 1.68% in the first quarter, driven by higher market interest rates and changes in the balance sheet mix. The cost of average interest-bearing liabilities increased 61 basis points to 3.08% for the second quarter from 2.47% in the first quarter. This increase was due partially to the cost of excess short-term borrowings from the FHLB and FRB related to maintaining excess liquidity at the end of the first quarter and into the second quarter due to the operating environment. Average noninterest-bearing deposits were $192.3 million lower and average total deposits were $61.3 million lower for the second quarter.

Three Months Ended June 30, 2023 Compared to Three Months Ended June 30, 2022

Net interest income for the second quarter of 2023 decreased $8.7 million, or 11.1%, to $69.6 million compared to $78.3 million for the same 2022 period. Net interest income for the second quarter of 2023 was impacted by higher market interest rates, changes in the balance sheet mix, and the cost of excess short-term borrowings from the FHLB and FRB related to maintaining higher levels of liquidity during the second quarter of 2023, which was partially offset by higher average yields on interest-earning assets.

The net interest margin decreased 47 basis points to 3.11% for the second quarter of 2023 as average cost of total funding increased 171 basis points while the average interest-earning assets yield increased 116 basis points.

The yield on average interest-earning assets increased 116 basis points to 5.20% for the second quarter of 2023 from 4.04% for the same 2022 period mainly due to higher market interest rates and changes in the mix of interest-earning assets. The yield on average loans increased 93 basis points to 5.28% compared to the same 2022 period as a

result of the impact of higher market interest rates and changes in portfolio mix. The yield on securities increased 215 basis points to 4.83% for the second quarter of 2023, compared to 2.68% for the same 2022 period. Average loans represented 79% of average earnings assets for the three months ended June 30, 2023 compared to 83% for the three months ended June 30, 2022. Average loans decreased by $208.6 million due mostly to lower average warehouse balances, partially offset by loan growth within other loans categories.

The average cost of funds increased 171 basis points to 2.20% for the second quarter of 2023, from 0.49% for the same 2022 period, due mostly to higher market interest rates as the average effective Federal Funds rate increased 422 basis points to 4.99% for the second quarter of 2023 from 0.77% in the same 2022 period, changes in the balance sheet mix and the cost of excess short-term borrowings from the FHLB and FRB related to maintaining excess liquidity in 2023 due to the operating environment. The average cost of total deposits increased 150 basis points to 1.67% for the second quarter of 2023 compared to the same 2022 period. The cost of average interest-bearing liabilities increased 234 basis points to 3.08% for the second quarter of 2023 from 0.74% for the same 2022 period and included a 232 basis point increase in the cost of average interest-bearing deposits to 2.60%. Average noninterest-bearing deposits decreased $379.2 million for the second quarter of 2023 compared to the same 2022 period and average deposits decreased $629.3 million. Average noninterest-bearing deposits represented 36% of total average deposits for the second quarter of 2023 and 38% for the second quarter of 2022.

The following table presents interest income, average interest-earning assets, interest expense, average interest-bearing liabilities, and their corresponding yields and costs expressed both in dollars and rates, on a consolidated operations basis, for the six months ended June 30, 2023 and 2022:

	Six Months Ended June 30,					
	2023			2022		
($ in thousands)	**Average Balance**	**Interest and Dividends**	**Yield/Cost**	**Average Balance**	**Interest and Dividends**	**Yield/Cost**
Interest-earning assets:						
Total loans [1][2]	$ 7,028,169	$ 180,307	5.17 %	$ 7,266,234	$ 155,129	4.31 %
Securities	1,304,539	30,713	4.75 %	1,254,137	15,433	2.48 %
Other interest-earning assets [3]	492,712	12,050	4.93 %	280,611	2,125	1.53 %
Total interest-earning assets	8,825,420	223,070	5.10 %	8,800,982	172,687	3.96 %
Allowance for loan losses	(83,269)			(93,422)		
BOLI and noninterest-earning assets [4]	722,884			659,804		
Total assets	**$ 9,465,035**			**$ 9,367,364**		
Interest-bearing liabilities:						
Interest-bearing checking	$ 1,855,954	18,265	1.98 %	$ 2,386,120	2,097	0.18 %
Savings and money market	1,042,892	4,610	0.89 %	1,635,747	1,371	0.17 %
Certificates of deposit	1,379,188	25,770	3.77 %	570,170	1,100	0.39 %
Total interest-bearing deposits	4,278,034	48,645	2.29 %	4,592,037	4,568	0.20 %
FHLB advances	1,255,218	24,351	3.91 %	472,760	6,067	2.59 %
Other borrowings	2,554	59	4.66 %	117,095	379	0.65 %
Long-term debt	274,975	7,330	5.38 %	274,466	6,933	5.09 %
Total interest-bearing liabilities	5,810,781	80,385	2.79 %	5,456,358	17,947	0.66 %
Noninterest-bearing deposits	2,521,314			2,800,281		
Noninterest-bearing liabilities	132,040			101,048		
Total liabilities	8,464,135			8,357,687		
Total stockholders' equity	1,000,900			1,009,677		
Total liabilities and stockholders' equity	**$ 9,465,035**			**$ 9,367,364**		
Net interest income/spread		**$ 142,685**	**2.31 %**		**$ 154,740**	**3.30 %**
Net interest margin [5]			**3.26 %**			**3.55 %**
Ratio of interest-earning assets to interest-bearing liabilities	152 %			161 %		
Total deposits[6]	6,799,348	48,645	1.44 %	7,392,318	4,568	0.12 %
Total funding [7]	8,332,095	80,385	1.95 %	8,256,639	17,947	0.44 %

(1) *Includes average loans held for sale of $4.4 million and $3.5 million for the six months ended June 30, 2023 and 2022, which are included in other assets in the accompanying consolidated statements of financial condition.*
(2) *Total loans are net of deferred fees, related direct costs, premiums and discounts, but exclude the ACL. Nonaccrual loans are included in the average balance. Interest income includes net (amortization) accretion of deferred loan (costs) fees and purchased (premiums) discounts of $(0.7) million and $(0.6) million for the six months ended June 30, 2023 and 2022 are included in interest income.*
(3) *Includes average balance of FHLB, FRB and other bank stock at cost and average time deposits with other financial institutions.*
(4) *Includes average balance of bank-owned life insurance of $127.9 million and $124.4 million for the six months ended June 30, 2023 and 2022.*
(5) *Annualized net interest income divided by average interest-earning assets.*
(6) *Total deposits is the sum of interest-bearing deposits and noninterest-bearing deposits. The cost of total deposits is calculated as annualized total interest expense on deposits divided by average total deposits.*
(7) *Total funding is the sum of interest-bearing liabilities and noninterest-bearing deposits. The cost of total funding is calculated as annualized total interest expense divided by average total funding.*

Six Months Ended June 30, 2023 Compared to Six Months Ended June 30, 2022

Net interest income decreased $12.1 million, or 7.8%, to $142.7 million for the six months ended June 30, 2023 due primarily to higher funding costs from higher market interest rates, changes in the balance sheet mix and the conservative strategy to hold extra liquidity at the end of the first quarter and into the second quarter due to the operating environment.

The net interest margin decreased 29 basis points to 3.26% as the average cost of funds increased 151 basis points while the average interest-earning assets yield increased 114 basis points between periods.

The yield on average interest-earning assets increased 114 basis points to 5.10% for the six months ended June 30, 2023, from 3.96% for the same period in 2022 due mostly to higher market interest rates and changes in the mix of interest-earning assets. The yield on average loans increased 86 basis points to 5.17% for the six months ended June 30, 2023 compared to the six months ended June 30, 2022. The yield on average investment securities increased 227 basis points for the same period. Average loans represented 80% of average earnings assets for the six months ended June 30, 2023 compared to 83% for the six months ended June 30, 2022. Average loans decreased by $238.1 million due mostly to lower average warehouse balances, partially offset by organic loan growth in other loan categories.

The average cost of funds increased 151 basis points to 1.95% for the six months ended June 30, 2023 from 0.44% for the six months ended June 30, 2022 due mostly to higher market interest rates and changes in the balance sheet mix. The average cost of total deposits increased 132 basis points to 1.44% for the six months ended June 30, 2023 compared to the same period in 2022. The cost of average interest-bearing liabilities increased 213 basis points to 2.79% for the six months ended June 30, 2023 compared to 0.66% for the same period in 2022 and included a 209 basis point increase in the cost of average interest-bearing deposits to 2.29%. The increase in the cost of these funding sources was mainly due to the impact of higher market interest rates as the average effective Federal Funds rate increased 430 basis points to 4.75% for the six months ended June 30, 2023 from 0.45% in the same period in 2022. Average noninterest-bearing deposits decreased $279.0 million for the six months ended June 30, 2023 compared to the same period in 2022 and average total deposits decreased $593.0 million. Average noninterest-bearing deposits represented 37% of total average deposits for the six months ended June 30, 2023 compared to 38% for the same period in 2022.

Rate/Volume Analysis

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

	Three Months Ended June 30, 2023 vs. June 30, 2022			Six Months Ended June 30, 2023 vs. 2022		
	Increase (Decrease) Due to		Net Increase (Decrease)	Increase (Decrease) Due to		Net Increase (Decrease)
($ In thousands)	**Volume**	**Rate**		**Volume**	**Rate**	
Interest and dividend income:						
Total loans	$ (2,327)	$ 16,321	$ 13,994	$ (5,226)	$ 30,404	$ 25,178
Securities	678	7,002	7,680	645	14,635	15,280
Other interest-earning assets	2,310	3,749	6,059	2,513	7,412	9,925
Total interest and dividend income	$ 661	$ 27,072	$ 27,733	$ (2,068)	$ 52,451	$ 50,383
Interest expense:						
Interest-bearing checking	$ (467)	$ 8,761	$ 8,294	$ (567)	$ 16,735	$ 16,168
Savings and money market	(373)	2,122	1,749	(603)	3,842	3,239
Certificates of deposit	2,822	12,073	14,895	3,465	21,205	24,670
FHLB advances and FRB borrowings	8,908	2,681	11,589	13,967	4,317	18,284
Other borrowings	(542)	220	(322)	(684)	364	(320)
Long-term debt	6	189	195	13	384	397
Total interest expense	10,354	26,046	36,400	15,591	46,847	62,438
Net interest income	**$ (9,693)**	**$ 1,026**	**$ (8,667)**	**$ (17,659)**	**$ 5,604**	**$ (12,055)**

Provision for Credit Losses

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

	Three Months Ended			Six Months Ended June 30,	
($ in thousands)	**June 30, 2023**	**March 31, 2023**	**June 30, 2022**	**2023**	**2022**
Provision for (reversal of) credit losses - loans	$ 1,664	$ 2,500	$ (500)	$ 4,164	$ (31,842)
(Reversal of) provision for credit losses - unfunded noncancellable loan commitments	(800)	(500)	500	(1,300)	300
Provision for credit losses - securities	1,036	—	—	1,036	—
Total provision for (reversal of) credit losses	**$ 1,900**	**$ 2,000**	**$ —**	**$ 3,900**	**$ (31,542)**

Three Months Ended June 30, 2023 Compared to Three Months Ended March 31, 2023

The provision for credit losses was $1.9 million for the second quarter and included a $1.7 million provision for loan losses and a $1.0 million provision for credit loss for AFS securities, partially offset by an $0.8 million reversal of the provision for credit losses related to lower unfunded commitments. There was a $2.0 million provision for credit losses for the first quarter of 2023. The provision for credit losses in the second quarter was mainly due to net charge-offs and an increase in specific reserves, partially offset by the change in portfolio mix and lower unfunded commitments.

Three Months Ended June 30, 2023 Compared to Three Months Ended June 30, 2022

The provision for credit losses was $1.9 million for the second quarter of 2023 and included a $1.7 million provision for loan losses and a $1.0 million provision for credit loss for AFS securities, partially offset by an $0.8 million reversal of the provision for credit losses related to lower unfunded commitments. There was no provision for credit losses for the same 2022 period.

Six Months Ended June 30, 2023 Compared to Six Months Ended June 30, 2022

During the six months ended June 30, 2023, the provision for credit losses was $3.9 million, and included a $4.2 million provision for loan losses and a $1.0 million provision for credit loss for AFS securities, partially offset by a $1.3 million reversal of the provision for credit losses related to lower unfunded commitments. The provision for credit losses was a reversal of $31.5 million during the six months ended June 30, 2022, and included a $31.3 million recovery from the settlement of a loan previously charged-off in 2019.

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

Noninterest Income

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

	Three Months Ended			Six Months Ended June 30,	
($ in thousands)	**June 30, 2023**	**March 31, 2023**	**June 30, 2022**	**2023**	**2022**
Customer service fees	$ 2,022	$ 1,979	$ 2,578	$ 4,001	$ 5,012
Loan servicing income	574	547	109	1,121	321
Income from bank owned life insurance	951	900	810	1,851	1,606
Net gain on sale of securities available-for-sale	—	—	—	—	16
Other income	2,477	4,433	3,689	6,910	6,141
Total noninterest income	**$ 6,024**	**$ 7,859**	**$ 7,186**	**$ 13,883**	**$ 13,096**

Three Months Ended June 30, 2023 Compared to Three Months Ended March 31, 2023

Noninterest income decreased $1.8 million to $6.0 million for the second quarter mainly due to the timing of revenue received from equity investments of $1.2 million and the prior quarter included $1.1 million in recoveries of certain charged-off loans acquired in a business combination.

Three Months Ended June 30, 2023 Compared to Three Months Ended June 30, 2022

Noninterest income for the second quarter of 2023 decreased $1.2 million to $6.0 million compared to the same quarter in 2022 mainly due to lower revenue received from equity investments and other income of $1.2 million and lower customer service fees of $0.6 million, partially offset by higher loan servicing income of $0.5 million from higher purchased mortgage servicing asset balances.

Six Months Ended June 30, 2023 Compared to Six Months Ended June 30, 2022

Noninterest income for the six months ended June 30, 2023 increased $0.8 million to $13.9 million compared to the same period in 2022. The increase was mainly due to higher loan servicing income from higher purchased mortgage servicing asset balances, lower valuation losses on loan held for sale, and higher rental income due to an increase in subleased facilities, partially offset by lower customer services fees.

Noninterest Expense

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

	Three Months Ended			Six Months Ended June 30,	
($ in thousands)	**June 30, 2023**	**March 31, 2023**	**June 30, 2022**	**2023**	**2022**
Salaries and employee benefits	$ 28,282	$ 29,656	$ 28,264	$ 57,938	$ 57,251
Occupancy and equipment	5,603	5,526	5,741	11,129	11,378
Professional fees	4,001	4,072	4,001	8,073	6,840
Data processing	1,686	1,563	1,782	3,249	3,610
Regulatory assessments	1,301	1,202	1,021	2,503	1,796
Software and technology	3,579	3,274	2,747	6,853	5,447
Reversal of loan repurchase reserves	(808)	(11)	(490)	(819)	(961)
Amortization of other intangibles	462	461	313	923	754
Other expense	5,062	3,878	4,190	8,940	7,892
Noninterest expense before (gain) loss on investments in alternative energy partnerships	**49,168**	**49,621**	**47,569**	**98,789**	**94,007**
(Gain) loss on investments in alternative energy partnerships	(36)	1,618	1,043	1,582	1,201
Total noninterest expense	**$ 49,132**	**$ 51,239**	**$ 48,612**	**$ 100,371**	**$ 95,208**

Three Months Ended June 30, 2023 Compared to Three Months Ended March 31, 2023

Noninterest expense decreased $2.1 million to $49.1 million for the second quarter compared to the first quarter. The decrease was due primarily to (i) lower net losses in alternative energy partnership investments of $1.7 million, (ii) lower salaries and employee benefits of $1.4 million as the first quarter included $1.0 million of severance costs and higher payroll taxes, (iii) the reversal of a provision for loan repurchases of $0.8 million, partially offset by (iv) higher marketing, recruiting and other expense of $1.2 million and (v) higher software and technology expense of $0.3 million as we continue to invest in our technology infrastructure.

