

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

Form 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2024

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____
Commission File Number 001-35522

BANC OF CALIFORNIA, INC.

(Exact name of registrant as specified in its charter)

Maryland
(State of Incorporation)

04-3639825
(I.R.S. Employer Identification No.)

11611 San Vicente Boulevard, Suite 500
Los Angeles, CA 90049
(Address of Principal Executive Offices, Including Zip Code)

(855) 361-2262

(Registrant's Telephone Number, Including Area Code)
Securities registered pursuant to Section 12(b) of the Act:

Common Stock, par value \$0.01 per share	BANC	New York Stock Exchange
Depository Shares, each representing a 1/40th interest in a share of 7.75% fixed rate reset non-cumulative perpetual preferred stock, Series F <i>(Title of Each Class)</i>	BANC/PF <i>(Trading Symbol)</i>	New York Stock Exchange <i>(Name of Exchange on Which Registered)</i>

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

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

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

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

As of October 31, 2024, there were 158,329,608 shares of the registrant's voting common stock outstanding, excluding 216,753 shares of unvested restricted stock, and there were 477,321 shares of the registrant's class B non-voting common stock outstanding.

BANC OF CALIFORNIA, INC.
SEPTEMBER 30, 2024 QUARTERLY REPORT ON FORM 10-Q
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PART I. FINANCIAL INFORMATION

Glossary of Acronyms, Abbreviations, and Terms

The acronyms, abbreviations, and terms listed below are used in various sections of this Quarterly Report on Form 10-Q, including "Item 1. Financial Statements" and "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations."

ACL	Allowance for Credit Losses	HFS	Held for Sale
AFS	Available-for-Sale	HLBV	Hypothetical Liquidation at Book Value
AFX	American Financial Exchange	HTM	Held-to-Maturity
ALLL	Allowance for Loan and Lease Losses	ICS	IntraFi Cash Service
ASC	Accounting Standards Codification	IRR	Interest Rate Risk
ASU	Accounting Standards Update	LIHTC	Low Income Housing Tax Credit
BAM	BofCal Asset Management Inc.	LOCOM	Lower of Cost or Market
Basel III	A comprehensive capital framework and rules for U.S. banking organizations approved by the FRB and the FDIC in 2013	MBS	Mortgage-Backed Securities
BOLI	Bank Owned Life Insurance	NAV	Net Asset Value
CDI	Core Deposit Intangible Assets	NII	Net Interest Income
CECL	Current Expected Credit Loss	NVCE	Non-Voting Common Stock Equivalents
CET1	Common Equity Tier 1	OREO	Other Real Estate Owned
Civic	Civic Financial Services, LLC (a company acquired on February 1, 2021)	PCD	Purchased Credit Deteriorated
CMBS	Commercial Mortgage-Backed Securities	PRSU	Performance-Based Restricted Stock Units
CMOs	Collateralized Mortgage Obligations	ROU	Right-of-use
COVID-19	Coronavirus Disease	RSUs	Restricted Stock Units
CRA	Community Reinvestment Act	S&P	Standard & Poor's
CRI	Customer Relationship Intangible Assets	SBA	Small Business Administration
DFPI	California Department of Financial Protection and Innovation	SBIC	Small Business Investment Company
EVE	Economic Value of Equity	SEC	Securities and Exchange Commission
FDIC	Federal Deposit Insurance Corporation	SOFR	Secured Overnight Financing Rate
FHLB	Federal Home Loan Bank of San Francisco	TRSAs	Time-Based Restricted Stock Awards
FRB	Board of Governors of the Federal Reserve System	U.S. GAAP	U.S. Generally Accepted Accounting Principles
FRBSF	Federal Reserve Bank of San Francisco		

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

BANC OF CALIFORNIA, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

	September 30, 2024	December 31, 2023
(Unaudited)		
(Dollars in thousands, except par value amounts)		
ASSETS:		
Cash and due from banks	\$ 251,869	\$ 202,427
Interest-earning deposits in financial institutions	2,302,358	5,175,149
Total cash, cash equivalents, and restricted cash	2,554,227	5,377,576
Securities available-for-sale, at fair value, net of allowance for credit losses (amortized cost of \$2,526,306 and \$2,699,255, respectively)	2,300,284	2,346,864
Securities held-to-maturity, at amortized cost, net of allowance for credit losses (fair value of \$2,229,482 and \$2,168,316, respectively)	2,301,263	2,287,291
FRB and FHLB stock, at cost	145,123	126,346
Total investment securities	4,746,670	4,760,501
Loans held for sale	28,639	122,757
Loans and leases held for investment	23,553,534	25,534,730
Deferred fees, net	(25,757)	(45,043)
Allowance for loan and lease losses	(254,345)	(281,687)
Total loans and leases held for investment, net	23,273,432	25,208,000
Equipment leased to others under operating leases	314,998	344,325
Premises and equipment, net	143,200	146,798
Bank owned life insurance	343,212	339,643
Goodwill	216,770	198,627
Intangible assets, net	140,562	165,477
Deferred tax asset, net	706,849	739,111
Other assets	964,054	1,131,249
Total assets	\$ 33,432,613	\$ 38,534,064
LIABILITIES:		
Noninterest-bearing deposits	\$ 7,811,796	\$ 7,774,254
Interest-bearing deposits	19,016,473	22,627,515
Total deposits	26,828,269	30,401,769
Borrowings (including \$119,624 and \$123,116 at fair value, respectively)	1,591,833	2,911,322
Subordinated debt	942,151	936,599
Accrued interest payable and other liabilities	574,162	893,609
Total liabilities	29,936,415	35,143,299
Commitments and contingencies		
STOCKHOLDERS' EQUITY:		
Preferred stock	498,516	498,516
Common stock (\$0.01 par value, 158,611,645 shares issued and 158,328,021 outstanding at September 30, 2024; 157,651,752 shares issued and 156,790,349 outstanding at December 31 2023)	1,586	1,577
Class B non-voting common stock (\$0.01 par value, 477,321 shares issued at September 30, 2024 and 477,321 shares issued at December 31, 2023)	5	5
Non-voting common stock equivalents (\$0.01 par value, 9,790,600 shares issued at September 30, 2024 and 10,829,990 shares issued at December 31, 2023)	98	108
Additional paid-in capital	3,802,314	3,840,974
Retained deficit	(478,173)	(518,301)
Accumulated other comprehensive loss, net	(328,148)	(432,114)
Total stockholders' equity	3,496,198	3,390,765
Total liabilities and stockholders' equity	\$ 33,432,613	\$ 38,534,064

See Notes to Condensed Consolidated Financial Statements.

BANC OF CALIFORNIA, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS (LOSS)

	Three Months Ended			Nine Months Ended	
	September 30, 2024	June 30, 2024	September 30, 2023	September 30, 2024	2023
	(Unaudited)				
	<i>(In thousands, except per share amounts)</i>				
Interest income:					
Loans and leases	\$ 369,913	\$ 388,853	\$ 310,392	\$ 1,144,231	\$ 1,150,049
Investment securities	34,912	33,836	45,326	103,051	133,716
Deposits in financial institutions	42,068	39,900	90,366	140,904	219,995
Total interest income	<u>446,893</u>	<u>462,589</u>	<u>446,084</u>	<u>1,388,186</u>	<u>1,503,760</u>
Interest expense:					
Deposits	180,986	186,106	205,982	561,899	540,663
Borrowings	16,970	30,311	94,234	85,405	324,270
Subordinated debt	16,762	16,684	15,139	50,117	42,750
Total interest expense	<u>214,718</u>	<u>233,101</u>	<u>315,355</u>	<u>697,421</u>	<u>907,683</u>
Net interest income	232,175	229,488	130,729	690,765	596,077
Provision for credit losses	9,000	11,000	—	30,000	5,000
Net interest income after provision for credit losses	<u>223,175</u>	<u>218,488</u>	<u>130,729</u>	<u>660,765</u>	<u>591,077</u>
Noninterest income:					
Leased equipment income	17,176	11,487	14,554	40,379	50,798
Other commissions and fees	8,256	8,629	7,641	25,027	29,226
Service charges on deposit accounts	4,568	4,540	4,018	13,813	11,906
(Loss) gain on sale of loans and leases	(62)	1,135	(1,901)	625	(157,820)
Loss on sale of securities	(59,946)	—	—	(59,946)	—
Dividends and gains on equity investments	3,730	1,166	3,837	7,964	7,593
Warrant income (loss)	211	(324)	(88)	65	(545)
LOCOM HFS adjustment	(74)	(38)	307	218	(11,636)
Other income	10,689	3,197	15,440	20,011	22,595
Total noninterest (loss) income	<u>(15,452)</u>	<u>29,792</u>	<u>43,808</u>	<u>48,156</u>	<u>(47,883)</u>
Noninterest expense:					
Compensation	85,585	85,914	71,642	263,735	242,999
Customer related expense	34,475	32,405	26,971	97,799	78,278
Insurance and assessments	12,708	26,431	38,298	59,600	75,650
Occupancy	16,892	17,455	15,293	52,315	45,743
Information technology and data processing	14,995	15,459	12,840	45,872	38,706
Intangible asset amortization	8,485	8,484	2,389	25,373	7,189
Leased equipment depreciation	7,144	7,511	8,333	22,175	26,796
Other professional services	5,101	5,183	5,597	15,359	21,643
Loan expense	3,994	4,332	4,243	12,817	16,012
Acquisition, integration and reorganization costs	(510)	(12,650)	9,925	(13,160)	30,833
Goodwill impairment	—	—	—	—	1,376,736
Other expense	7,340	13,119	5,572	28,485	133,958
Total noninterest expense	<u>196,209</u>	<u>203,643</u>	<u>201,103</u>	<u>610,370</u>	<u>2,094,543</u>
Earnings (loss) before income taxes	11,514	44,637	(26,566)	98,551	(1,551,349)
Income tax expense (benefit)	2,730	14,304	(3,222)	28,582	(135,167)
Net earnings (loss)	<u>8,784</u>	<u>30,333</u>	<u>(23,344)</u>	<u>69,969</u>	<u>(1,416,182)</u>
Preferred stock dividends	9,947	9,947	9,947	29,841	29,841
Net (loss) earnings available to common and equivalent stockholders	<u>\$ (1,163)</u>	<u>\$ 20,386</u>	<u>\$ (33,291)</u>	<u>\$ 40,128</u>	<u>\$ (1,446,023)</u>

See Notes to Condensed Consolidated Financial Statements.