Three Months Ended June 30, 2023 Compared to Three Months Ended June 30, 2022

Noninterest expense increased $0.5 million to $49.1 million for the second quarter of 2023 from $48.6 million for the comparable 2022 period due mostly to higher marketing, recruiting and other expense of $0.9 million and software and technology costs of $0.8 million related to investments in our technology infrastructure, partially offset by lower loss on investments in alternative energy partnerships of $1.1 million.

Six Months Ended June 30, 2023 Compared to Six Months Ended June 30, 2022

Noninterest expense for the six months ended June 30, 2023 increased $5.2 million to $100.4 million compared to the same period in 2022. The increase was due to higher (i) software and technology expense of $1.4 million related to investments in our technology infrastructure, (ii) professional fees of $1.2 million, including a $0.8 million increase in indemnified legal fees (net of insurance recoveries), (iii) marketing, recruiting and other expenses of $1.0 million, (iv) regulatory assessments of $0.7 million as the FDIC increased assessment rates in 2023 and (v) salaries and employee benefits of $0.7 million due mostly to the aforementioned severance costs.

Income Tax Expense

For the three months ended June 30, 2023, March 31, 2023 and June 30, 2022, income tax expense was $6.7 million, $7.4 million, and $10.2 million resulting in an effective tax rate of 27.4%, 26.7% and 27.6%.

Income tax expense totaled $14.1 million for the six months ended June 30, 2023, representing an effective tax rate of 27.0%, compared to $28.9 million and an effective tax rate of 27.8% for the six months ended June 30, 2022.

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

FINANCIAL CONDITION

Investment Securities

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

Investment Securities Available-for-Sale

The following table presents the amortized cost and fair value of the AFS securities portfolio and the corresponding amounts of unrealized gains and losses recognized in AOCI as of the dates indicated:

	June 30, 2023				December 31, 2022 [1]		
($ in thousands)	**Amortized Cost**	**Unrealized Gain (Loss)**	**Allowance for Credit Losses**	**Fair Value**	**Amortized Cost**	**Unrealized Gain (Loss)**	**Fair Value**
Securities available-for-sale:							
SBA loan pool securities	$ 9,251	$ (36)	$ —	$ 9,215	$ 11,241	$ (54)	$ 11,187
U.S. government agency and U.S. government sponsored enterprise residential mortgage-backed securities	82,913	(1,205)	—	81,708	40,431	(225)	40,206
U.S. government agency and U.S. government sponsored enterprise collateralized mortgage obligations	95,760	(6,500)	—	89,260	99,075	(5,884)	93,191
Non-agency residential mortgage-backed securities	122,995	(11,487)	—	111,508	90,832	(10,340)	80,492
Collateralized loan obligations	490,534	(7,703)	—	482,831	492,203	(15,600)	476,603
Corporate debt securities	175,796	(27,191)	(1,036)	147,569	175,781	(9,163)	166,618
Total securities available-for-sale	**$ 977,249**	**$ (54,122)**	**$ (1,036)**	**$ 922,091**	**$ 909,563**	**$ (41,266)**	**$ 868,297**

(1) There was no ACL related to AFS securities at December 31, 2022.

AFS securities were $922.1 million at June 30, 2023, an increase of $53.8 million, or 6.2%, from $868.3 million at December 31, 2022. The increase was mainly due to purchases of $101.7 million, partly offset by calls of $20.0 million, principal payments of $14.1 million, a $1.0 million provision for credit losses for corporate debt securities of other financial institutions due to downgrades in their ratings, and an increase in net unrealized losses of $12.9 million.

Net unrealized losses on AFS securities were $54.1 million at June 30, 2023, compared to $41.3 million at December 31, 2022. The net unrealized gain or loss on AFS securities, net of tax, is reflected in accumulated other comprehensive income (loss). The increases in unrealized net losses during the six months ended June 30, 2023 were due to wider credit spreads within

corporate debt securities and the impact of higher market interest rates on agency CMOs and non-agency residential MBS, which was partly offset by improvement in the valuation of CLOs.

CLOs totaled $482.8 million and $476.6 million and were all AAA and AA-rated at June 30, 2023 and December 31, 2022. We perform due diligence and ongoing credit quality review of our CLO holdings, which includes monitoring performance factors such as external credit ratings, collateralization levels, collateral concentration levels, and other performance factors.

During the three and six months ended June 30, 2023, we recorded a $1.0 million provision for credit losses on three corporate debt securities of other financial institutions that were downgraded to below investment grade by external credit agencies. We did not record credit impairment for any investment securities for the three and six months ended June 30, 2022.

We monitor our securities portfolio to ensure it has adequate credit support and consider the lowest credit rating for identification of potential credit impairment. Except for the corporate debt securities noted above, we believe there was no other credit impairment, and the decline in fair value of our securities since acquisition was attributable to a combination of changes in interest rates and general volatility in market conditions. As of June 30, 2023, we did not have the intent to sell securities in an unrealized loss position and further believe it is more likely than not that we will not be required to sell these securities before their anticipated recovery. Except for the corporate debt securities noted above, as of June 30, 2023, all of our investment securities in an unrealized loss position received an investment grade credit rating.

Investment Securities Held-to-Maturity

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

	June 30, 2023			December 31, 2022		
($ in thousands)	**Amortized Cost**	**Unrealized Gain (Loss)**	**Fair Value**	**Amortized Cost**	**Unrealized Gain (Loss)**	**Fair Value**
Securities held-to-maturity:						
U.S. government agency and U.S. government sponsored enterprise residential mortgage-backed securities	$ 152,843	$ (27,987)	$ 124,856	$ 153,033	$ (29,807)	$ 123,226
U.S. government agency and U.S. government sponsored enterprise collateralized mortgage obligations	61,359	(11,937)	49,422	61,404	(11,946)	49,458
Municipal securities	114,203	(21,436)	92,767	114,204	(24,428)	89,776
Total securities held-to-maturity	**$ 328,405**	**$ (61,360)**	**$ 267,045**	**$ 328,641**	**$ (66,181)**	**$ 262,460**

HTM securities totaled $328.4 million at June 30, 2023, compared to $328.6 million at December 31, 2022. At June 30, 2023, HTM securities included $214.2 million in agency securities and $114.2 million in municipal securities.

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

As of June 30, 2023 and December 31, 2022, HTM securities had aggregate unrealized net losses of $61.4 million and $66.2 million, of which $15.3 million and $15.8 million related to unrealized losses from the transfer of certain fixed-rate MBS and municipal securities from the AFS portfolio to the HTM portfolio in the prior year. These unrealized losses related primarily to changes in overall interest rates.

The following table presents the fair values and weighted average yields using amortized cost of the AFS securities portfolio as of June 30, 2023, based on the earlier of contractual maturity dates or next repricing dates:

	One Year or Less		More than One Year through Five Years		More than Five Years through Ten Years		More than Ten Years		Total	
($ in thousands)	Fair Value	Weighted Average Yield	Fair Value	Weighted Average Yield	Fair Value	Weighted Average Yield	Fair Value	Weighted Average Yield	Fair Value	Weighted Average Yield
Securities available-for-sale:										
SBA loan pools securities	$ 9,215	3.87 %	$ —	— %	$ —	— %	$ —	— %	$ 9,215	3.87 %
U.S. government agency and U.S. government sponsored enterprise residential mortgage-backed securities	—	— %	—	— %	—	— %	81,708	5.54 %	81,708	5.54 %
U.S. government agency and U.S. government sponsored enterprise collateralized mortgage obligations	5,233	5.70 %	7,795	3.61 %	24,442	3.14 %	51,790	5.19 %	89,260	4.45 %
Non-agency residential mortgage-backed securities	—	— %	—	— %	—	— %	111,508	3.92 %	111,508	3.92 %
Collateralized loan obligations	482,831	6.88 %	—	— %	—	— %	—	— %	482,831	6.88 %
Corporate debt securities	—	— %	137,097	4.82 %	10,472	5.73 %	—	— %	147,569	4.89 %
Total securities available-for-sale	**$ 497,279**	**6.81 %**	**$ 144,892**	**4.76 %**	**$ 34,914**	**3.95 %**	**$ 245,006**	**4.70 %**	**$ 922,091**	**5.77 %**

The following table presents the amortized cost and weighted average yields using amortized cost of the HTM securities portfolio as of June 30, 2023, based on the earlier of contractual maturity dates or next repricing dates:

	One Year or Less		More than One Year through Five Years		More than Five Years through Ten Years		More than Ten Years		Total	
($ in thousands)	Amortized Cost	Weighted Average Yield	Amortized Cost	Weighted Average Yield	Amortized Cost	Weighted Average Yield	Amortized Cost	Weighted Average Yield	Amortized Cost	Weighted Average Yield
Securities held-to-maturity:										
U.S. government agency and U.S. government sponsored enterprise residential mortgage-backed securities	$ —	— %	$ —	— %	$ 9,344	2.52 %	$ 143,499	2.70 %	$ 152,843	2.69 %
U.S. government agency and U.S. government sponsored enterprise collateralized mortgage obligations	—	— %	—	— %	—	— %	61,359	2.64 %	61,359	2.64 %
Municipal securities	—	— %	—	— %	27,995	2.32 %	86,208	2.72 %	114,203	2.62 %
Total securities held-to-maturity	**$ —**	**— %**	**$ —**	**— %**	**$ 37,339**	**2.37 %**	**$ 291,066**	**2.69 %**	**$ 328,405**	**2.66 %**

Loans Receivable, Net

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

($ in thousands)	June 30, 2023	December 31, 2022	Amount Change	Percentage Change
Commercial:				
Commercial and industrial[1]	$ 2,000,408	$ 1,845,960	$ 154,448	8.4 %
Commercial real estate	1,266,438	1,259,651	6,787	0.5 %
Multifamily	1,654,152	1,689,943	(35,791)	(2.1) %
SBA	62,898	68,137	(5,239)	(7.7) %
Construction	264,684	243,553	21,131	8.7 %
Total commercial loans	5,248,580	5,107,244	141,336	2.8 %
Consumer:				
Single family residential mortgage	1,820,721	1,920,806	(100,085)	(5.2) %
Other consumer	86,905	86,988	(83)	(0.1) %
Total consumer loans	1,907,626	2,007,794	(100,168)	(5.0) %
Total loans[2]	**7,156,206**	**7,115,038**	**41,168**	**0.6 %**
Allowance for loan losses	(80,883)	(85,960)	5,077	(5.9) %
Total loans receivable, net	**$ 7,075,323**	**$ 7,029,078**	**$ 46,245**	**0.7 %**

(1) Includes warehouse lending balances of $786.1 million and $602.5 million at June 30, 2023 and December 31, 2022.
(2) Total loans include net deferred loan origination costs (fees), purchased premiums (discounts), and fair value allocations of premiums (discounts) totaling $7.3 million and $7.1 million at June 30, 2023 and December 31, 2022.

Total loans ended the second quarter of 2023 at $7.16 billion, up $41.2 million from $7.12 billion at December 31, 2022, comprised primarily of a $141.3 million increase in our commercial portfolio, offset by a $100.2 million decrease in our consumer portfolio.

During the six months ended June 30, 2023, the increase in our commercial portfolio included (i) a $154.4 million net increase in C&I loans, including a $183.6 million increase in warehouse lending balances, partly offset by a decrease in other C&I loans of $29.1 million, (ii) a $21.1 million increase in construction loans, (iii) a $6.8 million increase in CRE loans, partially offset by a (iv) $35.8 million decrease in multifamily loans driven by payoff activity. The decrease in our consumer portfolio was due primarily to a $100.1 million decrease in single-family residential (SFR) loans.

Loan fundings of $840.1 million during the six months ended June 30, 2023 included net warehouse advances of $183.6 million, offset by other loan paydowns and payoffs of $794.1 million.

Loan concentrations were well-diversified between products and industries. Notably, the CRE portfolio of $1.27 billion had balances related to office loans of $351.9 million, which was 4.9% of total loans. The office portfolio was comprised of general office of $265.1 million with a weighted average LTV of 53% and debt service coverage ratio of 1.6x and medical office of $86.8 million with a weighted average LTV of 55% and debt service coverage ratio of 2.3x.

Credit Quality Indicators

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

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

($ in thousands)	Pass	Special Mention	Substandard	Doubtful	Total
June 30, 2023					
Commercial:					
Commercial and industrial	$ 1,923,203	$ 30,998	$ 36,848	$ 9,359	$ 2,000,408
Commercial real estate	1,250,928	12,251	3,259	—	1,266,438
Multifamily	1,636,243	2,995	14,914	—	1,654,152
SBA	50,864	1,256	10,476	302	62,898
Construction	264,684	—	—	—	264,684
Consumer:					
Single family residential mortgage	1,783,553	3,001	34,167	—	1,820,721
Other consumer	86,132	402	371	—	86,905
Total	**$ 6,995,607**	**$ 50,903**	**$ 100,035**	**$ 9,661**	**$ 7,156,206**

($ in thousands)	Pass	Special Mention	Substandard	Doubtful	Total
December 31, 2022					
Commercial:					
Commercial and industrial	$ 1,749,284	$ 49,399	$ 43,273	$ 4,004	$ 1,845,960
Commercial real estate	1,248,196	1,745	9,710	—	1,259,651
Multifamily	1,658,521	2,997	28,425	—	1,689,943
SBA	55,789	800	11,548	—	68,137
Construction	243,553	—	—	—	243,553
Consumer:					
Single family residential mortgage	1,889,911	9,101	21,794	—	1,920,806
Other consumer	86,599	138	251	—	86,988
Total	**$ 6,931,853**	**$ 64,180**	**$ 115,001**	**$ 4,004**	**$ 7,115,038**

During the six months ended June 30, 2023, total criticized and classified assets decreased $22.6 million to $160.6 million at June 30, 2023 from decreases in special mention and substandard loans, offset by an increase in doubtful loans.

Total classified assets, consisting of loans risk rated substandard, doubtful and loss, decreased $9.3 million to $109.7 million at June 30, 2023. The decrease was due mostly to payoffs and paydowns of $59.2 million and upgrades of $3.7 million, partially offset by downgrades of $53.6 million. At June 30, 2023 loans risk rated doubtful related to five C&I relationships, compared to one C&I relationship at December 31, 2022.

Total criticized assets, consisting of loans risk rated special mention, decreased $13.3 million to $50.9 million at June 30, 2023 compared to $64.2 million at December 31, 2022 due mostly to upgrades of $34.1 million and payoffs, paydowns and other reductions of $16.0 million, partially offset by downgrades of $36.8 million.

Nonperforming Assets

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

($ in thousands)	June 30, 2023	December 31, 2022	Amount Change	Percentage Change
Loans past due 90 days or more still on accrual	$ —	$ —	$ —	— %
Nonaccrual loans	67,306	55,251	12,055	21.8 %
Total nonperforming loans	67,306	55,251	12,055	21.8 %
Other real estate owned	882	—	882	— %
Total nonperforming assets	**$ 68,188**	**$ 55,251**	**$ 12,937**	**23.4 %**
Nonaccrual loans to total loans	0.94 %	0.78 %		
Nonperforming loans to total loans	0.94 %	0.78 %		
Total nonperforming assets to total assets	0.73 %	0.60 %		
ALL to nonperforming loans	120.17 %	155.58 %		
ACL to nonperforming loans	126.12 %	165.18 %		

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

Additional interest income of approximately $1.0 million and $1.9 million would have been recorded during the three and six months ended June 30, 2023, had these loans been paid in accordance with their original terms throughout the periods indicated.