BANC OF CALIFORNIA, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS (LOSS)

	Three Months Ended			Nine Months Ended	
	September 30, 2024	June 30, 2024	September 30, 2023	2024	September 30, 2023
	(Unaudited)				
	<i>(In thousands, except per share amounts)</i>				
Earnings (loss) per share:					
Basic	\$ (0.01)	\$ 0.12	\$ (0.42)	\$ 0.24	\$ (18.61)
Diluted	\$ (0.01)	\$ 0.12	\$ (0.42)	\$ 0.24	\$ (18.61)

See Notes to Condensed Consolidated Financial Statements.

BANC OF CALIFORNIA, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

	Three Months Ended			Nine Months Ended	
	September 30, 2024	June 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
	(Unaudited)				
	(In thousands)				
Net earnings (loss)	\$ 8,784	\$ 30,333	\$ (23,344)	\$ 69,969	\$ (1,416,182)
Other comprehensive income (loss), net of tax:					
Unrealized net holding gains (losses) on securities available-for-sale arising during the period	83,902	729	(149,201)	66,423	(145,375)
Income tax (expense) benefit related to unrealized net holding gains (losses) arising during the period	(23,810)	(207)	41,328	(18,850)	40,268
Unrealized net holding gains (losses) on securities available-for-sale, net of tax	60,092	522	(107,873)	47,573	(105,107)
Reclassification adjustment for net losses included in net earnings ⁽¹⁾	59,946	—	—	59,946	—
Income tax benefit related to reclassification adjustment	(17,011)	—	—	(17,011)	—
Reclassification adjustment for net losses included in net earnings, net of tax	42,935	—	—	42,935	—
Amortization of unrealized net loss on securities transferred from available-for-sale to held-to-maturity	8,226	8,106	7,998	24,442	23,759
Income tax expense related to amortization of unrealized net loss on securities transferred from available-for-sale to held-to-maturity	(2,354)	(2,300)	(2,215)	(6,956)	(6,581)
Amortization of unrealized net loss on securities transferred from available-for-sale to held-to-maturity, net of tax	5,872	5,806	5,783	17,486	17,178
Change in fair value of credit-linked notes	(1,495)	636	3,050	(2,110)	7,107
Income tax benefit (expense) related to change in fair value of credit-linked notes	424	(149)	(839)	630	(1,957)
Change in fair value of credit-linked notes, net of tax	(1,071)	487	2,211	(1,480)	5,150
Unrealized (loss) gain on cash flow hedges arising during the period	(10,216)	1,283	—	(3,508)	—
Income tax benefit (expense) related to unrealized gain on cash flow hedges arising during the period	2,899	(321)	—	960	—
Unrealized (loss) gain on cash flow hedges, net of tax	(7,317)	962	—	(2,548)	—
Other comprehensive income (loss), net of tax	100,511	7,777	(99,879)	103,966	(82,779)
Comprehensive income (loss)	\$ 109,295	\$ 38,110	\$ (123,223)	\$ 173,935	\$ (1,498,961)

(1) Entire amount recognized in "Loss on sale of securities" on the Condensed Consolidated Statements of Earnings (Loss).

See Notes to Condensed Consolidated Financial Statements.

BANC OF CALIFORNIA, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

	Nine Months Ended September 30, 2024							
	Preferred Stock	Common Stock		Non- Voting Common Stock Equivalents	Additional Paid-in Capital	Retained Deficit	Accumulated Other Comprehensive Loss, Net	Total
		Voting	Class B Non- Voting					
	<i>(Unaudited)</i>							
	<i>(In thousands, except per share amount)</i>							
Balance, December 31, 2023	\$ 498,516	\$ 1,577	\$ 5	\$ 108	\$ 3,840,974	\$ (518,301)	\$ (432,114)	\$ 3,390,765
Net earnings	—	—	—	—	—	30,852	—	30,852
Other comprehensive loss, net of tax	—	—	—	—	—	—	(4,322)	(4,322)
Restricted stock awarded and earned stock compensation, net of shares forfeited	—	(1)	—	—	4,657	—	—	4,656
Conversion of non-voting common stock equivalents to voting common stock	—	7	—	(7)	—	—	—	—
Restricted stock surrendered	—	—	—	—	(1,238)	—	—	(1,238)
Shares purchased under the Dividend Reinvestment Plan	—	—	—	—	70	—	—	70
Cash dividends paid:								
Preferred stock, \$0.48/share	—	—	—	—	—	(9,947)	—	(9,947)
Common stock, \$0.10/share	—	—	—	—	(16,686)	—	—	(16,686)
Balance, March 31, 2024	<u>\$ 498,516</u>	<u>\$ 1,583</u>	<u>\$ 5</u>	<u>\$ 101</u>	<u>\$ 3,827,777</u>	<u>\$ (497,396)</u>	<u>\$ (436,436)</u>	<u>\$ 3,394,150</u>
Net earnings	—	—	—	—	—	30,333	—	30,333
Other comprehensive income, net of tax	—	—	—	—	—	—	7,777	7,777
Restricted stock awarded and earned stock compensation, net of shares forfeited	—	—	—	—	3,912	—	—	3,912
Restricted stock surrendered	—	—	—	—	(1,154)	—	—	(1,154)
Shares purchased under the Dividend Reinvestment Plan	—	—	—	—	78	—	—	78
Cash dividends paid:								
Preferred stock, \$0.48/share	—	—	—	—	—	(9,947)	—	(9,947)
Common stock, \$0.10/share	—	—	—	—	(17,301)	—	—	(17,301)
Balance, June 30, 2024	<u>\$ 498,516</u>	<u>\$ 1,583</u>	<u>\$ 5</u>	<u>\$ 101</u>	<u>\$ 3,813,312</u>	<u>\$ (477,010)</u>	<u>\$ (428,659)</u>	<u>\$ 3,407,848</u>
Net earnings	—	—	—	—	—	8,784	—	8,784
Other comprehensive income, net of tax	—	—	—	—	—	—	100,511	100,511
Restricted stock awarded and earned stock compensation, net of shares forfeited	—	—	—	—	5,445	—	—	5,445
Conversion of non-voting common stock equivalents to voting common stock	—	3	—	(3)	—	—	—	—
Restricted stock surrendered	—	—	—	—	(158)	—	—	(158)
Shares purchased under the Dividend Reinvestment Plan	—	—	—	—	95	—	—	95
Cash dividends paid:								
Preferred stock, \$0.48/share	—	—	—	—	—	(9,947)	—	(9,947)
Common stock, \$0.10/share	—	—	—	—	(16,380)	—	—	(16,380)
Balance, September 30, 2024	<u>\$ 498,516</u>	<u>\$ 1,586</u>	<u>\$ 5</u>	<u>\$ 98</u>	<u>\$ 3,802,314</u>	<u>\$ (478,173)</u>	<u>\$ (328,148)</u>	<u>\$ 3,496,198</u>

See Notes to Condensed Consolidated Financial Statements.

BANC OF CALIFORNIA, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

	Nine Months Ended September 30, 2024			
	Preferred Stock	Common Stock		Non-Voting Common Stock Equivalents
		Voting	Class B Non-Voting	
	<i>(Unaudited)</i>			
<i>(In ones)</i>				
Number of shares, December 31, 2023	513,250	157,651,752	477,321	10,829,990
Restricted stock awarded and earned stock compensation, net of shares forfeited	—	67,209	—	—
Restricted stock surrendered	—	(17,364)	—	—
Shares purchased under Dividend Reinvestment Plan	—	4,721	—	—
Conversion of non-voting common stock equivalents to voting common stock	—	684,390	—	(684,390)
Number of shares, March 31, 2024	513,250	158,390,708	477,321	10,145,600
Restricted stock awarded and earned stock compensation, net of shares forfeited	—	(66,623)	—	—
Restricted stock surrendered	—	(77,549)	—	—
Shares purchased under Dividend Reinvestment Plan	—	6,255	—	—
Number of shares, June 30, 2024	513,250	158,252,791	477,321	10,145,600
Restricted stock awarded and earned stock compensation, net of shares forfeited	—	2,001	—	—
Restricted stock surrendered	—	(3,384)	—	—
Shares purchased under Dividend Reinvestment Plan	—	5,237	—	—
Conversion of non-voting common stock equivalents to voting common stock	—	355,000	—	(355,000)
Number of shares, September 30, 2024	513,250	158,611,645	477,321	9,790,600

See Notes to Condensed Consolidated Financial Statements.