At June 30, 2023, non-performing loans were $67.3 million, and included $33.5 million of SFR mortgage loans, $21.2 million of C&I loans and $9.6 million of SBA loans. During the six months ended June 30, 2023, non-performing loans increased $12.1 million due to total additions of $32.9 million, offset by $19.8 million in charge-offs, amortization and other removals and $1.1 million in loans returning to accrual status. Excluding SFR mortgages, which are well-secured with low loan-to-value ratios, non-performing loans decreased $0.3 million from year-end. At June 30, 2023, there were $2.7 million of non-performing loans, primarily consisting of SFR mortgages that were in a current payment status, however are considered nonaccrual based on other criteria.

At June 30, 2023, non-performing assets included $0.9 million of real estate owned, consisting of one single-family residence we acquired in the second quarter.

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

During the three and six months ended June 30, 2023, we had 1 and 3 loan modifications made to borrowers experiencing financial difficulty, with an aggregate balance of $5.3 million at June 30, 2023, of which one C&I loan of $3.9 million was previously classified as a TDR. At June 30, 2023, $3.9 million of the $5.3 million in modified loans made to borrowers experiencing financial difficulty were past due.

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

At June 30, 2023 and December 31, 2022, we had 10 and 15 loans classified as TDRs, with an aggregate balance of $8.0 million and $16.1 million. The decrease in TDRs during the six months ended June 30, 2023 was due mostly to the aforementioned $3.9 million C&I loan that was restructured during 2022 being modified and accounted for as a new loan in the first quarter of 2023, and $4.0 million in paydowns of two C&I loans.

Accruing TDRs were $2.5 million and nonaccrual TDRs were $5.5 million at June 30, 2023, compared to accruing TDRs of $2.7 million and nonaccrual TDRs of $13.4 million at December 31, 2022.

Allowance for Credit Losses (ACL) - Loans

The ACL, which includes the reserve for unfunded loan commitments, totaled $84.9 million, or 1.19% of total loans, at June 30, 2023, compared to $91.3 million, or 1.28% of total loans, at December 31, 2022. The $6.4 million decrease in the ACL was due to: (i) net charge-offs of $9.2 million and (ii) $1.3 million lower RUC from lower unfunded commitments, partially offset by (iii) higher specific reserves of $3.3 million, and (iv) a $0.9 million increase in general reserves due mainly to the

impact of the deterioration in the macroeconomic outlook. The ACL coverage of non-performing loans was 126% at June 30, 2023 compared to 165% at December 31, 2022.

The following table provides a summary of components of the ACL and related ratios as of the dates indicated:

($ in thousands)	June 30, 2023	December 31, 2022
Allowance for credit losses:		
Allowance for loan losses (ALL)	$ 80,883	$ 85,960
Reserve for unfunded loan commitments	4,005	5,305
Total allowance for credit losses (ACL)	$ 84,888	$ 91,265
ALL to total loans	1.13 %	1.21 %
ACL to total loans	1.19 %	1.28 %

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

($ in thousands)	Three Months Ended June 30,					
	2023			2022		
	Allowance for Loan Losses	Reserve for Unfunded Loan Commitments	Allowance for Credit Losses	Allowance for Loan Losses	Reserve for Unfunded Loan Commitments	Allowance for Credit Losses
Balance at beginning of period	$ 84,560	$ 4,805	$ 89,365	$ 93,226	$ 5,405	$ 98,631
Loans charged off	(5,667)	—	(5,667)	(494)	—	(494)
Recoveries of loans previously charged off	326	—	326	1,561	—	1,561
Net (charge-offs) recoveries	(5,341)	—	(5,341)	1,067	—	1,067
(Reversal of) provision for credit losses	1,664	(800)	864	(500)	500	—
Balance at end of period	**$ 80,883**	**$ 4,005**	**$ 84,888**	**$ 93,793**	**$ 5,905**	**$ 99,698**

($ in thousands)	Six Months Ended June 30,					
	2023			2022		
	Allowance for Loan Losses	Reserve for Unfunded Loan Commitments	Allowance for Credit Losses	Allowance for Loan Losses	Reserve for Unfunded Loan Commitments	Allowance for Credit Losses
Balance at beginning of period	$ 85,960	$ 5,305	$ 91,265	$ 92,584	$ 5,605	$ 98,189
Loans charged off	(9,616)	—	(9,616)	(725)	—	(725)
Recoveries of loans previously charged off	375	—	375	33,776	—	33,776
Net recoveries (charge-offs)	(9,241)	—	(9,241)	33,051	—	33,051
(Reversal of) provision for credit losses	4,164	(1,300)	2,864	(31,842)	300	(31,542)
Balance at end of period	**$ 80,883**	**$ 4,005**	**$ 84,888**	**$ 93,793**	**$ 5,905**	**$ 99,698**

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

($ in thousands)	Three Months Ended June 30, 2023			2022		
	Net (Charge-offs) Recoveries	Average Loans	Annualized (Charge-off) Recovery Ratio	Net (Charge-offs) Recoveries	Average Loans	Annualized (Charge-off) Recovery Ratio
Commercial:						
Commercial and industrial	$ (4,428)	$ 1,853,235	(0.96) %	$ 1,262	$ 2,457,281	0.21 %
Commercial real estate	—	1,311,584	— %	—	1,213,438	— %
Multifamily	—	1,660,788	— %	—	1,457,185	— %
SBA	(795)	29,437	(10.80) %	(136)	70,225	(0.77) %
Construction	—	267,908	— %	—	219,029	— %
Consumer:						
Single family residential mortgage	1	1,848,748	— %	154	1,755,719	0.04 %
Other consumer	(119)	84,916	(0.56) %	(213)	93,160	(0.91) %
Total loans	**$ (5,341)**	**$ 7,056,616**	**(0.30)%**	**$ 1,067**	**$ 7,266,037**	**0.06 %**

Net charge-offs were $5.3 million during the second quarter of 2023, compared to net recoveries of $1.1 million during the comparable 2022 period. Net increase in net charge-offs in the second quarter of 2023 were mainly due to charge-offs within the C&I and SBA portfolio.

($ in thousands)	Six Months Ended June 30, 2023			2022		
	Net (Charge-offs) Recoveries	Average Loans	Annualized (Charge-off) Recovery Ratio	Net (Charge-offs) Recoveries	Average Loans	Annualized (Charge-off) Recovery Ratio
Commercial:						
Commercial and industrial	$ (7,672)	$ 1,793,476	(0.86) %	$ 32,497	$ 2,544,351	2.55 %
Commercial real estate	(300)	1,304,580	(0.05) %	—	1,267,891	— %
Multifamily	—	1,675,283	— %	—	1,398,452	— %
SBA	(771)	30,833	(5.00) %	609	93,062	1.31 %
Construction	—	261,661	— %	—	203,996	— %
Consumer:						
Single family residential mortgage	(370)	1,873,120	(0.04) %	182	1,659,633	0.02 %
Other consumer	(128)	84,851	(0.30) %	(237)	95,326	(0.50) %
Total loans	**$ (9,241)**	**$ 7,023,804**	**(0.26)%**	**$ 33,051**	**$ 7,262,711**	**0.91 %**

Net charge-offs were $9.2 million during the six months ended June 30, 2023, compared to net recoveries of $33.1 million during the comparable 2022 period. The increase in net charge-offs between periods were due to charge-offs in the C&I

portfolio in 2023, and the comparable 2022 period including a $31.3 million recovery from the settlement of a loan previously charged-off in 2019.

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

	June 30, 2023			December 31, 2022		
($ in thousands)	Allowance for Loan Losses	Loans Receivable	% of Loans in Category to Total Loans	Allowance for Loan Losses	Loans Receivable	% of Loans in Category to Total Loans
Commercial:						
Commercial and industrial	$ 32,823	$ 2,000,408	28.0 %	$ 34,156	$ 1,845,960	25.9 %
Commercial real estate	15,767	1,266,438	17.7 %	15,977	1,259,651	17.7 %
Multifamily	14,697	1,654,152	23.1 %	14,696	1,689,943	23.8 %
SBA	1,387	62,898	0.9 %	2,648	68,137	1.0 %
Construction	6,053	264,684	3.7 %	5,850	243,553	3.4 %
Consumer:						
Single family residential mortgage	9,518	1,820,721	25.4 %	12,050	1,920,806	27.0 %
Other consumer	638	86,905	1.2 %	583	86,988	1.2 %
Total	**$ 80,883**	**$ 7,156,206**	**100.0 %**	**$ 85,960**	**$ 7,115,038**	**100.0 %**

Servicing Rights

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

Mortgage servicing rights totaled $21.1 million and $22.5 million at June 30, 2023 and December 31, 2022, which are included in other assets in the accompanying consolidated balance sheets. We purchased $22.7 million of SFR mortgage servicing rights, with underlying mortgage balances of $1.73 billion, during the second quarter of 2022. At June 30, 2023, the carrying value of these purchased servicing rights was $20.2 million and the unpaid principal balance of the loans underlying these purchased servicing rights was $1.62 billion.

During the three and six months ended June 30, 2023, we recognized loan servicing income of $0.6 million and $1.1 million. During the three and six months ended June 30, 2022, we recognized loan servicing income of $0.1 million and $0.3 million.

Alternative Energy Partnerships

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

The following table presents the activity related to our investment in alternative energy partnerships for the three and six months ended June 30, 2023 and 2022:

	Three Months Ended June 30,		Six Months Ended June 30,	
($ in thousands)	2023	2022	2023	2022
Balance at beginning of period	$ 19,427	$ 25,156	$ 21,410	$ 25,888
Return of capital	(352)	(582)	(717)	(1,156)
Gain (loss) on investments using HLBV method	36	(1,043)	(1,582)	(1,201)
Balance at end of period	**$ 19,111**	**$ 23,531**	**$ 19,111**	**$ 23,531**
Unfunded equity commitments at end of period	**$ —**	**$ —**	**$ —**	**$ —**

During the three months ended June 30, 2023 and 2022, we received a return of capital of $0.4 million and $0.6 million. During the six months ended June 30, 2023 and 2022, we received a return of capital of $0.7 million and $1.2 million. We did not make any capital contributions during the periods indicated.

During the three months ended June 30, 2023 and 2022, we recognized a net gain on investment of $36 thousand and a net loss on investment of $1.0 million. During the six months ended June 30, 2023 and 2022, we recognized net losses on investment of $1.6 million and $1.2 million. From an income tax benefits perspective, we recognized no investment tax credits during these periods; however, we recorded income tax expense of $10 thousand and income tax benefits of $0.3 million related to these investments for the three months ended June 30, 2023 and 2022 and income tax benefits of $0.5 million and $0.3 million during the six months ended June 30, 2023 and 2022.

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

Deposits

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

	June 30, 2023		December 31, 2022		
($ in thousands)	**Amount**	**% of Total Deposits**	**Amount**	**% of Total Deposits**	**Amount Change**
Noninterest-bearing deposits	$ 2,446,693	35.6 %	$ 2,809,328	39.5 %	$ (362,635)
Interest-bearing demand deposits	1,713,465	24.9 %	1,947,247	27.3 %	(233,782)
Savings and money market accounts	1,057,326	15.4 %	1,174,925	16.5 %	(117,599)
Certificates of deposit of $250,000 or less	1,245,279	18.2 %	793,040	11.1 %	452,239
Certificates of deposit of more than $250,000	408,313	5.9 %	396,381	5.6 %	11,932
Total deposits	**$ 6,871,076**	**100.0 %**	**$ 7,120,921**	**100.0 %**	**$ (249,845)**

Total deposits were $6.87 billion at June 30, 2023, a decrease of $249.8 million, or 3.5%, from $7.12 billion at December 31, 2022 due to lower noninterest-bearing checking balances of $362.6 million, lower interest-bearing demand deposits of $233.8 million, and lower savings and money market balances of $117.6 million, partially offset by higher certificates of deposits of $464.2 million.

We continue to focus on growing granular relationship-based deposits and strategically replacing short-term wholesale funding as we actively manage our funding costs. Noninterest-bearing deposits totaled $2.45 billion and represented 36% of total deposits at June 30, 2023 compared to $2.81 billion and 39% at December 31, 2022.

Brokered deposits were $1.08 billion and $614.9 million at June 30, 2023 and December 31, 2022. During the six months ended June 30, 2023, we added short-term brokered deposits to increase our liquidity due to the operating environment during this period.

As of June 30, 2023, insured deposits of $4.80 billion and collateralized deposits of $314.8 million represented 74% of total deposits, compared to insured deposits of $3.93 billion and collateralized deposits of $341.6 million, or 60% of total deposits at December 31, 2022.

The following table presents the scheduled maturities of certificates of deposit as of June 30, 2023:

($ in thousands)	**Three Months or Less**	**Over Three Months Through Six Months**	**Over Six Months Through Twelve Months**	**Over One Year**	**Total**
Certificates of deposit of $250,000 or less	$ 499,334	$ 354,316	$ 268,673	$ 122,956	$ 1,245,279
Certificates of deposit of more than $250,000	185,869	141,654	61,390	19,400	408,313
Total certificates of deposit	**$ 685,203**	**$ 495,970**	**$ 330,063**	**$ 142,356**	**$ 1,653,592**

Borrowings

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

	June 30, 2023			December 31, 2022
($ in thousands)	**Weighted Average Interest Rate**	**Weighted Average Maturity (years)**	**Outstanding Balance**	**Outstanding Balance**
FHLB advances:				
Overnight advances	—%	—	$ —	$ 20,000
Term advances	2.91%	3.00	611,000	611,000
Term advances (putable)	3.44%	4.50	200,000	100,000
Unamortized costs			(3,003)	(3,652)
Total FHLB advances	**3.04%**	**3.37**	**$ 807,997**	**$ 727,348**
FRB borrowings:				
Short-term advances	5.25%	0.02	$ 340,000	$ —

In light of market volatility in the first half of 2023, we proactively performed liquidity-enhancing measures, including additional advances from the FHLB and draws on available FRB facilities. We reduced our excess liquidity toward the end of the second quarter as market volatility began to stabilize.

FHLB Advances. FHLB advances are collateralized by a blanket lien on all real estate loans. At June 30, 2023, our secured borrowing capacity with the FHLB totaled $2.39 billion, of which the Bank was eligible to borrow an additional $1.16 billion based on qualifying loans with an aggregate unpaid principal balance of $3.47 billion as of that date.

As of June 30, 2023, FHLB advances increased $80.0 million, or 10.9%, to $808.0 million mainly due to an increase in term putable advances of $100.0 million, partially offset by decrease in overnight advances of $20.0 million.

FRB Borrowings. At June 30, 2023, the Bank had borrowing capacity with the Federal Reserve of $1.45 billion, including the secured borrowing capacity through the FRB Discount Window, BIC and BTFP programs. The FRB credit programs are collateralized by certain qualifying loans with an unpaid principal balance of $1.40 billion and securities with a carrying value of $515.3 million.

We utilized available capacity in the FRB Discount Window and BIC programs through $340.0 million in overnight borrowings, but did not utilize the BTFP and there was no outstanding borrowing under this program at June 30, 2023.

Other Borrowings. The Bank maintains available unsecured federal funds lines with six correspondent banks totaling $290.0 million, with no outstanding borrowings at June 30, 2023.

The Bank also has the ability to perform unsecured overnight borrowing from various financial institutions through AFX. The availability of such unsecured borrowings fluctuates regularly, is subject to the counterparties discretion and totaled $365.0 million and $445.0 million at June 30, 2023 and December 31, 2022. There were no borrowings under the AFX at June 30, 2023 and December 31, 2022.

In addition, the holding company maintains a $50.0 million revolving line of credit, with no borrowings under this line of credit at June 30, 2023 and December 31, 2022.

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

Long-term Debt

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

			June 30, 2023		December 31, 2022	
($ in thousands)	**Interest Rate**	**Maturity Date**	**Par Value**	**Unamortized Debt Issuance Cost and Discount**	**Par Value**	**Unamortized Debt Issuance Cost and Discount**
Senior notes	5.25%	4/15/2025	$ 174,000	$ (609)	$ 175,000	$ (722)
Subordinated notes [(1)]	4.375%	10/30/2030	85,000	(1,797)	85,000	(1,899)
PMB Statutory Trust III, junior subordinated debentures	SOFR + 3.40%	9/26/2032	7,217	—	7,217	—
PMB Capital Trust III, junior subordinated debentures	SOFR + 2.00%	10/8/2034	10,310	—	10,310	—
Total			**$ 276,527**	**$ (2,406)**	**$ 277,527**	**$ (2,621)**

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

During the three and six months ended June 30, 2023, we repurchased senior notes with an outstanding balance of $1.0 million at a discount and recognized an $80 thousand gain.

At June 30, 2023, we were in compliance with all covenants under our long-term debt agreements.

Liquidity Management

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

Banc of California, N.A.

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

At June 30, 2023, we had primary liquidity of $1.00 billion, including total cash and cash equivalents of $283.7 million and unpledged AFS securities of $716.4 million. Our cash increased $54.8 million from December 31, 2022 but decreased $727.2 million from March 31, 2023 as we reduced the excess liquidity that we deployed in the first quarter of 2023 as part of a conservative strategy to hold extra liquidity due to the operating environment during this period.

Secondary Sources of Liquidity: The Bank also generates cash through secured and unsecured secondary sources of funds. The Bank maintains pre-established secured lines of credit with the FHLB and the FRB as secondary sources of liquidity to provide funds for lending and investment activities and to enhance interest rate risk and liquidity risk management. At June 30, 2023, we had available unused secured borrowing capacities of $1.16 billion from the FHLB and $1.11 billion through the FRB Discount Window, BIC and BTFP programs.

The Bank has additional sources of secondary liquidity through pre-established unsecured federal funds lines with correspondent banks and pre-approved unsecured overnight borrowing lines with various financial institutions through the AFX platform totaling $655.0 million at June 30, 2023. These facilities are subject to counterparty discretion.

As of June 30, 2023, the Company had high levels of liquidity available with total cash and cash equivalents of $283.7 million, unpledged AFS securities of $716.4 million, and unused borrowing capacity of $2.93 billion, resulting in total primary and secondary liquidity available of $3.93 billion. This was 2.2 times total uninsured and uncollateralized deposits of $1.76 billion.

Banc of California, Inc.

Primary Sources of Liquidity: The primary sources of funds for Banc of California, Inc., on a stand-alone holding company basis, are dividends and intercompany tax payments from the Bank, outside borrowing, and its ability to raise capital and issue debt securities. Dividends from the Bank are largely dependent upon the Bank's earnings and are subject to restrictions under certain regulations that limit its ability to transfer funds to the holding company. OCC regulations impose various restrictions on the ability of a bank to make capital distributions, which include dividends, stock redemptions or repurchases, and certain other items. Generally, a well-capitalized bank may make capital distributions during any calendar year equal to up to 100 percent of year-to-date net income plus retained net income for the two preceding years without prior OCC approval. However, any dividend paid by the Bank would be limited by the need to maintain its well-capitalized status plus the capital buffer in order to avoid additional dividend restrictions (Refer to *Capital - Dividend Restrictions* below for additional information). Currently, the Bank does not have sufficient dividend-paying capacity to declare and pay such dividends to the holding company without obtaining prior approval from the OCC under the applicable regulations. During the three and six months ended June 30, 2023, the Bank paid $50.0 million and $70.0 million of dividends to Banc of California, Inc. At June 30, 2023, Banc of California, Inc. had $52.2 million in cash, all of which was on deposit at the Bank.

Secondary Sources of Liquidity: In addition, the holding company has a $50.0 million revolving line of credit. There were no borrowings under this line of credit at June 30, 2023 and at December 31, 2022, and we were in compliance with all covenants.

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

During the three and six months ended June 30, 2023, common stock repurchased under the program totaled 1,348,545 shares and 1,759,491 shares at a weighted average price of $11.85 and $12.02. As of June 30, 2023, the Company had $13.9 million remaining under the current stock repurchase authorization.

Commitments and Contractual Obligations

The following table presents our commitments and contractual obligations as of June 30, 2023:

	Commitments and Contractual Obligations				
($ in thousands)	**Total Amount Committed**	**Within One Year**	**More Than One Year Through Three Years**	**More Than Three Years Through Five Years**	**Over Five Years**
Commitments to extend credit	$ 200,765	$ 24,005	$ 115,965	$ 35,195	$ 25,600
Unused lines of credit	1,378,247	946,093	291,952	114,201	26,001
Standby letters of credit	9,133	8,237	896	—	—
Total commitments	**$ 1,588,145**	**$ 978,335**	**$ 408,813**	**$ 149,396**	**$ 51,601**
FHLB advances and FRB borrowings	$ 1,151,000	$ 340,000	$ 311,000	$ 500,000	$ —
Long-term debt	276,527	—	174,000	—	102,527
Operating and capital lease obligations	31,514	8,459	13,947	6,471	2,637
Certificates of deposit	1,653,592	1,511,236	141,322	1,034	—
Total contractual obligations	**$ 3,112,633**	**$ 1,859,695**	**$ 640,269**	**$ 507,505**	**$ 105,164**

At June 30, 2023, we had unfunded commitments of $15.7 million, $7.5 million, and $20.0 million for LIHTC investments, SBIC investments, and other investments.

Capital

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

Regulatory Capital

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

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

	Banc of California, Inc.	Banc of California, NA	Minimum Capital Requirements	Well-Capitalized Requirements (Bank)	Capital Conservation Buffer Requirements
June 30, 2023					
Total risk-based capital	14.26 %	15.64 %	8.00 %	10.00 %	10.50 %
Tier 1 risk-based capital	11.88 %	14.60 %	6.00 %	8.00 %	8.50 %
Common equity tier 1 capital	11.88 %	14.60 %	4.50 %	6.50 %	7.00 %
Tier 1 leverage	9.39 %	11.56 %	4.00 %	5.00 %	N/A
December 31, 2022					
Total risk-based capital	14.19 %	16.00 %	8.00 %	10.00 %	10.50 %
Tier 1 risk-based capital	11.78 %	14.92 %	6.00 %	8.00 %	8.50 %
Common equity tier 1 capital	11.78 %	14.92 %	4.50 %	6.50 %	7.00 %
Tier 1 leverage	9.70 %	12.25 %	4.00 %	5.00 %	N/A

Dividend Restrictions

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

Our principal source of funds for dividend payments is dividends received from the Bank. Federal banking laws and regulations limit the amount of dividends that may be paid without prior approval of regulatory agencies. Under these regulations, in the case of the Bank, the amount of dividends that may be paid in any calendar year is limited to the current year’s net profits, combined with the retained net profits of the preceding two years, subject to the capital requirements described above. Accordingly, any dividend granted by the Bank would be limited by the need to maintain its well capitalized status plus the capital buffer in order to avoid additional dividend restrictions. As described above, any near term dividend by the Bank will require OCC approval. During the three and six months ended June 30, 2023, the Bank paid $50.0 million and $70.0 million in dividends to Banc of California, Inc.

During the three and six months ended June 30, 2023, we declared and paid dividends on our common stock of $0.10 and $0.20 per share totaling $5.9 million and $11.5 million.

ITEM 3 — QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our Risk When Interest Rates Change. The rates of interest we earn on assets and pay on liabilities generally are established contractually for a period of time. Market interest rates change over time. Accordingly, our results of operations, like those of other financial institutions, are impacted by changes in interest rates and the interest rate sensitivity of our assets and liabilities. The risk associated with changes in interest rates and our ability to adapt to these changes is known as interest rate risk and is our most significant market risk.

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

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

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

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

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

At times, depending on the level of general interest rates, the relationship between long- and short-term interest rates, market conditions and competitive factors, the ALCOs may decide to increase our interest rate risk position within the asset/liability tolerance set forth by our Board of Directors. As part of its procedures, the ALCOs regularly review interest rate risk by forecasting the impact of alternative interest rate environments on net interest income and our economic value of equity.

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

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

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

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

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

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

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

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

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

At June 30, 2023, our interest rate risk profile remains “neutral”, in line with our interest rate risk profile position as of March 31, 2023 and December 31, 2022. Given the uncertainty of the magnitude, timing and direction of future interest rate movements, as well as the shape of the yield curve, actual results may vary materially from those predicted by our model.

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

	Change in Interest Rates in Basis Points (bps) [(1)]					
	Economic Value of Equity			Net Interest Income		
($ in thousands)	Amount	Amount Change	Percentage Change	Amount	Amount Change	Percentage Change
June 30, 2023						
+200 bps	$ 1,498,619	$ (8,929)	(0.6)%	$ 319,495	$ 7,443	2.4 %
+100 bps	1,509,568	2,020	0.1 %	315,895	3,843	1.2 %
0 bps	1,507,548			312,052		
-100 bps	1,483,218	(24,330)	(1.6)%	305,290	(6,762)	(2.2)%
-200 bps	1,431,619	(75,929)	(5.0)%	295,539	(16,513)	(5.3)%

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

Due to the transformation of the franchise to our relationship-based banking model since 2019, with higher relative percentages of noninterest-bearing deposits and variable rate commercial loans, we believe we are positioned for the current interest rate environment with a neutral balance sheet. Our one year gap ratio, which compares the percentage of earning assets that are scheduled to mature or reprice within one year to the percentage of rate sensitive term liabilities that are scheduled to mature or reprice within one year, was 15% at June 30, 2023.

As with any method of measuring interest rate risk, certain shortcomings are inherent in the method of analysis presented in the foregoing table. For example, although certain assets and liabilities may have similar maturities or periods to repricing, they may react in different degrees to changes in market interest rates. Also, the interest rates on certain types of assets and liabilities may fluctuate in advance of changes in market interest rates, while interest rates on other types may lag behind changes in market rates. Additionally, certain assets, such as adjustable rate mortgage loans, have features which restrict changes in interest rates on a short-term basis and over the life of the asset. Further, if interest rates change, expected rates of prepayments on loans and early withdrawals from certificates of deposit could deviate significantly from those assumed in calculating the table.

ITEM 4 - CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

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

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

The Company does not expect that its disclosure controls and procedures and internal control over financial reporting will prevent all errors and fraud. A control procedure, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control procedure are met. Because of the inherent limitations in all control procedures, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of a simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of a control. The design of any

control procedure also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control procedure, misstatements due to error or fraud may occur and not be detected.

PART II — OTHER INFORMATION

ITEM 1 - LEGAL PROCEEDINGS

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

ITEM 1A - RISK FACTORS

There have been no material changes to the risk factors that appeared under Part I, Item 1A. "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2022 other than as set forth below.

Regulatory approvals may not be received, may take longer than expected, or may impose conditions that are not presently anticipated or that could have an adverse effect on the combined company following the merger with PacWest.

Before the merger with PacWest and the subsequent merger of the Bank and PacWest Bank (the "bank merger") may be completed, the requisite approvals, consents and non-objections must be obtained from the Federal Reserve and the California Department of Financial Protection and Innovation ("CDFPI"). Under the Investment Agreements, before the $400 million (aggregate) equity investment (the "equity investment") by the Investors may be completed, the Warburg Investors and the Centerbridge Investors each must have received reasonably satisfactory oral confirmation from staff of the legal division of the Federal Reserve that the consummation of the applicable equity investment will not result in such Investor being deemed to have, or to have acquired, "control" of the Company for purposes of the Bank Holding Company Act of 1956 (the "BHC Act") or the Change in Bank Control Act of 1978 (the "CIBC Act"). Other approvals, waivers or consents from regulators may also be required, both for the merger and the equity investment.

In determining whether to grant these approvals and confirmations, such regulatory authorities consider a variety of factors. These approvals or confirmations could be delayed or not obtained at all, including due to (i) a party's regulatory standing (or adverse development in respect thereof), (ii) the relationship between the Company, on the one hand, and the Investors, on the other hand or (iii) any other factors considered by regulators when granting such approvals or confirmations, including governmental, political or community group inquiries, investigations or opposition; or changes in legislation or the political environment generally.

The approvals that are granted may impose terms and conditions, limitations, obligations or costs, or place restrictions on the conduct of the combined company's business or require changes to the terms of the transactions contemplated by the merger agreement or the Investment Agreements. There can be no assurance that regulators will not impose any such conditions, limitations, obligations or restrictions and that such conditions, limitations, obligations or restrictions will not have the effect of delaying or jeopardizing the completion of any of the transactions contemplated by the merger agreement or the Investment Agreements, imposing additional material costs on or materially limiting the revenues of the combined company following the merger or otherwise reducing the anticipated benefits of the merger (including the equity investment and its inclusion as additional CET1 regulatory capital, assuming the merger and the equity investment are consummated successfully and within the expected timeframe). In addition, there can be no assurance that any such conditions, limitations, obligations or restrictions will not result in abandonment of the merger and the equity investment. Additionally, the completion of the merger and the equity investments is conditioned on the absence of certain orders, injunctions or decrees by any governmental entity of competent jurisdiction that would prevent, prohibit or make illegal the completion of any of the transactions contemplated by the merger agreement or the equity investment, as applicable.

The Company and PacWest have agreed in the merger agreement to use reasonable best efforts to consummate the transactions contemplated by the merger agreement on the terms and conditions set forth herein, including using reasonable best efforts to satisfy all conditions and covenants under their control in the merger agreement. However, under the terms of the merger agreement, neither the Company nor PacWest, nor any of their respective subsidiaries, is required or permitted (without the written consent of the other party), to take any action, or commit to take or refrain from taking any action, or agree to any condition or restriction, in connection with obtaining the required permits, authorizations, consents, orders or approvals of governmental entities that would (i) reasonably be expected to require the combined company or any other person to issue equity securities or otherwise raise capital in excess of the amount contemplated by the equity investment under the merger agreement; or (ii) (A) not apply to a similarly sized financial holding company and state member bank that are well-capitalized and well-managed and (B) be materially more burdensome, individually or in the aggregate, on the operations, business or profitability of the combined company and its subsidiaries than those imposed on the Company or the Bank as of the date of the merger agreement (a "materially burdensome regulatory condition").

The Company and the Investors have agreed in the Investment Agreements to use reasonable best efforts to promptly prepare and file for all permits, consents, approvals, confirmations and authorizations of all third parties and governmental entities that are necessary or advisable to consummate the equity investment as promptly as reasonably practicable, and to respond to any request for information from any government authority related to the foregoing, so as to enable the parties to consummate the transaction contemplated by the Investment Agreements. However, under the terms of the Investment Agreements, neither the Company nor any of its subsidiaries is permitted (without the written consent of the other party), and none of the Investors or any of their affiliates is required, to take any action, or commit to take or refrain from taking any action, or accept or agree to any condition or restriction, that would reasonably be expected to cause any Investor, any of their respective affiliates or any of their partners or principals to (A) “control” the Company or be required to become a bank holding company, in each case, pursuant to the BHC Act; (B) “control” the Company or be required to provide prior notice pursuant to the CIBC Act; (C) serve as a source of financial strength to the Company pursuant to the BHC Act; or (D) enter into any capital or liquidity maintenance agreement or any similar agreement with any governmental entity, provide capital support to the Company, PacWest or any of their respective subsidiaries or otherwise commit to or contribute any additional capital to, provide other funds to, or make any other investment in, the Company, PacWest or any of their respective subsidiaries.

Consummation of the merger and each Investor’s equity investment is conditioned upon the substantially concurrent closing of an aggregate $400 million equity investment.

As a condition to the consummation of the merger with PacWest, the Company must substantially concurrently therewith receive a $400 million (in the aggregate) or greater equity investment in the Company’s equity securities qualifying as CET1 capital (“qualifying equity securities”). As a condition to the consummation of each Investor’s equity investment, the Company must have substantially concurrently received an investment of $400 million or greater in the Company’s qualifying equity securities. Although the Company has legally binding agreements with each of the Warburg Investors and the Centerbridge Investors pursuant to which the Investors (in the aggregate) have agreed to invest $400 million in the Company’s qualifying equity securities substantially concurrently with the consummation of the merger, the obligation of each Investor to make such investment is subject to various conditions. If any Investor fails to consummate its portion of the equity investment, the Company may be required to seek a new investment in the Company’s qualifying equity securities from other third parties, which may or may not be available (and may or may not be available on the same terms as the Investment Agreements). Failure to consummate (or a delay in consummating) the equity investment may cause the failure or delay in the ability of the parties to consummate the merger.