BANC OF CALIFORNIA, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

Nine Months Ended September 30, 2023								
	Common Stock			Non- Voting Common Stock Equivalents	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss, Net	Total
	Preferred Stock	Voting	Class B Non- Voting					
<i>(Unaudited)</i>								
<i>(In thousands, except per share amount)</i>								
Balance, December 31, 2022	\$ 498,516	\$ 1,230	\$ —	\$ —	\$ 2,821,064	\$ 1,420,624	\$ (790,903)	\$ 3,950,531
Net loss	—	—	—	—	—	(1,195,424)	—	(1,195,424)
Other comprehensive income, net of tax	—	—	—	—	—	—	54,843	54,843
Restricted stock awarded and earned stock compensation, net of shares forfeited	—	2	—	—	4,981	—	—	4,983
Restricted stock surrendered	—	—	—	—	(4,053)	—	—	(4,053)
Cash dividends paid:								
Preferred stock, \$0.48/share	—	—	—	—	—	(9,947)	—	(9,947)
Common stock, \$0.38/share	—	—	—	—	(29,456)	—	—	(29,456)
Balance, March 31, 2023	<u>\$ 498,516</u>	<u>\$ 1,232</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 2,792,536</u>	<u>\$ 215,253</u>	<u>\$ (736,060)</u>	<u>\$ 2,771,477</u>
Net loss	—	—	—	—	—	(197,414)	—	(197,414)
Other comprehensive loss, net of tax	—	—	—	—	—	—	(37,743)	(37,743)
Restricted stock awarded and earned stock compensation, net of shares forfeited	—	1	—	—	8,933	—	—	8,934
Restricted stock surrendered	—	—	—	—	(1,019)	—	—	(1,019)
Cash dividends paid:								
Preferred stock, \$0.48/share	—	—	—	—	—	(9,947)	—	(9,947)
Common stock, \$0.02/share	—	—	—	—	(1,093)	—	—	(1,093)
Balance, June 30, 2023	<u>\$ 498,516</u>	<u>\$ 1,233</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 2,799,357</u>	<u>\$ 7,892</u>	<u>\$ (773,803)</u>	<u>\$ 2,533,195</u>
Net loss	—	—	—	—	—	(23,344)	—	(23,344)
Other comprehensive loss, net of tax	—	—	—	—	—	—	(99,879)	(99,879)
Restricted stock awarded and earned stock compensation, net of shares forfeited	—	(2)	—	—	259	—	—	257
Restricted stock surrendered	—	—	—	—	(194)	—	—	(194)
Cash dividends paid:								
Preferred stock, \$0.48/share	—	—	—	—	—	(9,947)	—	(9,947)
Common stock, \$0.02/share	—	—	—	—	(811)	—	—	(811)
Balance, September 30, 2023	<u>\$ 498,516</u>	<u>\$ 1,231</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 2,798,611</u>	<u>\$ (25,399)</u>	<u>\$ (873,682)</u>	<u>\$ 2,399,277</u>

See Notes to Condensed Consolidated Financial Statements.

BANC OF CALIFORNIA, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

	Nine Months Ended September 30, 2023			
	Preferred Stock	Common Stock		Non-Voting Common Stock Equivalents
		Voting	Class B Non-Voting	
	(Unaudited)			
(In ones)				
Number of shares, December 31, 2022	513,250	78,973,869	—	—
Restricted stock awarded and earned stock compensation, net of shares forfeited	—	110,661	—	—
Restricted stock surrendered	—	(96,106)	—	—
Number of shares, March 31, 2023	513,250	78,988,424	—	—
Restricted stock awarded and earned stock compensation, net of shares forfeited	—	54,188	—	—
Restricted stock surrendered	—	(103,588)	—	—
Number of shares, June 30, 2023	513,250	78,939,024	—	—
Restricted stock awarded and earned stock compensation, net of shares forfeited	—	(116,014)	—	—
Restricted stock surrendered	—	(16,041)	—	—
Number of shares, September 30, 2023	513,250	78,806,969	—	—

See Notes to Condensed Consolidated Financial Statements.

BANC OF CALIFORNIA, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine Months Ended September 30,	
	2024	2023
	(Unaudited) (In thousands)	
Cash flows from operating activities:		
Net earnings (loss)	\$ 69,969	\$ (1,416,182)
Adjustments to reconcile net earnings (loss) to net cash (used in) provided by operating activities:		
Goodwill impairment	—	1,376,736
Depreciation and amortization	41,199	40,295
Amortization of net premiums on investment securities	18,468	28,981
Decrease in deferred loan fees and discounts, net	(87,108)	(62,420)
Amortization of intangible assets	25,373	7,189
Amortization of operating lease ROU assets	27,614	20,937
Provision for credit losses	30,000	5,000
Gain on sale of foreclosed assets	(947)	(793)
Provision for losses on foreclosed assets	1,020	701
(Gain) loss on sale of loans and leases	(625)	157,820
Loss (gain) on sale of premises and equipment	24	(647)
Loss on sale of securities	59,946	—
Gain on BOLI death benefit	(52)	(416)
Unrealized (gain) loss on derivatives, foreign currencies, and credit-linked notes, net	(825)	4,026
LOCOM HFS adjustment	(218)	11,636
Earned stock compensation	14,013	14,174
Acquisition, integration, and reorganization costs	—	70
Decrease (increase) in other assets	124,162	(166,765)
(Decrease) increase in accrued interest payable and other liabilities	(324,435)	33,857
Net cash (used in) provided by operating activities	(2,422)	54,199
Cash flows from investing activities:		
Net (increase) decrease in loans and leases	(399,666)	450,455
Proceeds from sales of loans and leases	2,455,794	5,946,033
Proceeds from maturities and paydowns of securities available-for-sale	151,634	203,958
Proceeds from sales of securities available-for-sale	681,888	—
Purchases of securities available-for-sale	(729,612)	(12,752)
Proceeds from maturities and paydowns of securities held-to-maturity	1,095	1,061
Purchases of FHLB and FRB stock	(20,790)	(194,918)
Redemptions of FHLB and FRB stock	2,013	211,958
Proceeds from sales of foreclosed assets	14,561	14,235
Purchases of premises and equipment, net	(8,913)	(12,106)
Proceeds from sales of premises and equipment	136	9,018
Proceeds from BOLI death benefit	2,074	3,567
Net decrease in equipment leased to others under operating leases	7,152	25,151
Net cash provided by investing activities	2,157,366	6,645,660
Cash flows from financing activities:		
Net increase (decrease) in noninterest-bearing deposits	37,542	(5,633,324)
Net decrease in interest-bearing deposits	(3,611,042)	(1,704,329)
Repayments of borrowings	(2,422,278)	(1,525,037)
Proceeds from borrowings	1,100,000	6,058,743
Shares purchased under the Dividend Reinvestment Plan	243	—
Restricted stock surrendered	(2,550)	(5,266)
Preferred stock dividends paid	(29,841)	(29,841)
Common stock dividends paid	(50,367)	(31,360)
Net cash used in financing activities	(4,978,293)	(2,870,414)
Net (decrease) increase in cash, cash equivalents, and restricted cash	(2,823,349)	3,829,445
Cash, cash equivalents, and restricted cash, beginning of period	5,377,576	2,240,222
Cash, cash equivalents, and restricted cash, end of period	\$ 2,554,227	\$ 6,069,667

See Notes to Condensed Consolidated Financial Statements.

BANC OF CALIFORNIA, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine Months Ended September 30,	
	2024	2023
	(Unaudited)	
	(In thousands)	
Supplemental disclosures of cash flow information:		
Cash paid for interest	\$ 819,859	\$ 715,421
Cash (received) paid for income taxes	(7,160)	1,095
Loans transferred to foreclosed assets	15,564	15,950
Transfers from loans held for investment to loans held for sale	1,930,285	3,076,427
Transfers to loans held for investment from loans held for sale	1,179	394,716

See Notes to Condensed Consolidated Financial Statements.

BANC OF CALIFORNIA, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Unaudited)

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 (the "Bank"), a California state-chartered bank and member of the FRB. 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. As a bank holding company, Banc of California, Inc. is subject to ongoing and comprehensive supervision, regulation, examination, and enforcement by the FRB. As a California state-chartered bank and a member of the FRB, the Bank is subject to ongoing and comprehensive supervision, regulation, examination, and enforcement by the DFPI and the FRB. The Bank is also a member of the FHLB system, and its deposit accounts are insured by the Deposit Insurance Fund (the "DIF") of the FDIC.

Banc of California is one of the nation's premier relationship-based business banks focused on providing banking and treasury management services to small-, middle-market, and venture-backed businesses. The Bank provides a broad range of loan and deposit products and services through 80 full-service branches located throughout California and in Denver, Colorado, and Durham, North Carolina, as well as full-stack payment processing solutions through its subsidiary, Deepstack Technologies, LLC ("Deepstack"). Banc of California also serves the Community Association Management Industry nationwide with its technology-forward platform SmartStreet™. The Bank is committed to its local communities by supporting organizations that provide financial literacy and job training, small business support, affordable housing, and more.

We generate our revenue primarily from interest received on loans and leases and, to a lesser extent, from interest received on investment securities, and fees received in connection with deposit services, extending credit and other services offered, including treasury management and investment management services. Our major operating expenses are interest paid by the Bank on deposits and borrowings, compensation, occupancy, and general operating expenses.

Significant Accounting Policies

Our accounting policies are described in Note 1. *Nature of Operations and Summary of Significant Accounting Policies*, of our audited consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2023 as filed with the SEC ("Form 10-K").

Accounting Standards Adopted in 2024

Effective January 1, 2024, the Company adopted ASU 2022-03, "*Fair Value Measurement (Topic 820): Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions*." This standard clarifies that a contractual sale restriction should not be considered in measuring fair value. It also requires entities with investments in equity securities subject to contractual sale restrictions to disclose certain qualitative and quantitative information about such securities. The Company does not take into account contractual sale restrictions in determining the fair value of its equity securities, therefore, the adoption of this amendment did not have a material impact on the Company's consolidated financial statements.