Failure to consummate the merger and equity investment could negatively impact the Company.

The consummation of the merger is subject to the receipt of requisite regulatory and stockholder approvals and the satisfaction of other closing conditions, including the substantially concurrent consummation of the equity investment, as noted above. If the merger is not completed for any reason, including as a result of the Company stockholders or PacWest stockholders failing to grant the applicable requisite stockholder approval at the applicable company’s special stockholders meeting or the imposition of a materially burdensome regulatory condition resulting in either the Company or PacWest refusing to consummate the merger, there may be various adverse consequences and the Company may experience negative reactions from the financial markets and from its customers and employees. For example, the Company’s business may be impacted adversely by the failure to pursue other beneficial opportunities due to the focus of management on the merger, without realizing any of the anticipated benefits of consummating the merger. Additionally, if the merger agreement is terminated, the market price of the Company’s common stock could decline to the extent that current market prices reflect a market assumption that the merger and/or the equity investment will be beneficial and will be consummated. The Company also could be subject to litigation related to any failure to complete the merger or the equity investment or to proceedings commenced against the Company to perform its obligations under the merger agreement or the Investment Agreements. If the merger agreement is terminated under certain circumstances, the Company may be required to pay a termination fee of $39.5 million to PacWest and remit a portion of the termination fee obtained by the Company from PacWest to the Investors.

Additionally, the Company has incurred and will incur substantial expenses in connection with the negotiation and completion of the transactions contemplated by the merger agreement and the Investment Agreements (including the equity investment and the balance sheet repositioning (as defined below)), as well as the costs and expenses of preparing, filing, printing and mailing of a joint proxy statement/prospectus in connection with the merger, and all filing and other fees paid in connection with the merger. If the merger and/or the equity investment is not completed, the Company would have to pay these expenses without realizing the expected benefits of the merger and/or the equity investment. Although the Company may be entitled to receive a termination fee of $39.5 million from PacWest and/or expense reimbursement with respect to certain costs and expenses associated with the balance sheet repositioning if the merger agreement is terminated under certain circumstances, (i) such payments may not be sufficient to fully compensate the Company for the losses it may incur in connection with a failure of the merger to be consummated and (ii) the Company may be required to remit a portion of the termination fee to the Investors.

Combining the Company and PacWest may be more difficult, costly or time-consuming than expected, and the Company may fail to realize the anticipated benefits of the merger.

The success of the merger will depend, in part, on the ability of the Company and PacWest to dispose certain assets in the planned balance sheet repositioning (the "balance sheet repositioning") along with anticipated cost savings from combining the businesses of the Company and PacWest. To realize the anticipated benefits and cost savings from the merger, the Company and PacWest must successfully dispose of assets at closing, which is inherently subject to market conditions and the risk that such conditions will be less favorable than what the parties expected when entering into the merger agreement, and successfully integrate and combine their businesses in a manner that permits those benefits and cost savings to be realized without adversely affecting current revenues and future growth. If the Company and PacWest are not able to successfully achieve these objectives, the anticipated benefits of the merger may not be realized fully or at all or may take longer to realize than expected. In addition, the actual cost savings of the merger could be less than anticipated, and integration may result in additional and unforeseen expenses.

An inability to realize the full extent of the anticipated benefits of, the merger and the other transactions contemplated by the merger agreement (including the balance sheet repositioning), as well as any delays encountered in the integration process, could have an adverse effect upon the capital position, revenues, levels of expenses and operating results of the combined company following the completion of the merger, which may adversely affect the value of the common stock of the combined company following the completion of the merger.

The Company and PacWest have operated and, until the completion of the merger, must continue to operate, independently. It is possible that the integration process could result in the loss of key employees, the disruption of each company's ongoing businesses or inconsistencies in standards, controls, procedures and policies that adversely affect the companies' ability to maintain relationships with its stakeholders or to achieve the anticipated benefits and cost savings of the merger. Integration efforts between the companies may also divert management attention and resources. These integration matters could have an adverse effect on the Company during this pre-closing period and for an undetermined period after consummation of the merger on the combined company.

Furthermore, the board of directors and executive leadership of the combined company and bank will consist of former directors and executive officers from each of the Company and PacWest, as well as a director designated by the Warburg Investors. Combining the boards of directors and management teams of each company into a single board of directors and a single management team could require the reconciliation of differing priorities and philosophies.

The combined company may be unable to retain the Company and/or PacWest personnel successfully after the merger is completed.

The success of the merger will depend, in part, on the combined company's ability to retain the talent and dedication of key employees currently employed by the Company and PacWest. It is possible that these employees may decide not to remain with the Company or PacWest, as applicable, while the merger is pending or with the combined company after the merger is consummated. If the Company and PacWest are unable to retain key employees, including management, who are critical to the successful integration and future operations of the companies, the Company and PacWest could face disruptions in their operations, loss of existing customers, loss of key information, expertise or know-how and unanticipated additional recruitment costs. In addition, following the merger, if key employees terminate their employment, the combined company's business activities may be adversely affected, and management's attention may be diverted from successfully hiring suitable replacements, all of which may cause the combined company's business to suffer. The Company and PacWest also may not be able to locate or retain suitable replacements for any key employees who leave either company.

The Company will be subject to business uncertainties and contractual restrictions while the merger is pending.

Uncertainty about the effect of the merger on employees and customers may have an adverse effect on the Company. These uncertainties may impair the Company's ability to retain and motivate key personnel until the merger is completed, and could cause customers and others that deal with the Company to seek to change existing business relationships with the Company. In addition, subject to certain exceptions, the Company has agreed to operate its business in the ordinary course in all material respects and to refrain from taking certain actions that may adversely affect its ability to consummate (i) the transactions contemplated by the merger agreement on a timely basis without the consent of PacWest and (ii) the equity investment on a timely basis without the consent of the Investors. These restrictions may prevent the Company from pursuing attractive business opportunities that may arise prior to the completion of the merger.

The Company has incurred and is expected to incur substantial costs related to the merger and integration.

The Company has incurred and expects to incur a number of non-recurring costs associated with the merger and the equity investment. These costs include legal, financial, accounting, consulting and other advisory fees, retention, severance and employee benefit-related costs, public company filing fees and other regulatory fees, financial printing and other printing costs,

closing, integration and other related costs. Some of these costs are payable by the Company regardless of whether the merger is completed.

Stockholder litigation related to the merger and/or the equity investment could prevent or delay the completion of the merger and/or the equity investment, result in the payment of damages or otherwise negatively impact the business and operations of the Company.

Stockholders may bring claims in connection with the proposed merger and/or the proposed equity investment and, among other remedies, may seek damages or an injunction preventing the merger and/or the equity investment from closing. If any plaintiff were successful in obtaining an injunction prohibiting the Company or PacWest from completing the merger or any other transactions contemplated by the merger agreement or the Company and the Investors from consummating the equity investment (or any portion thereof), then such injunction may delay or prevent the effectiveness of the merger and the equity investment and could result in costs to the Company, including costs in connection with the defense or settlement of any shareholder lawsuits filed in connection with the merger and/or the equity investment. Further, such lawsuits and the defense or settlement of any such lawsuits may have an adverse effect on the financial condition and results of operations of the Company.

The merger agreement may be terminated in accordance with its terms, and the merger may not be consummated.

The obligation of the merger agreement parties to consummate the merger is subject to a number of conditions that must be satisfied or waived in order to consummate the merger. Those conditions include, among other things: (i) receiving the requisite approval by each of the Company stockholders and the PacWest stockholders of certain matters relating to the merger at each company's respective special stockholders meeting; (ii) the receipt of required regulatory approvals from the Federal Reserve and the CDFPI; (iii) the absence of any order, injunction, decree or other legal restraint preventing the consummation of the merger, the bank merger or any of the other transactions contemplated by the merger agreement or making the completion of the merger, the bank merger or any of the other transactions contemplated by the merger agreement illegal; and (iv) the Form S-4 for the merger being declared effective by the Securities and Exchange Commission under the Securities Act of 1933, as amended; and (v) the consummation of a total of $400 million or greater investment in the Company's qualifying equity securities substantially concurrently with the closing of the merger. Each party's obligation to consummate the merger is also subject to certain additional conditions, including (a) subject to applicable materiality standards, the accuracy of the representations and warranties of the other party (including the absence of any material adverse effect, as defined in the merger agreement), (b) the performance in all material respects by the other party of its obligations under the merger agreement and (c) the receipt by each party of an opinion from its counsel to the effect that the merger will qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended.

These conditions to the consummation of the merger may not be satisfied or waived in a timely manner or at all, and, accordingly, the merger may not be consummated. In addition, the parties can mutually decide to terminate the merger agreement at any time, before or after the requisite stockholder approvals, or PacWest or the Company may elect to terminate the merger agreement in certain other circumstances, including by the Company upon the occurrence of a material adverse effect under certain circumstances with respect to PacWest or by PacWest upon the occurrence of a material adverse effect under certain circumstances with respect to the Company.

The Investment Agreements may be terminated in accordance with their respective terms and the equity investment may not be consummated.

The obligation of the parties to each Investment Agreement to consummate the equity investment is subject to a number of conditions which must be satisfied or waived in order to consummate the equity investment. Those conditions include, among other things: (i) the substantially concurrent consummation of the merger and the satisfaction of the conditions to the merger under the merger agreement; (ii) the Warburg Investors and the Centerbridge Investors each must have received reasonably satisfactory oral confirmation from staff of the legal division of the Federal Reserve that the consummation of the applicable equity investment will not result in such Investor being deemed to have, or to have acquired, "control" of the Company for purposes of the BHC Act or CIBC Act; (iii) the absence of any order, injunction, decree or other legal restraint preventing the completion of the equity investment or making the completion of the equity investment or any of the other transactions contemplated by the Investment Agreements illegal; and (iv) the consummation of a total of $400 million or greater investment in the Company's qualifying equity securities. Each party's obligation to consummate the equity investment is also subject to certain additional customary conditions, including (a) subject to applicable materiality standards, the accuracy of the representations and warranties of the other party, and (b) the performance in all material respects by the other party of its obligations under the applicable Investment Agreement.

These conditions to the consummation of the equity investment may not be satisfied or waived in a timely manner or at all, and, accordingly, the equity investment may not be consummated. In addition, the parties to each Investment Agreement can mutually decide to terminate the applicable Investment Agreement at any time, before or after the requisite stockholder approvals, or the parties may elect to terminate the applicable Investment Agreement in certain other circumstances.

Failure to complete the balance sheet repositioning could delay or hinder regulatory approvals.

Although neither the Company's nor PacWest's balance sheet repositioning is a condition to consummate the merger under the merger agreement, the regulators may not approve the merger until the balance sheet repositioning can be completed to minimize capital and liquidity risk of the combined company. Therefore, if either the Company or PacWest is unable to complete its balance sheet repositioning, regulatory approval may be delayed or denied.

The Company may suffer significant losses from the balance sheet repositioning.

Under the merger agreement, the Company and PacWest commit to use reasonable best efforts to enter into agreements to complete the balance sheet repositioning at the best commercially reasonably available price. Therefore, depending on the existence of various potential buyers and competitive prices, the Company may sell its assets at a significant loss.

Our ability to use net operating loss carryforwards and other tax attributes may be limited in connection with the Mergers or other ownership changes.

Both the Company and PacWest are expected to incur taxable losses in connection with the balance sheet repositioning. To the extent these taxable losses exceed our or PacWest's taxable income, as applicable, unused losses will carry forward to offset a portion of future taxable income, if any, until such unused losses expire, if at all.

Under Sections 382 and 383 of the Internal Revenue Code (the "Code"), these federal net operating loss carryforwards, certain losses incurred following the mergers, and other tax attributes may become subject to an annual limitation in the event of certain cumulative changes in our or PacWest's ownership. An "ownership change" pursuant to Section 382 of the Code generally occurs if one or more stockholders or groups of stockholders who own at least 5% of a company's stock increase their ownership by more than 50 percentage points over their lowest ownership percentage within a rolling three-year period. Our ability to utilize net operating loss carryforwards, certain losses incurred following the mergers, and other tax attributes to offset future taxable income or tax liabilities may be limited as a result of ownership changes, including potential changes in connection with the mergers or other transactions. Similar rules may apply under state tax laws. We have not yet determined the amount of the cumulative change in our and PacWest's ownership resulting from the mergers or other transactions, or any resulting limitations on our ability to utilize our net operating loss carryforwards, certain losses incurred following the mergers, and other tax attributes. Such limitations could result in increased future income tax liability to us and our future cash flows could be adversely affected. The effect of such limitations could also adversely affect our regulatory capital ratios. In certain circumstances, to preserve our ability to utilize our tax attributes without limitation, we may take actions to attempt to prevent an "ownership change" from occurring, including by adopting provisions that would limit or discourage stockholders from acquiring 5% or more of the Company, or in the case of stockholders that already own 5% or more of the Company, from increasing their ownership. There can be no assurances that such actions will be available, or if such actions are available, whether we will decide to undertake any such actions and if such actions are undertaken, whether such actions would be effective in preventing an "ownership change" pursuant to Section 382 of the Code.

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

Issuer Purchases of Equity Securities

	Purchase of Equity Securities by the Issuer			
	Total Number of Shares	**Average Price Paid Per Share**	**Total Number of Shares Purchased as Part of Publicly Announced Plans**	**Approximate Dollar Value of Shares That May Yet be Purchased Under the Plan**
Common Stock:				
From April 1, 2023 to April 30, 2023	392,220	$ 12.30	390,672	$ 25,024,059
From May 1, 2023 to May 31, 2023	463,403	$ 10.78	462,411	$ 20,037,941
From June 1, 2023 to June 30, 2023	496,133	$ 12.48	495,462	$ 13,852,812
Total	**1,351,756**	**$ 11.85**	**1,348,545**	

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

On February 13, 2023, we announced a repurchase program of up to $35 million of our common stock. The repurchase authorization expires in February 2024. Purchases may be made in open-market transactions, in block transactions on or off an

exchange, in privately negotiated transactions, or by other means as determined by our management and in accordance with the regulations of the SEC. The timing of purchases and the number of shares repurchased under the program will depend on a variety of factors including price, trading volume, corporate and regulatory requirements and market conditions.

ITEM 3 - DEFAULTS UPON SENIOR SECURITIES

None

ITEM 4 MINE SAFETY DISCLOSURES

Not applicable

ITEM 5 - OTHER INFORMATION

None

ITEM 6 - EXHIBITS

2.1	Agreement and Plan of Merger, dated as of July 25, by and among Registrant, Cal Merger Sub, Inc. and PacWest Bancorp (Filed as an exhibit to the Registrant's Current Report on Form 8-K filed on July 28, 2023 and incorporated herein by reference.)
3.1	Second Articles of Restatement of the charter of the Registrant (Filed as an exhibit to the Registrant's Current Report on Form 8-K filed on June 5, 2018 and incorporated herein by reference.)
3.2	Sixth Amended and Restated Bylaws of the Registrant (Filed as an exhibit to the Registrant's Current Report on Form 8-K filed on May 15, 2023 and incorporated herein by reference.)
10.1	Employment Agreement, dated as of July 5, 2023, between and among Registrant and Banc of California, N.A. and Joseph Kauder.
10.2	Investment Agreement, dated July 25 2023, by and between Registrant and affiliates of funds managed by Warburg Pincus LLC (Filed as an exhibit to the Registrant's Current Report on Form 8-K filed on July 28, 2023 and incorporated herein by reference.)
10.3	Investment Agreement, dated July 25 2023, by and between Registrant and investment vehicles sponsored, managed or advised by Centerbridge Partners, L.P. and its affiliates (Filed as an exhibit to the Registrant's Current Report on Form 8-K filed on July 28, 2023 and incorporated herein by reference.)
31.1	Rule 13a-14(a) Certification (Principal Executive Officer)
31.2	Rule 13a-14(a) Certification (Principal Financial Officer)
32.0	Rule 13a-14(b) and 18 U.S.C. 1350 Certification
101.0	The following financial statements and footnotes from the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2023 formatted in Extensible Business Reporting Language (XBRL): (i) Consolidated Statements of Financial Condition; (ii) Consolidated Statements of Operations; (iii) Consolidated Statements of Comprehensive Income; (iv) Consolidated Statements of Stockholders' Equity; (v) Consolidated Statements of Cash Flows; and (vi) the Notes to Consolidated Financial Statements. The instance document does not appear in the interactive data file because its XBRL tags are embedded within the inline XBRL document.
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

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.

BANC OF CALIFORNIA, INC.

Date: August 7, 2023

/s/ Jared Wolff

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

Date: August 7, 2023

/s/ Joseph Kauder

Joseph Kauder
Executive Vice President, Chief Financial Officer
(Principal Financial Officer)

Date: August 7, 2023

/s/ Raymond Rindone

Raymond Rindone
Executive Vice President, Chief Accounting Officer and Deputy Chief Financial Officer
(Principal Accounting Officer)

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (this "Agreement") is entered into as of July 5, 2023 between and among Banc of California, Inc. (the "Company"), Banc of California, National Association (the "Bank" and together with the Company, "Employer"), on the one hand, and Joseph Kauder ("Executive"), on the other hand.

WHEREAS, Employer desires to employ Executive, and Executive desires to be employed by Employer upon the terms and subject to the conditions set forth in this Agreement.

NOW, THEREFORE, in consideration of the premises and mutual covenants contained in this Agreement, the parties agree as follows:

1. Employment. Employer agrees to employ Executive, and Executive accepts employment with Employer, upon the terms and conditions set forth in this Agreement. Executive's primary office will be located at 3 MacArthur Place, Santa Ana, California, unless otherwise mutually agreed between Employer and Executive.

2. Term. The term of employment under this Agreement shall begin on a mutually agreeable date (the "Effective Date") and shall expire on June 30, 2026, unless terminated sooner as provided in this Agreement or unless extended as provided in the next sentence (the "Employment Period"). Unless this Agreement is terminated earlier, commencing on July 1, 2026, and on each anniversary of July 1, 2026 (each July 1st on or after July 1, 2026, the "Renewal Date"), the Employment Period shall be extended for one additional year (a "Renewal Term"), unless either party notifies the other party at least ninety (90) days prior to the applicable Renewal Date that the Employment Period shall not be so extended; provided, however, that in no event shall the Employment Period be extended beyond June 30, 2028.

3. Duties. During the Employment Period:

(a) Executive shall be employed by Employer as Executive Vice President and Chief Financial Officer of the Company and the Bank, with the authority, duties and responsibilities as are customarily assigned to this position consistent with the designation as "principal financial officer" pursuant to Item 402(a)(3)(ii) of Regulation S-K under the Securities Act of 1933, and Rule 16a-1(f) under the Securities Exchange Act of 1934. Executive shall report directly to the Chief Executive Officer ("CEO") of the Company and the Bank, and/or such other officers of the Company and the Bank, as determined from time to time by the CEO or the Board of Directors of the Company (the "Company Board") and the Board of Directors of the Bank (the "Bank Board"). Executive's primary place of employment will be in Santa Ana, California, except for required business travel.

(b) Executive shall devote his full business time, energy and skill to the business of Employer, and to the promotion of Employer's best interests. Executive agrees to devote the time necessary to discharge faithfully and efficiently his responsibilities under this Agreement. Notwithstanding anything to the contrary in this Agreement, Executive may devote reasonable time to (i) supervision of his personal investments, (ii) activities involving professional, charitable, educational, religious and similar types of organizations, and (iii) similar activities, to the extent that those other activities do not interfere with the performance of Executive's duties under this Agreement, or conflict in any way with the business or interests of Employer, and are in compliance with Employer's policies and procedures in effect from time to time, including, without limitation, the Code of Business Ethics and Conduct and the Company's policies on Outside Business Interests and Related Party Transactions. In that regard, as a condition of his employment under this Agreement, Executive hereby represents, warrants and covenants that prior to the commencement of the Employment Period, he (A) shall have terminated or resigned from all other employment agreements or arrangements that would or could restrict or adversely affect the performance of his duties or compliance with the terms of this Agreement, and shall not enter into any such agreement or arrangement during the Employment Period, (B) shall have resigned from any and all such positions as an officer or member of the board of directors, board of managers, or similar governance body and shall not hold any such position during the Employment Period.

(c) Executive also represents and warrants to Employer that the following are true and correct in all respects: (i) Executive is not a party to any existing agreement, arrangement, confidentiality clause, non-solicitation clause, non-competition clause or any other form of restrictive covenant or policy that would prevent him from lawfully (A) accepting Employer's offer of employment, (B) performing his services hereunder or (C) soliciting new customers of Employer, or that would otherwise limit Executive's ability to be employed by Employer; (ii) Executive has not taken, copied or made extracts from any confidential information (as defined in Section 10(a) below) with respect to or belonging to any current or former employer of Executive; and (iii) Executive acknowledges that he has specifically been instructed by Employer, and has agreed to follow such instruction, to not share with or provide to Employer any confidential information with respect to or belonging to any current or former employer of Executive.

4. Compensation. During the Employment Period:

(a) Executive shall be paid a base annual salary ("Annual Base Salary") as follows:

i. From the Effective Date through February 28, 2025, at the rate of $500,000; and

ii. After February 28, 2025, at the rate determined by the Joint Compensation, Nominating and Governance Committee of the Company Board and the Bank Board (the "Compensation Committee").

The Annual Base Salary shall be payable in accordance with Employer's normal payroll practices (but not less frequently than monthly), as those practices may be determined from time to time.

(b) Executive shall be eligible to receive an annual bonus payable in cash ("Annual Bonus") with respect to each fiscal year during the Employment Period, with an annual target bonus opportunity of 75% of Executive's rate of Annual Base Salary in effect when the Annual Bonus terms for the year are approved (the "Target Bonus"). The actual Annual Bonus earned may be higher or lower, depending on the level of achievement of applicable goals pursuant to the Company's short term incentive ("STI") cash bonus plan applicable to the Company's executive officers. Executive's Annual Bonus for 2023 shall be prorated to reflect his time in the position; provided, however, that Executive's 2023 Annual Bonus shall not be less than 75% of his prorated Target Bonus.

(c) Executive shall be entitled to participate, on terms comparable to similarly situated executive officers and consistent with his position and duties, in Employer's incentive compensation plans and programs, including Employer's Long-Term Incentive ("LTI") and STI Compensation programs. Such Stock-Based LTI Awards (the "Awards") shall be granted annually under the Company's 2018 Omnibus Stock Incentive Plan (the "Plan") in connection with the adoption of the Company's budget and annual operating plan, with an expected annual target grant value of seventy-five (75%) of the Annual Base Salary in effect when the applicable Award is approved. With respect to each grant of the Awards, 50% will be Restricted Stock Units subject solely to service-based vesting conditions (the "RSUs") and 50% will be Performance Stock Units subject to such performance-based and service-based vesting conditions as determined by the Compensation Committee (the "PSUs"). The RSUs shall vest annually in thirds (i.e., three equal installments) over three years. The PSUs shall vest at the end of three years subject to the achievement of the performance metrics set by the Compensation Committee for the Employer's executive officers. The number of shares shall be determined by the Compensation Committee by dividing the dollar amount of RSUs and PSUs, as applicable, by the per share closing price on the trading day immediately preceding the grant date or such other method of determination as in effect by the Compensation Committee. The next adoption of the Company's budget and annual operating plan is expected to occur in February 2024.

(d) At the next regularly scheduled meeting of the Compensation Committee in August 2023, Executive will be granted $450,000 of RSUs (the "Inducement Award"). The RSUs shall vest annually in thirds (i.e., three

equal installments) over three years. The number of shares shall be determined by the Compensation Committee by dividing the dollar amount of RSUs by the per share closing price on the trading day immediately preceding the grant date.

(e) All amounts provided by Employer or any affiliate thereof to Executive, whether under this Agreement or otherwise, will be subject to such deductions and clawback (recovery) (i) as may be required to be made pursuant to law, government regulation, order or stock exchange listing requirement, (ii) pursuant to any policy that Employer may adopt or (iii) by agreement with, or consent of, Executive.

(f) For the first twelve months following the Effective Date, Employer will pay for or reimburse Executive for reasonable costs incurred for temporary housing in the Orange County, California area as reasonably required by Executive and subject to Employer's reasonable pre-approval. Such expenses will be reimbursed, if applicable, on a quarterly basis following the presentation of satisfactory evidence of such expenses in accordance with the Employer's policies and procedures.

(g) Employer will provide Executive with a car or provide Executive with a reasonable monthly car allowance, as mutually agreed.

(h) Executive's compensation, benefits and expenses shall be paid by the Company and the Bank in the same proportion as the time and services actually expended by Executive on behalf of each respective Employer.

5. Flex Time Off. Executive shall be entitled to take off as much personal time off from work as needed or as appropriate (Flex Time Off or "FTO"), consistent with his professional responsibilities and business needs; provided that Executive is meeting his work responsibilities; and provided, further, that Executive is demonstrating a level of commitment and conscientiousness that is sufficient to satisfy his professional responsibilities to Employer. Executive will receive the agreed upon base salary during approved FTO unless Executive is on an extended leave that is unpaid pursuant to Employer's employee handbook or applicable law (e.g., FMLA, CFRA or other extended leave). Because FTO is not an accrued benefit, Executive will not be eligible for a payout of FTO at the time of separation from Employer, regardless of the reason for the separation. Executive will be subject to any changes to Employer's benefits policy that are applicable to other Executive's in similarly situated positions.

6. Benefits. Executive shall be entitled to participate in such life insurance, medical, dental, pension, supplemental disability, retirement plans or other programs as may be approved from time to time by Employer for the benefits of its executive employees.

7. Termination.

(a) Death or Disability. Executive's employment shall terminate automatically upon Executive's death during the Employment Period. If Employer determines in good faith that the Disability of Executive has occurred during the Employment Period (pursuant to the definition of Disability set forth below), it may provide Executive with written notice in accordance with Section 21 of its intention to terminate Executive's employment. In such event, to the extent permitted by applicable law, Executive's employment with Employer shall terminate effective on the thirtieth (30th) day after receipt of such notice by Executive (the "Disability Effective Date"); provided that, within thirty (30) days after such receipt, Executive shall not have returned to full-time performance of Executive's duties. For purposes of this Agreement, "Disability" shall mean the absence of Executive from Executive's duties with Employer on a full-time basis for ninety (90) consecutive days, or a total of one hundred and eighty (180) days in any twelve-month period, as a result of incapacity due to mental or physical illness which is determined to be total and permanent by a physician selected by Employer or its insurers and reasonably acceptable to Executive or Executive's legal representative.

(b) With or Without Cause. Employer may terminate Executive's employment during the Employment Period with or without Cause at any time upon notice to Executive. For purposes of this Agreement, "Cause"

means Executive's (i) personal dishonesty, gross negligence, willful misconduct, fraud or breach of fiduciary duty; (ii) willful failure to perform Executive's duties for or on behalf of Employer or its affiliates, or to follow, or cooperate in carrying out, any lawful material written policy adopted by Employer (including any written code of conduct or standards of ethics applicable to employees of Employer) or any reasonable directive from the Company Board or the Bank Board; (iii) continued and willful neglect of Executive's duties for or on behalf of Employer or its affiliates; (iv) the taking of, or omission to take, any action that is materially disruptive of the business or affairs of Employer, other than actions taken or omitted in good faith consistent with the best interests of Employer and its affiliates; (v) material breach of any provision of this Agreement; (vi) intentional violation of any material law, rule, regulation or judicial or administrative order to which Employer or any affiliate is subject or of any formal administrative action entered into by Employer or any affiliate, or imposed upon any of them; (vii) conduct that results in Executive's suspension or temporary or permanent prohibition or removal from participation in the conduct of the affairs of Employer or any affiliate, or the assessment of any civil money penalty against Executive, in any such case pursuant to the rules and regulations of any applicable regulatory agency having jurisdiction over Employer or its affiliates, or the issuance of any permanent injunction or similar remedy by a court having jurisdiction over Employer preventing Executive from executing or performing his material duties under this Agreement; or (viii) conviction of, or plea of nolo contendere to, a felony or any other crime involving moral turpitude, whether or not in connection with the business and affairs of Employer or its affiliates; provided, however, that Executive shall have thirty (30) days to cure any of the events or occurrences described in the immediately preceding clauses, to the extent such events or occurrences are curable. For purposes of this Section 7(b), no act or failure to act, on the part of Executive, shall be considered "willful" unless it is done, or omitted to be done, by Executive in bad faith or without reasonable belief that Executive's action or omission was in the best interests of Employer.

(c) With Good Reason. Executive's employment may be terminated by Executive with Good Reason. For purposes of this Agreement, "Good Reason" shall mean, in the absence of a written consent of Executive, any of the following:

i. a material diminution in Executive's title, authority, duties or responsibilities (other than pursuant to Section 7(d)(ii)); or

ii. a material breach of this Agreement by Employer (other than a breach of Section 4 resulting from a reduction in compensation or benefits that is required by a regulatory authority or applicable law or as otherwise permitted under Section 4).

To invoke a termination with Good Reason, Executive shall provide written notice to Employer of the existence of one or more of the conditions described in clauses (i) or (ii) within sixty (60) days following the initial existence of such condition or conditions, and Employer shall have thirty (30) days following receipt of such written notice (the "Cure Period") during which it may remedy the condition if such condition is reasonably subject to cure. In the event that Employer fails to remedy the condition constituting Good Reason during the applicable Cure Period, Executive's resignation, which must constitute a "separation from service" (within the meaning of Section 409A of the Internal Revenue Code of 1986, as amended (the "Code")), must become effective, if at all, within sixty (60) days following such Cure Period in order for such termination as a result of such condition to constitute a termination with Good Reason.

(d) Without Good Reason. Executive's employment may be terminated by Executive without Good Reason at any time upon sixty (60) days' prior written notice to Employer.

i. The period commencing on the date on which Employer receives notice of Executive's termination of his employment without Good Reason (the "Notice Date") and ending on the earlier of (i) sixty (60) days following the Notice Date and (ii) such earlier date as designated by Employer shall be referred to as the "Notice Period."

ii. During the Notice Period, Employer:

1) shall continue to pay Executive the Annual Base Salary then in effect, in accordance with Employer's regular payroll practices and allow Executive to participate in Employer's benefit plans to the extent permitted by such plans and applicable law;
2) reserves the right to (i) change or remove any of Executive's duties, (ii) require Executive to remain away from Employer's premises, and/or (iii) take such other action as determined by Employer to aid and assist in the transition process associated with Executive's departure; and
3) may waive or terminate the Notice Period at any time and for any reason or for no reason, in which case the Date of Termination (as defined below) shall be the date on which Employer notifies Executive of such waiver or termination.

(e) Date of Termination. For purposes of this Agreement, "Date of Termination" means (i) if Executive's employment is terminated by Employer without Cause, or by Executive with Good Reason, the date of receipt of the notice of termination or any later date specified therein within thirty (30) days of such notice, as the case may be; (ii) if Executive's employment is terminated by Employer for Cause, the Date of Termination shall be the date on which Employer notifies Executive of such termination; (iii) if Executive's employment is terminated by reason of death or Disability, the Date of Termination shall be the date of death of Executive or the Disability Effective Date, as the case may be and (iv) if Executive's employment is terminated by Executive without Good Reason, the Date of Termination shall be the earlier of sixty (60) days following the Notice Date and such earlier date as designated by Employer.