Effective January 1, 2024, the Company adopted 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)." This standard expands the proportional amortization method to account for investments in all tax credit structures. That accounting method was previously allowed only for low-income housing tax credit ("LIHTC") investments, but now is available, by election, to all community development tax credit investment reporting that meets five conditions. Under the new guidance, reporting entities can make accounting policy elections on a tax-credit-program-by-tax-credit-program basis, rather than for individual investments or at the reporting entity level. The Company adopted this update on a prospective basis and determined that the adoption of this amendment did not have a material impact on the Company's consolidated financial statements.

BANC OF CALIFORNIA, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Unaudited)

Basis of Presentation

The accounting and reporting policies of the Company are in accordance with U.S. generally accepted accounting principles, which we may refer to as U.S. GAAP. In the opinion of management, all significant intercompany accounts and transactions have been eliminated and adjustments, consisting solely of normal recurring accruals and considered necessary for the fair presentation of financial statements, have been included.

On November 30, 2023, PacWest Bancorp merged with and into Banc of California, Inc. (the “Merger”), with Banc of California, Inc. continuing as the surviving legal corporation and Banc of California, Inc. concurrently closed a \$400 million equity capital raise. The Merger was accounted for as a reverse merger using the acquisition method of accounting, therefore, PacWest Bancorp was deemed the acquirer for financial reporting purposes, even though Banc of California, Inc. was the legal acquirer. The Merger was an all-stock transaction and has been accounted for as a business combination. Banc of California, Inc.'s financial results for all periods ended prior to November 30, 2023 reflect PacWest Bancorp results only on a standalone basis. In addition, Banc of California, Inc.'s reported financial results for the year ended December 31, 2023 reflect PacWest Bancorp financial results only on a standalone basis until the closing of the Merger on November 30, 2023, and results of the combined company for the month of December 2023. The number of shares issued and outstanding, earnings per share, and all references to share quantities or metrics of Banc of California, Inc. have been retrospectively restated to reflect the equivalent number of shares issued in the Merger as the Merger was accounted for as a reverse merger. Under the reverse merger method of accounting, the assets and liabilities of legacy Banc of California, Inc. as of November 30, 2023 were recorded at their respective fair values. The interim condensed consolidated financial statements and notes thereto should be read in conjunction with the audited consolidated financial statements and notes thereto included in our Form 10-K.

Use of Estimates

The Company has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period to prepare these consolidated financial statements in conformity with U.S. GAAP. Actual results could differ from those estimates. Material estimates subject to change in the near term include, among other items, the allowance for credit losses (the combination of the allowance for loan and lease losses and the reserve for unfunded loan commitments), the carrying value of goodwill and other intangible assets, the fair value of assets and liabilities acquired in business combinations and the related purchase price allocation, and the realization of deferred tax assets. These estimates may be adjusted as more current information becomes available, and any adjustment may be significant.

Reclassifications

Certain prior period amounts have been reclassified to conform to the current period's presentation format.

NOTE 2. BUSINESS COMBINATIONS

On November 30, 2023 (the “Merger Date”), PacWest Bancorp merged with and into Banc of California, Inc., with Banc of California, Inc. continuing as the surviving legal corporation (the “Merger”). Promptly following the Merger, Banc of California, Inc.'s wholly owned bank subsidiary, Banc of California, N.A., merged with and into PacWest Bancorp's wholly owned bank subsidiary, Pacific Western Bank, with Pacific Western Bank surviving the merger. The name of the bank was then changed to Banc of California. Refer to Note 1. *Organization and Summary of Significant Accounting Policies* under the Basis of Presentation for more information pertaining to the completed Merger.

The Merger was accounted for as a reverse merger using the acquisition method of accounting; therefore, PacWest Bancorp was deemed the acquirer for financial reporting purposes, even though Banc of California, Inc. was the legal acquirer. The Merger was an all-stock transaction and has been accounted for as a business combination. Pursuant to the merger agreement, on the Merger Date, each holder of PacWest Bancorp common stock received 0.6569 of a share (the “Exchange Ratio”) of Banc of California, Inc.'s common stock for each share of PacWest Bancorp common stock held. Each outstanding share of common stock of Banc of California, Inc. remained outstanding. As of the Merger Date, PacWest Bancorp had approximately 120.0 million and Banc of California, Inc. had approximately 57.0 million shares of common stock outstanding. On the Merger Date, the shares of PacWest Bancorp common stock, which previously traded under the ticker symbol “PACW” on NASDAQ, ceased trading on, and were delisted from, NASDAQ. Following the Merger, Banc of California, Inc. common stock continues to trade on NYSE, with the ticker symbol of “BANC.”

BANC OF CALIFORNIA, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Unaudited)

The following table provides the preliminary purchase price allocation as of the Merger Date and the assets acquired and liabilities assumed at their estimated fair value as of the Merger Date as recorded by the Company. The estimates of fair value were recorded based on initial valuations available at the Merger Date and further adjusted in the third quarter based on new information. These estimates, including initial accounting for deferred taxes and acquired loans, are considered preliminary as of September 30, 2024 and remain subject to additional adjustment for up to one year after the Merger Date. In many cases, the determination of fair value required management to make estimates about discount rates, expected future cash flows, market conditions and other future events that are highly subjective in nature and subject to change. While the Company believes that the information available on the Merger Date provided a reasonable basis for estimating fair value, additional information obtained during the measurement period resulted in changes in the second and third quarters of 2024 and further additional information that may be obtained during the remaining measurement period may result in additional changes to the estimated fair value amounts. The measurement period ends on the earlier of one year after the Merger Date or the date the Company concludes that all necessary information about the facts and circumstances that existed as of the Merger Date have been obtained. The fair value of acquired net tax assets may change once the final tax returns have been filed and the fair value of acquired loans may change due to additional information being obtained during the measurement period, including the determination of PCD loans as the Company further evaluates the information as of the acquisition date.

	November 30, 2023	
	Purchase Price Consideration:	
	<i>(In thousands)</i>	
Total merger consideration	\$	663,004
Fair value of assets acquired:		
Cash and due from banks	\$	335,300
Investment securities available-for-sale		872,800
Loans and leases held for sale		2,179,860
Loans and leases held for investment, net of allowance for loan and lease losses		3,952,073
Premises and equipment		103,500
Other intangible assets		145,500
Current and deferred tax assets, net		209,602
Other assets		391,050
Total assets acquired	\$	8,189,685
Fair value of liabilities assumed:		
Deposits	\$	6,547,659
FHLB advances		794,000
Long-term debt		257,600
Other liabilities		144,192
Total liabilities assumed	\$	7,743,451
Net assets acquired		446,234
Goodwill	\$	216,770

In connection with the Merger, the Company recorded approximately \$216.8 million of goodwill. Goodwill represents the excess of the purchase price over the fair value of the assets acquired, net of fair value of liabilities assumed. Information regarding the allocation of goodwill recorded as a result of the acquisition, as well as the carrying amounts and amortization of core deposit and other intangible assets, are provided in Note 6. *Goodwill and Other Intangible Assets, Net of the Notes to Consolidated Financial Statements*. None of the goodwill recognized is expected to be deductible for income tax purposes.

BANC OF CALIFORNIA, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Unaudited)

NOTE 3. RESTRICTED CASH

The Company is required to maintain reserve balances with the FRBSF. Such reserve requirements are based on a percentage of deposit liabilities and may be satisfied by cash on hand. There were no average reserves required to be held at the FRBSF for the periods ended September 30, 2024 and 2023. The following restricted cash balances are included in "Interest-earning deposits in financial institutions" on the condensed consolidated balance sheets. As of September 30, 2024 and December 31, 2023, we pledged cash collateral for our derivative contracts of \$3.5 million and \$3.3 million. In connection with the issuance of the credit-linked notes on September 29, 2022, legacy Pacific Western Bank established a correspondent bank account at a third party financial institution as the collateral account for the credit-linked notes. The repayment of principal on the credit-linked notes is secured by this collateral account, which had a balance of \$121.1 million at September 30, 2024 and \$125.2 million at December 31, 2023. Starting in the second quarter of 2023, we began to pledge cash to secure the standby letters of credit that we have issued on behalf of our customers. As of September 30, 2024 and December 31, 2023, the balance of such restricted cash totaled \$58.7 million and \$56.6 million.

NOTE 4. INVESTMENT SECURITIES

Securities Available-for-Sale

The following table presents amortized cost, gross unrealized gains and losses, and fair values of securities available-for-sale as of the dates indicated:

Security Type	September 30, 2024					
	Amortized Cost	Allowance for Credit Losses	Net Carrying Amount	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	<i>(In thousands)</i>					
Agency residential MBS	\$ 1,071,154	\$ —	\$ 1,071,154	\$ —	\$ (148,706)	\$ 922,448
Agency commercial MBS	34,193	—	34,193	—	(661)	33,532
Agency residential CMOs	432,183	—	432,183	1,910	(15,853)	418,240
Municipal securities	602	—	602	—	(5)	597
Corporate debt securities	300,996	(199)	300,797	1,753	(35,920)	266,630
Private label residential CMOs	367,168	—	367,168	823	(28,266)	339,725
Collateralized loan obligations	284,743	—	284,743	365	(135)	284,973
Private label commercial MBS	14,415	—	14,415	—	(793)	13,622
Asset-backed securities	16,287	—	16,287	—	(83)	16,204
SBA securities	4,565	—	4,565	—	(252)	4,313
Total ⁽¹⁾	<u>\$ 2,526,306</u>	<u>\$ (199)</u>	<u>\$ 2,526,107</u>	<u>\$ 4,851</u>	<u>\$ (230,674)</u>	<u>\$ 2,300,284</u>

(1) Excludes accrued interest receivable of \$12.7 million at September 30, 2024 which is recorded in "Other assets" on the condensed consolidated balance sheets.