8. Obligations of Employer and Executive upon Termination of Employment.

(a) In the event of the termination of Executive's employment for any reason, Executive shall be entitled to any Accrued Obligations. "Accrued Obligations" means (i) any base salary that Executive has earned but not been paid on or prior to the Date of Termination, (ii) Executive's Annual Bonus earned for the fiscal year immediately preceding the fiscal year in which the Date of Termination occurs to the extent such bonus has not been paid as of the Date of Termination (which shall be paid in the ordinary course when annual bonuses are paid to Employer's other executive officers); (iii) any reimbursable business expenses that were incurred by Executive as of the Date of Termination but have not been reimbursed on the Date of Termination, and (iv) any payments or benefits to which Executive or his beneficiary or estate is entitled under the terms of any applicable employee benefit plan (which shall be paid or provided pursuant to the terms of the applicable plan, agreement or policy).

(b) In the event that, during the term of this Agreement, Employer terminates Executive's employment without Cause or Executive resigns with Good Reason, subject to Section 8(c), Executive shall be entitled to the following severance benefits (the "Severance Benefits"): severance pay in an amount equal to the sum of (A) 100% of Executive's Annual Base Salary in effect on the Date of Termination; and (B) 50% of Executive's Target Bonus in effect on the Date of Termination (the "Severance Amount") payable in lump sum on the first payroll date coincident with or next following the sixtieth (60) calendar day following the Executive's Date of Termination but no later than the 15th day of the third month following the Date of Termination and (C) Executive's outstanding Inducement Award shall vest and become free of all restrictions.

Notwithstanding the foregoing, if Employer terminates Executive's employment without Cause or Executive resigns with Good Reason, and the Date of Termination occurs within two years immediately following a Change of Control (as defined in Exhibit A), subject to Section 8(c), (A) the Severance Amount will be equal to 200% of the sum of Executive's Annual Base Salary and Target Bonus in effect on the Date of Termination (payable at the same time as set forth above); (B) provided that Executive was enrolled in the Employer-provided group health plan, Employer shall pay to Executive in equal monthly

installments for a period of eighteen (18) months following the Date of Termination, an amount equal to the monthly COBRA premium less an amount equal to the portion of the monthly health-care premium Executive was paying prior to the Date of Termination; and (C) Executive's outstanding equity-based awards shall vest and become free of restrictions immediately (with any performance-based equity awards vesting at "target" performance levels unless the applicable performance goals are determinable as of the Date of Termination and actual performance exceeds "target" performance levels, in which case such performance-based awards will vest based on the actual level of achievement determined as of the Date of Termination).

(c) Any severance to be paid pursuant to Section 8(b) is subject to and conditioned upon Executive signing and delivering to Employer a general release and waiver, in the form attached hereto as Exhibit B, within twenty-one (21) days following the Date of Termination (or forty-five (45) days following the Date of Termination if Executive's termination is part of a group termination as set forth in 29 U.S.C. §626(f)(1)(F)(ii)), and not revoking the general release within any applicable revocation period.

(d) If any payment or benefit received or to be received by Executive pursuant to this Agreement or otherwise ("Payments") would (i) constitute a "parachute payment" within the meaning of Section 280G of the Code and (ii) but for this subsection (d), be subject to the excise tax imposed by Section 4999 of the Code, any successor provisions, or any comparable federal, state, local or foreign excise tax ("Excise Tax"), then such Payments shall be either (A) provided in full pursuant to the terms of this Agreement or any other applicable agreement, or (B) provided as to such lesser extent as would result in no portion of such Payments being subject to the Excise Tax, whichever of the foregoing amounts, taking into account the applicable federal, state, local and foreign income, employment and other taxes and the Excise Tax, results in the receipt by Executive, on an after-tax basis, of the greatest amount of payments and benefits, notwithstanding that all or some portion of such Payments may be subject to the Excise Tax. Any determination required under this subsection (d) shall be made in writing by nationally recognized independent public accountants appointed by Employer (the "Accountants"), whose determination shall be final, conclusive and binding upon Executive and Employer for all purposes. For purposes of making the calculations required by this subsection (d), the Accountants may make reasonable assumptions and approximations concerning applicable taxes and may rely on reasonable, good faith interpretations concerning the application of Sections 280G and 4999 of the Code. Employer and Executive agree to furnish to the Accountants such information and documents as the Accountants may reasonably request in order to make a determination under this provision. Any reduction in payments and/or benefits required by this provision will occur in the following order: (1) reduction of cash payments; (2) reduction of vesting acceleration of equity awards; and (3) reduction of other benefits paid or provided to Executive. In the event that acceleration of vesting of equity awards is to be reduced, such acceleration of vesting will be cancelled in the reverse order of the date of grant for equity awards. If two or more equity awards are granted on the same date, each award will be reduced on a pro-rata basis.

(e) Notwithstanding any other provision of this Agreement to the contrary, any payments made to Executive pursuant to this Agreement, or otherwise, are subject to and conditioned upon their compliance with 12 U.S.C. § 1828(k) and any regulations promulgated thereunder, including 12 C.F.R. Part 359.

(f) As of the Date of Termination, Executive shall be deemed to resign from all positions held with Employer, including as a director, officer, trustee, general partner or other capacity in which he is serving with any entity at the request of Employer or by reason of his service for Employer, and shall timely execute any documentation reasonably required by Employer for such resignations.

(g) From and after the Date of Termination, Executive agrees to cooperate fully with Employer's reasonable requests in connection with any existing or future investigations, claims, litigation, audits or similar actions involving Employer or its affiliates, whether administrative, civil or criminal in nature, in which and to the extent Employer reasonably deems Executive's cooperation necessary. Employer shall pay all reasonable,

documented travel and other expenses incurred by Executive in connection with providing his cooperation if the expenses and costs are approved in advance in writing by Employer. Executive also agrees to respond to requests from Employer and its counsel for information needed to prepare such operational, financial and other reports, filings and documents that relate to the time period during which Executive provided services to Employer or to the termination of his services. To the extent that Executive's cooperation under this Section 8(g) requires more than a de minimis amount of time, Employer and Executive shall negotiate mutually agreeable remuneration for such cooperation.

9. Nonsolicitation. Unless otherwise agreed in writing, during the term of this Agreement, and for a period of twelve (12) months following the Date of Termination, Executive shall not, and shall not assist any other person to (i) solicit for hiring any employee of Employer or any of its affiliates (or any individual who was such an employee at any time within the six (6) month period preceding such solicitation), or seek to persuade any employee of Employer or any of its affiliates (or any individual who was such an employee at any time within the six (6) month period preceding such action) to discontinue employment or (ii) solicit or encourage any independent contractor providing services to Employer or any of its affiliates to terminate or diminish its relationship with them.

10. Nondisclosure of Confidential Information.

(a) Executive acknowledges that Employer and its affiliates may disclose confidential information to Executive during the Employment Period to enable his to perform his duties hereunder. Executive agrees that, except as required by law, regulatory directive or judicial order or as permitted in Section 10(c) below, he will not, without the prior written consent of Employer, during the Employment Period or at any time thereafter, disclose or permit to be disclosed to any third party by any method whatsoever any of the confidential information of Employer or any of its affiliates. For purposes of this Agreement, "confidential information" shall include, but not be limited to, any and all records, notes, memoranda, data, ideas, processes, methods, techniques, systems, formulas, patents, models, devices, programs, computer software, writings, research, personnel information, customer information, or financial information of Employer or any of its affiliates, plans, or any other information of whatever nature in the possession or control of Employer which has not been published or disclosed to the general public (other than by acts of Executive or his agents in violation of this Agreement), or which gives to Employer or any of its affiliates an opportunity to obtain an advantage over competitors who do not know of or use it. The foregoing covenants will not prohibit Executive from disclosing confidential or other information to other employees of Employer or to third parties to the extent that such disclosure is necessary to the performance of his duties under this Agreement.

(b) Executive further agrees that if his employment hereunder is terminated for any reason, he will not take originals or copies of any and all records, papers, programs, computer software and documents and all matter of whatever nature containing secret or confidential information of Employer or any of its affiliates.

(c) Notwithstanding anything to the contrary in this Agreement, nothing in this Agreement, including this Section 10, is intended to prohibit Executive and Executive is not prohibited from reporting possible violations of law to, filing charges with, or making disclosures protected under the whistleblower provisions of U.S. federal law or regulation, or participating in investigations of U.S. federal law or regulation by the U.S. Securities and Exchange Commission (the "SEC"), National Labor Relations Board, Equal Employment Opportunity Commission, the Occupational Safety and Health Administration, the U.S. Department of Justice, the U.S. Congress, any U.S. agency Inspector General or any self-regulatory agencies such as the SEC or federal, state or local governmental agencies having jurisdiction over the Employer or any of its affiliates (collectively, "Government Agencies," and each a "Government Agency"). Accordingly, Executive does not need the prior authorization of Employer to make any such reports or disclosures or otherwise communicate with Government Agencies and is not required to notify Employer that he has engaged in any such communications or made any such reports or disclosures. In addition, Executive is hereby notified that 18 U.S.C. § 1833(b)(1) states as follows:

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

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

11. Intellectual Property. Executive agrees promptly to reduce to writing and to disclose and assign, and hereby does assign, to Employer, its subsidiaries, successors, assigns and nominees, all inventions, discoveries, improvements, copyrightable material, trademarks, programs, computer software and ideas concerning the same, capable of use in connection with the business of Employer or any of its affiliates, which Executive may make or conceive, either solely or jointly with others, during the period of his employment by Employer, its subsidiaries or successors. Executive agrees, upon a request by Employer and at Employer's expense, to execute, acknowledge and deliver to Employer all such papers, including applications for patents, applications for copyright and trademark registrations, and assignments thereof, as may be necessary, and at all times to assist Employer, its parent, subsidiaries, successors, assigns and nominees in every proper way to patent or register said inventions, discoveries, improvements, copyrightable material, trademarks, programs, computer software or ideas, in any and all countries and to vest title thereto in Employer, its parent, subsidiaries, successors, assigns or nominees. Upon a request by Employer, Executive will promptly report to Employer all discoveries, inventions or improvements of whatsoever nature conceived or made by his at any time he was employed by Employer, its parent, subsidiaries or successors. All such discoveries, inventions and improvements which are applicable in any way to Employer's business shall be the sole and exclusive property of Employer.

12. Additional Remedies. Executive recognizes that his services under this Agreement are of a personal, special, unique and extraordinary character and irreparable injury will result to Employer and to its business and properties in the event of any breach by Executive of any of the provisions of Sections 9, 10 or 11, and that Executive's continued employment is predicated on the commitments undertaken by his pursuant to those Sections. In the event of any breach of any of Executive's commitments pursuant to Sections 9, 10 or 11, Employer shall be entitled, in addition to any other remedies and damages available, to injunctive relief to restrain the violation of such commitments by Executive or by any person or persons acting for or with Executive in any capacity whatsoever.

13. Section 409A.

(a) Notwithstanding anything to the contrary in this Agreement, if at the time of Executive's termination of employment, Executive is a "specified employee" within the meaning of Section 409A of the Code and the regulations and guidance of general applicability issued thereunder ("Section 409A"), any and all amounts payable under this Agreement that constitute "nonqualified deferred compensation" payable due to a "separation from service" (as those terms are used in Section 409A) and would (but for this provision) be payable within six (6) months following the date of termination, to the extent necessary to comply with Section 409A(a)(2)(B) of the Code, shall instead be paid on the next business day following the expiration of such six (6)-month period or, if earlier, upon Executive's death. If Executive receives compensation under Section 8 that can in whole or in part be treated as paid under a "separation pay plan" described in Treasury Regulation Section 1.409A 1(b)(9)(iii) or as a "short-term deferral" described in Treasury Regulation Section 1.409A 1(b)(4), then, to the extent permitted under Section 409A, such compensation shall be treated accordingly.

(b) For purposes of Section 8, all references to “termination of employment” and correlative phrases shall be construed to require a “separation from service” (as defined in Treasury Regulations Section 1.409A 1(h) after giving effect to the presumptions set forth therein and the facts and circumstances required to be considered by such regulation).

(c) Each payment made under this Agreement shall be treated as a separate payment and the right to a series of installment payments under this Agreement shall be treated as a right to a series of separate payments.

(d) Any amount that Executive is entitled to be reimbursed or to have paid on his behalf under this Agreement that would constitute nonqualified deferred compensation subject to Section 409A shall be subject to the following additional rules: (i) no reimbursement of any such expense shall affect Executive’s right to reimbursement of any such expense in any other taxable year; (ii) reimbursement of the expense shall be made, if at all, promptly, but not later than the end of the calendar year following the calendar year in which the expense was incurred; and (iii) the right to reimbursement shall not be subject to liquidation or exchange for any other benefit.

(e) With respect to any payment to Executive under this Agreement that would constitute nonqualified deferred compensation subject to Section 409A, if the time period for making such payment commences in one calendar year and ends in the succeeding calendar year, then the payment shall not be made until the succeeding calendar year.

(f) It is intended that the terms of this Agreement comply with Section 409A, or an exemption therefrom, and the terms of this Agreement will be interpreted accordingly; provided, however, that Employer and its executives, officers, directors, agents and representatives (including, without limitation, legal counsel) will not have any liability to Executive or any related party with respect to any taxes, penalties, interest or other costs or expenses Executive or any related party may incur with respect to or as a result of Section 409A or for damages for failing to comply with Section 409A. To the extent that any provision in this Agreement is ambiguous as to its compliance with Section 409A or to the extent any provision in this Agreement must be modified to comply with Section 409A (including, without limitation, Treasury Regulation 1.409A-3(c)), such provision will be read, or will be modified (with the mutual consent of the parties, which consent will not be unreasonably withheld), as the case may be, in such a manner so that all payments due under this Agreement will comply with Section 409A.

14. Adjustments to Comply with Final Interagency Guidance on Sound Incentive Compensation Policies. Notwithstanding anything herein to the contrary, the compensation or benefits provided under this Agreement are subject to modification, as necessary to comply with requirements imposed by the Company Board or the Bank Board to comply with the “Final Interagency Guidance on Sound Incentive Compensation Policies” issued on an interagency basis by the Federal Reserve System, the Office of the Comptroller of the Currency, the Federal Deposit Insurance Corporation and the Office of Thrift Supervision, effective June 25, 2010, or any amendment, modification or supplement thereto, which shall be deemed to include, without limitation, any rules adopted pursuant to Section 956 of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

15. Provisions Required By Law. Notwithstanding anything herein to the contrary, any provisions that are now or are in the future required by applicable law, rule, regulation or regulatory guidance or policy of general applicability to be included in this Agreement that are not expressly stated herein shall be deemed to be a part of this Agreement as fully as if such provisions were expressly stated herein.

16. Assignment; Benefit. No party shall have the right to assign this Agreement or any rights or obligations hereunder without the consent of the other party; provided, however, that Employer may assign its rights and obligations hereunder (i) to any entity controlled by, under the control of, or under common control with, Employer (as long as such entity is no less capable of fulfilling the obligations of Employer hereunder), or (ii) to any successor to Employer upon any liquidation, dissolution or winding up of Employer, upon any merger or consolidation of Employer or upon any sale of all or substantially all of the assets of Employer (as long as such successor is capable

of fulfilling the obligations of Employer hereunder). The provisions of this Agreement shall inure to the benefit of Employer, its successors and assigns, and shall be binding upon Employer and Executive, its and his heirs, personal representatives and successors, including, without limitation, Executive's estate and the executors, administrators or trustees of such estate.