BANC OF CALIFORNIA, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Unaudited)

Security Type	December 31, 2023					
	Amortized Cost	Allowance for Credit Losses	Net Carrying Amount	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	<i>(In thousands)</i>					
Agency residential MBS	\$ 1,388,801	\$ —	\$ 1,388,801	\$ —	\$ (201,192)	\$ 1,187,609
U.S. Treasury securities	4,965	—	4,965	3	—	4,968
Agency commercial MBS	268,639	—	268,639	—	(15,333)	253,306
Agency residential CMOs	320,984	—	320,984	—	(36,650)	284,334
Municipal securities	29,192	—	29,192	—	(1,109)	28,083
Corporate debt securities	327,426	(199)	327,227	259	(60,254)	267,232
Private label residential CMOs	193,071	—	193,071	—	(34,659)	158,412
Collateralized loan obligations	109,168	—	109,168	—	(752)	108,416
Private label commercial MBS	22,126	—	22,126	—	(1,313)	20,813
Asset-backed securities	20,241	—	20,241	—	(289)	19,952
SBA securities	14,642	—	14,642	—	(903)	13,739
Total ⁽¹⁾	<u>\$ 2,699,255</u>	<u>\$ (199)</u>	<u>\$ 2,699,056</u>	<u>\$ 262</u>	<u>\$ (352,454)</u>	<u>\$ 2,346,864</u>

(1) Excludes accrued interest receivable of \$10.0 million at December 31, 2023 which is recorded in "Other assets" on the condensed consolidated balance sheets.

As of September 30, 2024, the Company had recorded an allowance for credit losses on securities available-for-sale of \$199,000 on one corporate debt security of other financial institutions that were downgraded to below investment grade by external credit agencies. Except for the corporate debt security noted, we believe there was no credit impairment and the decline in fair value of our securities since acquisition was primarily attributable to changes in interest rates and credit spreads. We do not currently intend to sell any of the securities in an unrealized loss position and it is not more likely than not the Company will be required to sell these securities before their anticipated recovery and the Company has therefore recorded the unrealized losses in accumulated other comprehensive income/(loss) ("AOCI").

As of September 30, 2024, securities available-for-sale with a fair value of \$4.3 million were pledged as collateral solely for public deposits.

Realized Gains and Losses on Securities Available-for-Sale

The following table presents the amortized cost of securities sold with related gross realized gains, gross realized losses, and net realized (losses) gains for the periods indicated:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
	<i>(In thousands)</i>			
Amortized cost of securities sold	\$ 741,834	\$ —	\$ 741,834	\$ —
Gross realized gains	\$ —	\$ —	\$ —	\$ —
Gross realized losses	(59,946)	—	(59,946)	—
Net realized (losses) gains	<u>\$ (59,946)</u>	<u>\$ —</u>	<u>\$ (59,946)</u>	<u>\$ —</u>

BANC OF CALIFORNIA, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Unaudited)

Unrealized Losses on Securities Available-for-Sale

The following tables present the gross unrealized losses and fair values of securities available-for-sale that were in unrealized loss positions as of the dates indicated:

Security Type	September 30, 2024					
	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
	<i>(In thousands)</i>					
Agency residential MBS	\$ —	\$ —	\$ 922,448	\$ (148,706)	\$ 922,448	\$ (148,706)
Agency commercial MBS ⁽¹⁾	21,289	—	12,243	(661)	33,532	(661)
Agency residential CMOs	—	—	109,796	(15,853)	109,796	(15,853)
Municipal securities	—	—	597	(5)	597	(5)
Corporate debt securities	—	—	247,200	(35,920)	247,200	(35,920)
Private label residential CMOs	—	—	138,448	(28,266)	138,448	(28,266)
Collateralized loan obligations	73,503	(135)	—	—	73,503	(135)
Private label commercial MBS	—	—	13,622	(793)	13,622	(793)
Asset-backed securities	16,204	(83)	—	—	16,204	(83)
SBA securities	—	—	4,313	(252)	4,313	(252)
Total	<u>\$ 110,996</u>	<u>\$ (218)</u>	<u>\$ 1,448,667</u>	<u>\$ (230,456)</u>	<u>\$ 1,559,663</u>	<u>\$ (230,674)</u>

(1) Gross unrealized loss is less than \$500 in the "Less than 12 months" category.

Security Type	December 31, 2023					
	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
	<i>(In thousands)</i>					
Agency residential MBS	\$ —	\$ —	\$ 1,187,609	\$ (201,192)	\$ 1,187,609	\$ (201,192)
Agency commercial MBS	—	—	253,306	(15,333)	253,306	(15,333)
Agency residential CMOs	—	—	284,334	(36,650)	284,334	(36,650)
Municipal securities	—	—	28,083	(1,109)	28,083	(1,109)
Corporate debt securities	—	—	265,431	(60,254)	265,431	(60,254)
Private label residential CMOs	—	—	158,412	(34,659)	158,412	(34,659)
Collateralized loan obligations	—	—	66,886	(752)	66,886	(752)
Private label commercial MBS	—	—	20,813	(1,313)	20,813	(1,313)
Asset-backed securities	—	—	19,952	(289)	19,952	(289)
SBA securities	—	—	13,739	(903)	13,739	(903)
Total	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 2,298,565</u>	<u>\$ (352,454)</u>	<u>\$ 2,298,565</u>	<u>\$ (352,454)</u>

The securities that were in an unrealized loss position at September 30, 2024, were considered impaired and required further review to determine if the unrealized losses were credit-related. We concluded the unrealized losses were a result of the level of market interest rates relative to the types of securities and pricing changes caused by shifting supply and demand dynamics and not a result of downgraded credit ratings or other indicators of deterioration of the underlying issuers' ability to repay. We also considered the seniority of the tranches and U.S. government agency guarantees, if any, to assess whether an unrealized loss was credit-related. Accordingly, we determined the unrealized losses were not credit-related and recognized the unrealized losses in "Accumulated other comprehensive loss, net" of "Stockholders' equity" on the condensed consolidated balance sheets.

BANC OF CALIFORNIA, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Unaudited)

Contractual Maturities of Securities Available-for-Sale

The following tables present the contractual maturities of our securities available-for-sale portfolio based on amortized cost and fair value as of the date indicated:

Security Type	September 30, 2024				
	Due Within One Year	Due After One Year Through Five Years	Due After Five Years Through Ten Years	Due After Ten Years	Total
<i>(In thousands)</i>					
Amortized Cost:					
Agency residential MBS	\$ —	\$ —	\$ —	\$ 1,071,154	\$ 1,071,154
Agency commercial MBS	610	21,290	—	12,293	34,193
Agency residential CMOs	—	—	—	432,183	432,183
Municipal securities	—	602	—	—	602
Corporate debt securities	—	5,000	295,996	—	300,996
Private label residential CMOs	—	—	—	367,168	367,168
Collateralized loan obligations	—	—	125,705	159,038	284,743
Private label commercial MBS	—	—	1,083	13,332	14,415
Asset-backed securities	—	—	—	16,287	16,287
SBA securities	—	—	4,565	—	4,565
Total	<u>\$ 610</u>	<u>\$ 26,892</u>	<u>\$ 427,349</u>	<u>\$ 2,071,455</u>	<u>\$ 2,526,306</u>

Security Type	September 30, 2024				
	Due Within One Year	Due After One Year Through Five Years	Due After Five Years Through Ten Years	Due After Ten Years	Total
<i>(In thousands)</i>					
Fair Value:					
Agency residential MBS	\$ —	\$ —	\$ —	\$ 922,448	\$ 922,448
Agency commercial MBS	606	21,289	—	11,637	33,532
Agency residential CMOs	—	—	—	418,240	418,240
Municipal securities	—	597	—	—	597
Corporate debt securities	—	4,866	261,764	—	266,630
Private label residential CMOs	—	—	—	339,725	339,725
Collateralized loan obligations	—	—	125,884	159,089	284,973
Private label commercial MBS	—	—	1,062	12,560	13,622
Asset-backed securities	—	—	—	16,204	16,204
SBA securities	—	—	4,313	—	4,313
Total	<u>\$ 606</u>	<u>\$ 26,752</u>	<u>\$ 393,023</u>	<u>\$ 1,879,903</u>	<u>\$ 2,300,284</u>

CMBS, CMOs, and MBS have contractual maturity dates, but require periodic payments based upon scheduled amortization terms. Actual principal collections on these securities usually occur more rapidly than the scheduled amortization terms because of prepayments made by obligors of the underlying loan collateral.

BANC OF CALIFORNIA, INC. AND SUBSIDIARIES
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Securities Held-to-Maturity

Effective June 1, 2022, the Company transferred securities with a fair value of \$2.3 billion from available-for-sale to held-to-maturity. At the time of transfer, \$218.3 million of unrealized losses, net of tax, was retained in "Accumulated other comprehensive loss, net" on the condensed consolidated balance sheets. The amount remaining in "Accumulated other comprehensive loss, net" at September 30, 2024 was \$163.9 million. The following table presents amortized cost, allowance for credit losses, gross unrealized gains and losses, and fair values of securities held-to-maturity as of the date indicated:

Security Type	September 30, 2024					
	Amortized Cost	Allowance for Credit Losses	Net Carrying Amount	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	<i>(In thousands)</i>					
Municipal securities	\$ 1,250,254	\$ (140)	\$ 1,250,114	\$ 2,670	\$ (16,849)	\$ 1,235,935
Agency commercial MBS	438,781	—	438,781	—	(18,745)	420,036
Private label commercial MBS	354,098	—	354,098	—	(14,694)	339,404
U.S. Treasury securities	189,239	—	189,239	—	(8,812)	180,427
Corporate debt securities	70,391	(1,360)	69,031	—	(15,351)	53,680
Total ⁽¹⁾	<u>\$ 2,302,763</u>	<u>\$ (1,500)</u>	<u>\$ 2,301,263</u>	<u>\$ 2,670</u>	<u>\$ (74,451)</u>	<u>\$ 2,229,482</u>

(1) Excludes accrued interest receivable of \$11.3 million at September 30, 2024 which is recorded in "Other assets" on the condensed consolidated balance sheets.