17. Waiver. Failure of any party hereto at any time to require performance by any other party of any provision of this Agreement shall in no way affect the rights of such first party to require performance of that provision, and any waiver by any party hereto of any provision of this Agreement shall not be construed as a waiver of any continuing or succeeding breach of such provision, a waiver of the provision itself, or a waiver of any rights under this Agreement.

18. Severability. If any clause, phrase, provision or portion of this Agreement or the application thereof to any person or circumstance shall be invalid or unenforceable under any applicable law, such event shall not affect or render invalid or unenforceable the remainder of this Agreement and shall not affect the application of any clause, provision or portion hereof to other persons or circumstances.

19. Governing Law. To the extent not governed by the federal laws of the United States of America, this Agreement shall be construed and enforced in accordance with the laws of the State of California.

20. Arbitration. Executive agrees to sign and be bound by the terms of the Arbitration Agreement, which is attached as Exhibit C.

21. Notices. All notices, requests, demands and other communications in connection with this Agreement shall be made in writing and shall be deemed to have been given when delivered by hand or by email transmission, or two (2) business days after mailing by registered or certified mail postage prepaid, addressed as follows, or to such other address as shall have been designated in writing by the addressee:

If to Employer:

Banc of California, Inc.
3 MacArthur Place
Santa Ana, California 92707
Attention: General Counsel

If to Executive:

At Executive's last address in the records of Employer.

22. Entire Agreement. This Agreement sets forth the entire understanding of the parties and supersedes all prior agreements, arrangements, and communications, whether oral or written, pertaining to the subject matter hereof, and this Agreement shall not be modified or amended except by written agreement of Employer and Executive. The headings and captions hereof are for convenience only and shall not affect the construction of this Agreement.

23. Survival. The obligations contained in this Agreement shall survive the termination of Executive's employment with Employer or the expiration or termination of this Agreement as necessary to carry out the intentions of the parties as described herein.

24. Counterparts. This Agreement may be executed in any number of counterparts, which when taken together will constitute one and the same instrument. Photographic, faxed or PDF copies of such signed counterparts may be used in lieu of the originals for any purpose.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the date first set forth above.

BANC OF CALIFORNIA, INC.

By: /s/ Jared M. Wolff
Name: Jared M. Wolff
Title: President & CEO

BANC OF CALIFORNIA, N.A.

By: /s/ Jared M. Wolff
Name: Jared M. Wolff
Title: President & CEO

EXECUTIVE

By: /s/ Joseph Kauder
Joseph Kauder

[*Signature Page to Employment Agreement*]

EXHIBIT A
DEFINITION OF CHANGE OF CONTROL

For the purposes of this Agreement "**Change of Control**" means:

a. Any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) (a "Person") becomes the beneficial owner (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 30% or more of either (i) the then-outstanding shares of common stock of the Company (the "Outstanding Company Common Stock") or (ii) the combined voting power of the then-outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Outstanding Company Voting Securities"); provided, however, that, for purposes hereof, the following acquisitions shall not constitute a Change of Control: (A) any acquisition directly from the Company, (B) any acquisition by the Company, (C) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any company affiliated with the Company, or (D) any acquisition pursuant to a transaction that complies with clauses (c)(i), (c)(ii) and (c)(iii) below;

b. Individuals who, as of the Effective Date, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the Effective Date whose election, or nomination for election by the Company's stockholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual was a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board;

c. Consummation of a reorganization, merger, statutory share exchange or consolidation or similar transaction involving the Company or any of its subsidiaries, a sale or other disposition of all or substantially all of the assets of the Company, or the acquisition of assets or stock of another entity by the Company or any of its subsidiaries (each, a "Business Combination"), in each case, unless, following such Business Combination, (i) all or substantially all of the individuals and entities that were the beneficial owners of the Outstanding Company Common Stock and the Outstanding Company Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, greater than 50% of the then-outstanding shares of common stock (or, for a non-corporate entity, equivalent securities) and the combined voting power of the then-outstanding voting securities entitled to vote generally in the election of directors (or, for a non-corporate entity, equivalent governing body), as the case may be, of the entity resulting from such Business Combination (including, without limitation, an entity that, as a result of such transaction, owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership immediately prior to such Business Combination of the Outstanding Company Common Stock and the Outstanding Company Voting Securities, as the case may be, (ii) no Person (excluding any corporation resulting from such Business Combination or any employee benefit plan (or related trust) of the Company or such corporation resulting from such Business Combination) beneficially owns, directly or indirectly, 30% or more of, respectively, the then-outstanding shares of common stock of the corporation resulting from such Business Combination or the combined voting power of the then-outstanding voting securities of such corporation, except to the extent that such ownership existed prior to the Business Combination, and (iii) at least a majority of the members of the board of directors (or, for a non-corporate entity, equivalent governing body) of the entity resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement or of the action of the Board providing for such Business Combination; or

d. Approval by the stockholders of the Company of a complete liquidation or dissolution of the Company.

EXHIBIT B
GENERAL RELEASE

[***Subject to modification to conform with changes in applicable law or regulations after the Execution Date***]

SEPARATION AGREEMENT AND GENERAL RELEASE

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

WHEREAS, Executive was employed by Employer pursuant to an employment agreement entered into by and between Executive and Employer dated as of July 5, 2023 (the "Employment Agreement"). Capitalized terms used but not defined herein shall have the meaning set forth in the Employment Agreement; and

WHEREAS, the Date of Termination of Executive's employment with Employer was ________, and Executive acknowledges that regardless of signing this General Release, he has received his final paycheck for all wages earned through the Date of Termination, except for any payments which, pursuant to the terms of the Employment Agreement, are not yet due to be paid;

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

1. Subject to Executive's compliance with his promises and agreements contained in this General Release and provided Executive does not revoke this Agreement, Employer shall provide Executive with the Severance Benefits set forth in Section 8(b) of the Employment Agreement.

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

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

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

4. Notwithstanding anything else to the contrary in this General Release, this General Release shall not affect: the obligations of the Company set forth in the Employment Agreement or the indemnification agreement or other obligations that, in each case with respect to such other obligations, by their terms, are to be performed after the Execution Date (defined below), including, without limitation, Executive's rights to any vested benefits, vested pension rights or vested rights to equity); any obligations of the Bank to repay any bank deposits; obligations to indemnify Executive respecting acts or omissions in connection with Executive's service as a director, officer or employee of the Affiliated Entities; obligations with

respect to insurance coverage under any of the Affiliated Entities' (or any of their respective successors) directors' and officers' liability insurance policies; or any right Executive may have to obtain contribution in the event of the entry of judgment against Executive as a result of any act or failure to act for which both Executive and any of the Affiliated Entities are jointly responsible.

5. Executive represents that, except for anonymous whistleblower complaints filed with the SEC or other similar regulatory agencies, the Releasors have not initiated, filed, or caused to be filed any Released Claims against any of the Releasees. Executive further agrees not to initiate, file, cause to be filed, or otherwise pursue any Released Claims, either as an individual on his own behalf, or as a representative, member or shareholder in a class, collective or derivative action and further agrees not to encourage any person, including any current or former employee of the Releasees, to file any kind of Claim against the Releasees. Executive, however, retains the right to challenge the validity of the waiver of Executive's Claims under the ADEA set forth in Sections 2 and 3 of this General Release.

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

   "A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS THAT THE CREDITOR OR RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE AND THAT, IF KNOWN BY HIM OR HER, WOULD HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR OR RELEASED PARTY."

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

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

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

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

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

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

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

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

Executive, the Company and the Bank have executed this General Release on __________, 20__ (the "Execution Date").

BANC OF CALIFORNIA, INC.

By: _____________________________________

Name: ___________________________________

Title: ____________________________________

BANC OF CALIFORNIA, N.A.

By: _____________________________________

Name: ___________________________________

Title: ____________________________________

EXECUTIVE:

____
[ ]

EXHIBIT C
ARBITRATION AGREEMENT

This Arbitration Agreement ("**Agreement**"), dated as of the Effective Date is between **BANC OF CALIFORNIA, INC**., a Maryland corporation (the "**Company**"), the **BANC OF CALIFORNIA, N.A**., a national banking association (the "**Bank**," and together with the Company, "**Employer**") and **Joseph Kauder** ("**Executive**") (collectively, the "**Parties**"):

Whereas, Executive entered into an employment agreement with Employer as of July 5, 2023 (the "**Employment Agreement**"). Capitalized terms used but not defined in this Agreement shall have the meaning set forth in the Employment Agreement.

In order to resolve all disputes between them as expeditiously as possible, Employer and Executive agree as follows:

1. Arbitrable Claims.

a. To the fullest extent permitted by law, and except as otherwise provided in this Agreement, any and all claims or controversies between Employer and Executive (or between Executive and any present or former officer, director, agent, or employee of Employer or any parent, subsidiary, or other entity affiliated with Employer) relating in any manner to the employment or the termination of employment of Executive shall be resolved by final and binding arbitration ("Arbitrable Claims").

b. Arbitrable Claims shall include, but not be limited to, contract claims, tort claims, and claims relating to compensation, benefits, and stock options, as well as claims based on any federal, state, or local law, statute, or regulation, including but not limited to any claims arising under Title VII of the Civil Rights Act of 1964, the Age Discrimination in Employment Act, the Americans with Disabilities Act, the Fair Labor Standards Act, the Family and Medical Leave Act, the California Fair Employment and Housing Act, the California Labor Code, the California Unfair Competition Law, and the California Wage Orders.

c. Notwithstanding the foregoing, Arbitrable Claims shall not include claims for unemployment benefits, workers' compensation claims, claims under the National Labor Relations Act, or claims precluded by federal statute from agreements for pre-dispute arbitration (collectively, "Excluded Claims").

d. Arbitration shall be final and binding upon the parties and shall be the exclusive remedy for all Arbitrable Claims.

2. Arbitration Procedure.

a. Except as specifically provided herein, any arbitration proceeding shall be conducted in accordance with the then current JAMS Employment Arbitration Rules & Procedures (the "Arbitration Rules") to the extent not inconsistent with this Agreement. A copy of the current Arbitration Rules is attached. The Arbitration Rules are also available for review at www.jamsadr.com/rules-employment-arbitration.

b. Arbitration shall be initiated by the aggrieved party giving all other parties written notice as described in this paragraph ("Notice of Dispute"). Written notice of a claim by Executive shall be mailed by certified or registered mail, return receipt requested, to Executive's last address in the records of the Company. Written notice of a claim by Employer shall be mailed to the last known address of Executive. The Notice of Dispute shall identify and describe the nature of all claims asserted, the facts upon which such claims are based, and the relief sought.

3. Arbitrator Selection and Authority.

a. A neutral and impartial arbitrator shall be chosen by mutual agreement of the parties; however, if the parties are unable to agree upon an arbitrator within sixty (60) days after date of the Notice of Dispute, then a neutral and impartial arbitrator shall be appointed in accordance with the Arbitration Rules. The arbitrator shall have exclusive authority to resolve all Arbitrable Claims, except that a court and not the arbitrator shall determine arbitrability and whether all or any part of this Agreement is void or unenforceable. The arbitrator's authority shall include the authority to rule on a motion to dismiss and/or summary judgment by either party, and the arbitrator shall apply the standards governing such motions under the Federal Rules of Civil Procedure. The arbitrator shall prepare a written decision containing the essential findings and conclusions on which any decision or award is based. The arbitrator shall apply the same substantive law with the same statutes of limitations and same individual remedies that would apply if the claims were brought in a court of law.

b. The arbitrator shall also have the authority to award costs and fees to the prevailing party as provided by applicable law to the same extent as a court. Otherwise, each party shall pay its own costs and attorney's fees. Employer shall pay the costs and fees of the arbitrator and reimburse Executive for any filing fees paid to initiate arbitration.

c. The arbitrator shall not have the authority to adjudicate class, collective, or representative claims (including without limitation claims under the California Private Attorneys General Act on behalf of any person other than Executive individually), to award any class, collective, or other representative relief on behalf of any person other than Executive, or, without all parties' consent, to consolidate the claims of two or more individuals, or otherwise preside over any form of a class, collective, or other representative proceeding.

4. **Actions To Compel Arbitration or Enforce Award.** Either Employer or Executive may bring an action in court to compel arbitration under this Agreement and to enforce an arbitration award. Otherwise, neither party shall initiate or prosecute any lawsuit in any way related to any Arbitrable Claim. Nothing in this Agreement, however, precludes a party from filing an administrative charge with an agency that has jurisdiction over a claim that is otherwise arbitrable. Moreover, nothing in this Agreement prohibits either party from seeking provisional relief pursuant to Section 1281.8 of the California Code of Civil Procedure.

5. **Location of Arbitration.** All arbitration hearings under this Agreement shall be conducted in the California county in which the Company's headquarters are located, unless otherwise agreed by the parties.

6. **Waiver of Jury Trial.** The parties understand and agree that by entering into this Agreement, they are each waiving the right to a trial by jury.

7. **Waiver of Class, Representative, and Collective Claims.** To the fullest extent permitted by law, Executive and Employer each waives any right either may have to bring any class, collective, or representative action against the other party, whether in arbitration, in court, or otherwise, or to participate as a member of any class or collective action against the other party ("Waived Claims"). If a court or an arbitrator determines in any proceeding between the Parties that any such claims cannot be waived, then the non-waivable claims shall be adjudicated in court or such other forum as provided by law and not in arbitration.

8. **Bifurcation and Stay.** In the event either party asserts against the other party in a judicial forum both Arbitrable Claims and also Excluded Claims and/or Waived Claims, then such claims shall be bifurcated as follows: (a) Arbitrable Claims shall be subject to arbitration and (b) all Excluded Claims and any Waived Claims that a court or arbitrator in any proceeding between the Parties determines cannot lawfully be waived shall be adjudicated in court or such other forum as provided by law and not in arbitration. To the extent permitted by law, all such claims to be adjudicated outside of arbitration shall be stayed for the duration of the arbitration proceedings.

9. **Applicable Law.** This Agreement shall be governed by the Federal Arbitration Act and, to the extent permitted by such Act, the laws of the State of California.

10. **Severability.** If any provision of this Agreement shall be held to be invalid, unenforceable, or void, by a court of competent jurisdiction or an arbitrator such provision shall be stricken from the Agreement, and the remainder of the Agreement shall remain in full force and effect.

11. **Entire Agreement; Amendment.** Employer and Executive understand and agree that this Agreement contains a full and complete statement of any agreements and understandings regarding resolution of disputes between the parties, and the parties agree that this Agreement supersedes all previous agreements, whether written or oral, express or implied, relating to the subjects covered in this Agreement. The parties also agree that the terms of this Agreement cannot be revoked or modified except in a written document signed by both Executive and an officer of Employer.

12. **Term of Agreement.** This Agreement shall be effective as of the Effective Date and shall survive the termination of Executive’s employment with Employer.

13. **Acknowledgement.** The parties voluntarily have entered into this Agreement, and they acknowledge that they have been given the opportunity to discuss this agreement with legal counsel and to review the Arbitration Rules before signing this agreement, and they have availed themselves of this opportunity to the extent they wish to do so.

(Signature page to follow)

BANC OF CALIFORNIA, INC.

By: /s/ Ido Dotan
Name: Ido Dotan
Title: EVP, General Counsel

BANC OF CALIFORNIA, N.A.

By: /s/ Ido Dotan
Name: Ido Dotan
Title: EVP, General Counsel

EMPLOYEE

By: /s/ Joseph Kauder
Joseph Kauder

Exhibit 31.1

CERTIFICATIONS

I, Jared Wolff, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: August 7, 2023

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

Exhibit 31.2

CERTIFICATIONS

I, Joseph Kauder, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: August 7, 2023

/s/ Joseph Kauder

Joseph Kauder

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

Exhibit 32.0

SECTION 1350 CERTIFICATION

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

Date: August 7, 2023

/s/ Jared Wolff

Jared Wolff

Chairman, President and Chief Executive Officer
(Principal Executive Officer)

Date: August 7, 2023

/s/ Joseph Kauder

Joseph Kauder

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