Security Type	December 31, 2023					
	Amortized Cost	Allowance for Credit Losses	Net Carrying Amount	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	<i>(In thousands)</i>					
Municipal securities	\$ 1,247,310	\$ (140)	\$ 1,247,170	\$ 1,760	\$ (28,170)	\$ 1,220,760
Agency commercial MBS	433,827	—	433,827	—	(30,665)	403,162
Private label commercial MBS	350,493	—	350,493	—	(29,289)	321,204
U.S. Treasury securities	187,033	—	187,033	—	(11,454)	175,579
Corporate debt securities	70,128	(1,360)	68,768	—	(21,157)	47,611
Total ⁽¹⁾	<u>\$ 2,288,791</u>	<u>\$ (1,500)</u>	<u>\$ 2,287,291</u>	<u>\$ 1,760</u>	<u>\$ (120,735)</u>	<u>\$ 2,168,316</u>

(1) Excludes accrued interest receivable of \$13.4 million at December 31, 2023 which is recorded in "Other assets" on the condensed consolidated balance sheets.

As of September 30, 2024, securities held-to-maturity with an amortized cost of \$2.2 billion and a fair value of \$2.2 billion were pledged as collateral primarily for the FRB secured line of credit and public deposits.

BANC OF CALIFORNIA, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Unaudited)

Allowance for Credit Losses on Securities Held-to-Maturity

The following table presents the changes by major security type in our allowance for credit losses on securities held-to-maturity for the periods indicated:

<u>Security Type</u>	Allowance for Credit Losses, Beginning of Period	Provision for Credit Losses	Charge-offs	Recoveries	Allowance for Credit Losses, End of Period
<i>(In thousands)</i>					
Three Months Ended September 30, 2024					
Municipal securities	\$ 140	\$ —	\$ —	\$ —	\$ 140
Corporate debt securities	1,360	—	—	—	1,360
Total	<u>\$ 1,500</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 1,500</u>
Nine Months Ended September 30, 2024					
Municipal securities	\$ 140	\$ —	\$ —	\$ —	\$ 140
Corporate debt securities	1,360	—	—	—	1,360
Total	<u>\$ 1,500</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 1,500</u>
Three Months Ended September 30, 2023					
Municipal securities	\$ 140	\$ —	\$ —	\$ —	\$ 140
Corporate debt securities	1,360	—	—	—	1,360
Total	<u>\$ 1,500</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 1,500</u>
Nine Months Ended September 30, 2023					
Municipal securities	\$ 140	\$ —	\$ —	\$ —	\$ 140
Corporate debt securities	1,360	—	—	—	1,360
Total	<u>\$ 1,500</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 1,500</u>

Credit losses on HTM securities are recorded at the time of purchase, acquisition, or when the Company designates securities as held-to-maturity. Credit losses on HTM securities are representative of current expected credit losses that may be incurred over the life of the investment. Accrued interest receivable on HTM securities, which is included in other assets on the condensed consolidated balance sheets, is excluded from the estimate of expected credit losses. HTM U.S. treasury securities and agency-backed MBS securities are considered to have no risk of loss as they are either explicitly or implicitly guaranteed by the U.S. government. The change in fair value in the HTM private label CMBS portfolio is solely driven by changes in interest rates. The Company has no knowledge of any underlying credit issues and the cash flows underlying the debt securities have not changed and are not expected to be impacted by changes in interest rates and, thus, there is no related ACL for this portfolio. The underlying bonds in the Company's HTM municipal securities and HTM corporate debt securities portfolios are evaluated for credit losses in conjunction with management's estimate of the allowance for credit losses based primarily on credit ratings.

BANC OF CALIFORNIA, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Unaudited)

Securities Held-to-Maturity by Credit Quality Indicator

The Company uses S&P, Moody's, Fitch, Kroll, and Egan Jones ratings as the credit quality indicators for its held-to-maturity securities. The following table presents our securities held-to-maturity portfolio at amortized cost by the lowest available credit rating as of the dates indicated:

Security Type	September 30, 2024									
	AAA	AA+	AA	AA-	A+	A	A-	BBB	NR	Total
<i>(In thousands)</i>										
Amortized Cost:										
Municipal securities	\$ 570,454	\$ 368,821	\$ 218,026	\$ 60,843	\$ 11,990	\$ 1,671	\$ —	\$ —	\$ 18,449	\$ 1,250,254
Agency commercial MBS	—	438,781	—	—	—	—	—	—	—	438,781
Private label commercial MBS	354,098	—	—	—	—	—	—	—	—	354,098
U.S. Treasury securities	—	189,239	—	—	—	—	—	—	—	189,239
Corporate debt securities	—	—	—	—	—	—	—	44,472	25,919	70,391
Total	\$ 924,552	\$ 996,841	\$ 218,026	\$ 60,843	\$ 11,990	\$ 1,671	\$ —	\$ 44,472	\$ 44,368	\$ 2,302,763

Security Type	December 31, 2023									
	AAA	AA+	AA	AA-	A+	A	A-	BBB	NR	Total
<i>(In thousands)</i>										
Amortized Cost:										
Municipal securities	\$ 564,127	\$ 397,542	\$ 167,905	\$ 86,243	\$ 12,007	\$ 1,787	\$ —	\$ —	\$ 17,699	\$ 1,247,310
Agency commercial MBS	—	433,827	—	—	—	—	—	—	—	433,827
Private label commercial MBS	350,493	—	—	—	—	—	—	—	—	350,493
U.S. Treasury securities	—	187,033	—	—	—	—	—	—	—	187,033
Corporate debt securities	—	—	—	—	—	—	—	44,371	25,757	70,128
Total	\$ 914,620	\$ 1,018,402	\$ 167,905	\$ 86,243	\$ 12,007	\$ 1,787	\$ —	\$ 44,371	\$ 43,456	\$ 2,288,791

BANC OF CALIFORNIA, INC. AND SUBSIDIARIES
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Contractual Maturities of Securities Held-to-Maturity

The following tables present the contractual maturities of our securities held-to-maturity portfolio based on amortized cost and fair value as of the date indicated:

Security Type	September 30, 2024					Total
	Due Within One Year	Due After One Year Through Five Years	Due After Five Years Through Ten Years	Due After Ten Years		
<i>(In thousands)</i>						
Amortized Cost:						
Municipal securities	\$ —	\$ 20,246	\$ 441,137	\$ 788,871	\$ —	\$ 1,250,254
Agency commercial MBS	—	—	438,781	—	—	438,781
Private label commercial MBS	—	—	36,733	317,365	—	354,098
U.S. Treasury securities	—	—	189,239	—	—	189,239
Corporate debt securities	—	—	10,162	60,229	—	70,391
Total	\$ —	\$ 20,246	\$ 1,116,052	\$ 1,166,465	\$ —	\$ 2,302,763

Security Type	September 30, 2024					Total
	Due Within One Year	Due After One Year Through Five Years	Due After Five Years Through Ten Years	Due After Ten Years		
<i>(In thousands)</i>						
Fair Value:						
Municipal securities	\$ —	\$ 20,275	\$ 436,537	\$ 779,123	\$ —	\$ 1,235,935
Agency commercial MBS	—	—	420,036	—	—	420,036
Private label commercial MBS	—	—	35,873	303,531	—	339,404
U.S. Treasury securities	—	—	180,427	—	—	180,427
Corporate debt securities	—	—	9,544	44,136	—	53,680
Total	\$ —	\$ 20,275	\$ 1,082,417	\$ 1,126,790	\$ —	\$ 2,229,482

Commercial MBS have contractual maturity dates, but require periodic payments based upon scheduled amortization terms. Actual principal collections on these securities usually occur more rapidly than the scheduled amortization terms because of prepayments made by obligors of the underlying loan collateral.

Interest Income on Investment Securities

The following table presents the composition of our interest income on investment securities, including available-for-sale and held-to-maturity, for the periods indicated:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
<i>(In thousands)</i>				
Taxable interest	\$ 28,576	\$ 38,062	\$ 83,241	\$ 114,961
Non-taxable interest	4,622	4,872	14,088	14,697
Dividend income	1,714	2,392	5,722	4,058
Total interest income on investment securities	\$ 34,912	\$ 45,326	\$ 103,051	\$ 133,716

BANC OF CALIFORNIA, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Unaudited)

NOTE 5. LOANS AND LEASES

Our loans are carried at the principal amount outstanding, net of deferred fees and costs, and in the case of acquired and purchased loans, net of purchase discounts and premiums. Deferred fees and costs and purchase discounts and premiums on acquired loans are recognized as an adjustment to interest income over the contractual life of the loans primarily using the effective interest method or taken into income when the related loans are paid off or included in the carrying amount of loans that are sold.

Loans and Leases Held for Investment

The following table summarizes the composition of our loans and leases held for investment as of the dates indicated:

	September 30, 2024	December 31, 2023
	<i>(In thousands)</i>	
Real estate mortgage	\$ 13,527,145	\$ 16,378,537
Real estate construction and land ⁽¹⁾	3,476,332	3,183,357
Commercial	6,329,861	5,780,346
Consumer	414,357	454,474
Total gross loans and leases held for investment	23,747,695	25,796,714
Unearned discounts, net ⁽²⁾	(194,161)	(261,984)
Deferred fees, net	(25,757)	(45,043)
Total loans and leases held for investment, net of unearned discounts and deferred fees	23,527,777	25,489,687
Allowance for loan and lease losses	(254,345)	(281,687)
Total loans and leases held for investment, net ⁽³⁾	\$ 23,273,432	\$ 25,208,000

(1) Includes land and acquisition and development loans of \$208.3 million and \$228.9 million at September 30, 2024 and December 31, 2023.

(2) Represents net acquisition discounts of \$258.9 million and purchase premiums of \$64.7 million at September 30, 2024, and net acquisition discounts of \$334.2 million and purchase premiums of \$72.2 million at December 31, 2023.

(3) Excludes accrued interest receivable of \$99.0 million and \$111.3 million at September 30, 2024 and December 31, 2023, respectively, which is recorded in "Other assets" on the condensed consolidated balance sheets.

BANC OF CALIFORNIA, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Unaudited)

The following tables present an aging analysis of our loans and leases held for investment, net of deferred fees, by loan portfolio segment and class as of the dates indicated:

September 30, 2024						
	30 - 89 Days Past Due	90 or More Days Past Due	Total Past Due	Current	Total	
<i>(In thousands)</i>						
Real estate mortgage:						
Commercial	\$ 17,261	\$ 29,412	\$ 46,673	\$ 4,511,266	\$ 4,557,939	
Multi-family	—	—	—	6,009,280	6,009,280	
Other residential	19,703	39,546	59,249	2,707,938	2,767,187	
Total real estate mortgage	36,964	68,958	105,922	13,228,484	13,334,406	
Real estate construction and land:						
Commercial	—	—	—	836,902	836,902	
Residential	—	—	—	2,622,507	2,622,507	
Total real estate construction and land	—	—	—	3,459,409	3,459,409	
Commercial:						
Asset-based	1,097	—	1,097	2,114,214	2,115,311	
Venture capital	—	—	—	1,353,626	1,353,626	
Other commercial	12,417	2,669	15,086	2,835,449	2,850,535	
Total commercial	13,514	2,669	16,183	6,303,289	6,319,472	
Consumer	2,449	410	2,859	411,631	414,490	
Total	\$ 52,927	\$ 72,037	\$ 124,964	\$ 23,402,813	\$ 23,527,777	
December 31, 2023						
	30 - 89 Days Past Due	90 or More Days Past Due	Total Past Due	Current	Total	
<i>(In thousands)</i>						
Real estate mortgage:						
Commercial	\$ 12,618	\$ 15,168	\$ 27,786	\$ 4,998,711	\$ 5,026,497	
Multi-family	2,302	1,020	3,322	6,021,857	6,025,179	
Other residential	93,042	4,341	97,383	4,962,926	5,060,309	
Total real estate mortgage	107,962	20,529	128,491	15,983,494	16,111,985	
Real estate construction and land:						
Commercial	—	—	—	759,585	759,585	
Residential	—	—	—	2,399,684	2,399,684	
Total real estate construction and land	—	—	—	3,159,269	3,159,269	
Commercial:						
Asset-based	608	2,689	3,297	2,185,788	2,189,085	
Venture capital	—	—	—	1,446,362	1,446,362	
Other commercial	1,276	6,993	8,269	2,121,591	2,129,860	
Total commercial	1,884	9,682	11,566	5,753,741	5,765,307	
Consumer	3,461	670	4,131	448,995	453,126	
Total	\$ 113,307	\$ 30,881	\$ 144,188	\$ 25,345,499	\$ 25,489,687	

BANC OF CALIFORNIA, INC. AND SUBSIDIARIES
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It is our policy to discontinue accruing interest when principal or interest payments are past due 90 days or more (unless the loan is both well secured and in the process of collection) or when, in the opinion of management, there is a reasonable doubt as to the collectability of a loan or lease in the normal course of business. Interest income on nonaccrual loans is recognized only to the extent cash is received and the principal balance of the loan is deemed collectable.

The following table presents our nonaccrual and performing loans and leases held for investment, net of deferred fees, by loan portfolio segment and class as of the dates indicated:

	September 30, 2024			December 31, 2023		
	Nonaccrual	Performing	Total	Nonaccrual	Performing	Total
<i>(In thousands)</i>						
Real estate mortgage:						
Commercial	\$ 78,478	\$ 4,479,461	\$ 4,557,939	\$ 15,669	\$ 5,010,828	\$ 5,026,497
Multi-family	916	6,008,364	6,009,280	1,020	6,024,159	6,025,179
Other residential	50,514	2,716,673	2,767,187	31,041	5,029,268	5,060,309
Total real estate mortgage	129,908	13,204,498	13,334,406	47,730	16,064,255	16,111,985
Real estate construction and land:						
Commercial	—	836,902	836,902	—	759,585	759,585
Residential	—	2,622,507	2,622,507	—	2,399,684	2,399,684
Total real estate construction and land	—	3,459,409	3,459,409	—	3,159,269	3,159,269
Commercial:						
Asset-based	2,295	2,113,016	2,115,311	2,689	2,186,396	2,189,085
Venture capital	19,957	1,333,669	1,353,626	325	1,446,037	1,446,362
Other commercial	15,662	2,834,873	2,850,535	10,972	2,118,888	2,129,860
Total commercial	37,914	6,281,558	6,319,472	13,986	5,751,321	5,765,307
Consumer	519	413,971	414,490	811	452,315	453,126
Total	\$ 168,341	\$ 23,359,436	\$ 23,527,777	\$ 62,527	\$ 25,427,160	\$ 25,489,687

At September 30, 2024, nonaccrual loans and leases included \$72.0 million of loans and leases 90 or more days past due, \$29.5 million of loans and leases 30 to 89 days past due, and \$66.8 million of loans and leases current with respect to contractual payments that were placed on nonaccrual status based on management's judgment regarding their collectability. At December 31, 2023, nonaccrual loans and leases included \$19.1 million of loans and leases 90 or more days past due, \$11.4 million of loans and leases 30 to 89 days past due, and \$32.0 million of current loans and leases that were placed on nonaccrual status based on management's judgment regarding their collectability.

As of September 30, 2024, our three largest loan relationships on nonaccrual status had an aggregate carrying value of \$49.0 million and represented 29% of total nonaccrual loans and leases.

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The following tables present the credit risk rating categories for loans and leases held for investment, net of deferred fees, by loan portfolio segment and class as of the dates indicated. Classified loans and leases are those with a credit risk rating of either substandard or doubtful.

	September 30, 2024			
	Classified	Special Mention	Pass	Total
	<i>(In thousands)</i>			
Real estate mortgage:				
Commercial	\$ 256,581	\$ 339,559	\$ 3,961,799	\$ 4,557,939
Multi-family	152,288	46,332	5,810,660	6,009,280
Other residential	53,140	14,775	2,699,272	2,767,187
Total real estate mortgage	<u>462,009</u>	<u>400,666</u>	<u>12,471,731</u>	<u>13,334,406</u>
Real estate construction and land:				
Commercial	—	111,195	725,707	836,902
Residential	—	3,164	2,619,343	2,622,507
Total real estate construction and land	<u>—</u>	<u>114,359</u>	<u>3,345,050</u>	<u>3,459,409</u>
Commercial:				
Asset-based	5,731	11,156	2,098,424	2,115,311
Venture capital	39,699	145,441	1,168,486	1,353,626
Other commercial	25,511	32,358	2,792,666	2,850,535
Total commercial	<u>70,941</u>	<u>188,955</u>	<u>6,059,576</u>	<u>6,319,472</u>
Consumer	641	7,908	405,941	414,490
Total	<u>\$ 533,591</u>	<u>\$ 711,888</u>	<u>\$ 22,282,298</u>	<u>\$ 23,527,777</u>

	December 31, 2023			
	Classified	Special Mention	Pass	Total
	<i>(In thousands)</i>			
Real estate mortgage:				
Commercial	\$ 75,739	\$ 219,687	\$ 4,731,071	\$ 5,026,497
Multi-family	74,954	108,356	5,841,869	6,025,179
Other residential	38,155	54,197	4,967,957	5,060,309
Total real estate mortgage	<u>188,848</u>	<u>382,240</u>	<u>15,540,897</u>	<u>16,111,985</u>
Real estate construction and land:				
Commercial	—	—	759,585	759,585
Residential	—	2,757	2,396,927	2,399,684
Total real estate construction and land	<u>—</u>	<u>2,757</u>	<u>3,156,512</u>	<u>3,159,269</u>
Commercial:				
Asset-based	4,561	12,506	2,172,018	2,189,085
Venture capital	7,805	98,633	1,339,924	1,446,362
Other commercial	26,044	9,984	2,093,832	2,129,860
Total commercial	<u>38,410</u>	<u>121,123</u>	<u>5,605,774</u>	<u>5,765,307</u>
Consumer	1,159	7,192	444,775	453,126
Total	<u>\$ 228,417</u>	<u>\$ 513,312</u>	<u>\$ 24,747,958</u>	<u>\$ 25,489,687</u>

BANC OF CALIFORNIA, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Unaudited)

The following table presents our nonaccrual loans and leases by loan portfolio segment and class and by with and without an allowance recorded as of the date indicated and interest income recognized on nonaccrual loans and leases for the periods indicated:

	September 30, 2024	September 30, 2024	September 30, 2024	September 30, 2023	September 30, 2023	September 30, 2023	September 30, 2023
	Nonaccrual Recorded Investment	Interest Income Recognized	Interest Income Recognized	Nonaccrual Recorded Investment	Interest Income Recognized	Interest Income Recognized	Interest Income Recognized
<i>(In thousands)</i>							
With An Allowance Recorded:							
Real estate mortgage:							
Commercial	\$ 201	\$ —	\$ —	\$ 55	\$ —	\$ —	\$ —
Multi-family	—	—	—	—	—	—	—
Other residential	232	—	—	372	—	—	—
Real estate construction and land:							
Commercial	—	—	—	—	—	—	—
Residential	—	—	—	—	—	—	—
Commercial:							
Asset-based	—	—	—	—	—	—	—
Venture capital	19,957	—	—	2,001	—	—	—
Other commercial	6,950	—	—	672	—	—	—
Consumer	519	—	—	207	—	—	—
With No Related Allowance Recorded:							
Real estate mortgage:							
Commercial	\$ 78,277	\$ 3	\$ 10	\$ 31,410	\$ 24	\$ 80	\$ 80
Multi-family	916	—	—	—	—	—	—
Other residential	50,282	—	—	87,957	—	—	—
Real estate construction and land:							
Commercial	—	—	—	—	—	—	—
Residential	—	—	—	—	—	—	—
Commercial:							
Asset-based	2,295	—	—	363	—	—	—
Venture capital	—	—	—	—	—	—	—
Other commercial	8,712	—	—	2,359	8	8	8
Consumer	—	—	—	—	—	—	—
Total Loans and Leases With and Without an Allowance Recorded:							
Real estate mortgage	\$ 129,908	\$ 3	\$ 10	\$ 119,794	\$ 24	\$ 88	\$ 80
Real estate construction and land	—	—	—	—	—	—	—
Commercial	37,914	—	—	5,395	8	8	8
Consumer	519	—	—	207	—	—	—
Total	\$ 168,341	\$ 3	\$ 10	\$ 125,396	\$ 32	\$ 88	\$ 88

BANC OF CALIFORNIA, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Unaudited)

The following tables present our loans held for investment by loan portfolio segment and class, by credit quality indicator (internal risk ratings), and by year of origination (vintage year) as of the dates indicated:

Amortized Cost Basis ⁽¹⁾ September 30, 2024	Term Loans by Origination Year						Revolving Loans	Revolving Converted to Term Loans	Total
	2024	2023	2022	2021	2020	Prior			
<i>(In thousands)</i>									
Real Estate Mortgage:									
Commercial									
Internal risk rating:									
1-2 High pass	\$ 1,702	\$ —	\$ 28,984	\$ 27,455	\$ 11,507	\$ 91,870	\$ 1	\$ —	\$ 161,519
3-4.5 Pass	107,554	168,787	815,924	703,752	478,959	1,437,575	55,407	32,322	3,800,280
5 Special mention	—	1,325	103,785	11,804	4,331	217,510	804	—	339,559
6-8 Classified	—	1,812	12,673	68,314	17,212	156,570	—	—	256,581
Total	<u>\$ 109,256</u>	<u>\$ 171,924</u>	<u>\$ 961,366</u>	<u>\$ 811,325</u>	<u>\$ 512,009</u>	<u>\$ 1,903,525</u>	<u>\$ 56,212</u>	<u>\$ 32,322</u>	<u>\$ 4,557,939</u>
Current YTD period:									
Gross charge-offs	\$ —	\$ —	\$ 175	\$ 10,030	\$ 9,714	\$ 1,375	\$ —	\$ —	\$ 21,294
Real Estate Mortgage:									
Multi-family									
Internal risk rating:									
1-2 High pass	\$ —	\$ —	\$ 51,103	\$ 223,538	\$ 79,409	\$ 138,645	\$ —	\$ —	\$ 492,695
3-4.5 Pass	71,993	85,449	2,168,365	1,145,375	492,934	1,294,278	11,571	48,000	5,317,965
5 Special mention	—	—	—	—	—	46,332	—	—	46,332
6-8 Classified	—	—	40,019	17,254	11,795	83,220	—	—	152,288
Total	<u>\$ 71,993</u>	<u>\$ 85,449</u>	<u>\$ 2,259,487</u>	<u>\$ 1,386,167</u>	<u>\$ 584,138</u>	<u>\$ 1,562,475</u>	<u>\$ 11,571</u>	<u>\$ 48,000</u>	<u>\$ 6,009,280</u>
Current YTD period:									
Gross charge-offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Real Estate Mortgage:									
Other residential									
Internal risk rating:									
1-2 High pass	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 4,014	\$ —	\$ 4,014
3-4.5 Pass	—	4,582	317,480	2,276,938	40,062	19,374	36,733	89	2,695,258
5 Special mention	—	590	9,857	4,049	—	279	—	—	14,775
6-8 Classified	—	4,068	29,385	17,669	—	1,671	347	—	53,140
Total	<u>\$ —</u>	<u>\$ 9,240</u>	<u>\$ 356,722</u>	<u>\$ 2,298,656</u>	<u>\$ 40,062</u>	<u>\$ 21,324</u>	<u>\$ 41,094</u>	<u>\$ 89</u>	<u>\$ 2,767,187</u>
Current YTD period:									
Gross charge-offs	\$ —	\$ 3,355	\$ 25,538	\$ 6,394	\$ 350	\$ 67	\$ —	\$ —	\$ 35,704

(1) Amounts with negative balances are loans with zero principal balances and deferred loan origination fees.

BANC OF CALIFORNIA, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Unaudited)

Amortized Cost Basis ⁽¹⁾ September 30, 2024	Term Loans by Origination Year						Revolving Loans	Revolving Converted to Term Loans	Total
	2024	2023	2022	2021	2020	Prior			
<i>(In thousands)</i>									
Real Estate Construction and Land: Commercial									
Internal risk rating:									
1-2 High pass	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
3-4.5 Pass	20,371	36,461	457,681	123,977	52,446	10,727	24,044	—	725,707
5 Special mention	—	—	—	111,195	—	—	—	—	111,195
6-8 Classified	—	—	—	—	—	—	—	—	—
Total	\$ 20,371	\$ 36,461	\$ 457,681	\$ 235,172	\$ 52,446	\$ 10,727	\$ 24,044	\$ —	\$ 836,902
Current YTD period:									
Gross charge-offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Real Estate Construction and Land: Residential									
Internal risk rating:									
1-2 High pass	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
3-4.5 Pass	89,504	159,489	1,433,928	597,557	237,151	—	101,714	—	2,619,343
5 Special mention	—	—	—	3,164	—	—	—	—	3,164
6-8 Classified	—	—	—	—	—	—	—	—	—
Total	\$ 89,504	\$ 159,489	\$ 1,433,928	\$ 600,721	\$ 237,151	\$ —	\$ 101,714	\$ —	\$ 2,622,507
Current YTD period:									
Gross charge-offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Commercial: Asset-Based									
Internal risk rating:									
1-2 High pass	\$ 32,730	\$ 39,510	\$ 207,755	\$ 228,132	\$ 17,496	\$ 267,152	\$ 178,231	\$ —	\$ 971,006
3-4.5 Pass	70,694	91,341	183,245	73,496	10,467	68,513	575,366	54,296	1,127,418
5 Special mention	—	198	5,670	—	—	—	5,288	—	11,156
6-8 Classified	—	—	—	—	—	—	5,731	—	5,731
Total	\$ 103,424	\$ 131,049	\$ 396,670	\$ 301,628	\$ 27,963	\$ 335,665	\$ 764,616	\$ 54,296	\$ 2,115,311
Current YTD period:									
Gross charge-offs	\$ —	\$ —	\$ —	\$ —	\$ 92	\$ —	\$ —	\$ —	\$ 92
Commercial: Venture Capital									
Internal risk rating:									
1-2 High pass	\$ (56)	\$ (82)	\$ (2)	\$ —	\$ 1,998	\$ —	\$ 155,156	\$ 23,691	\$ 180,705
3-4.5 Pass	58,318	122,614	64,856	89,910	4,325	18,601	550,660	78,497	987,781
5 Special mention	—	34,003	19,926	15,647	—	—	69,334	6,531	145,441
6-8 Classified	—	—	13,994	19,957	—	—	5,748	—	39,699
Total	\$ 58,262	\$ 156,535	\$ 98,774	\$ 125,514	\$ 6,323	\$ 18,601	\$ 780,898	\$ 108,719	\$ 1,353,626
Current YTD period:									
Gross charge-offs	\$ —	\$ 2,272	\$ —	\$ —	\$ —	\$ 2	\$ 140	\$ —	\$ 2,414

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BANC OF CALIFORNIA, INC. AND SUBSIDIARIES
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Amortized Cost Basis ⁽¹⁾ September 30, 2024	Term Loans by Origination Year						Revolving Loans	Revolving Converted to Term Loans	Total
	2024	2023	2022	2021	2020	Prior			
<i>(In thousands)</i>									
Commercial: Other Commercial									
Internal risk rating:									
1-2 High pass	\$ 230	\$ 715	\$ 3,831	\$ 4,028	\$ 50	\$ 1,271	\$ 72,074	\$ —	\$ 82,199
3-4.5 Pass	53,584	83,370	144,198	207,356	43,073	166,708	1,981,850	30,328	2,710,467
5 Special mention	—	11,288	497	1,890	710	3,502	14,362	109	32,358
6-8 Classified	—	—	3,160	3,128	1,322	9,585	7,571	745	25,511
Total	\$ 53,814	\$ 95,373	\$ 151,686	\$ 216,402	\$ 45,155	\$ 181,066	\$ 2,075,857	\$ 31,182	\$ 2,850,535
Current YTD period:									
Gross charge-offs	\$ —	\$ —	\$ 565	\$ 453	\$ —	\$ 747	\$ 1,157	\$ 387	\$ 3,309
Consumer									
Internal risk rating:									
1-2 High pass	\$ —	\$ —	\$ 22	\$ 17	\$ 2	\$ —	\$ 1,623	\$ —	\$ 1,664
3-4.5 Pass	23,648	20,948	61,226	183,592	20,250	88,553	5,804	256	404,277
5 Special mention	—	—	2,165	4,310	113	1,320	—	—	7,908
6-8 Classified	—	—	55	163	53	358	—	12	641
Total	\$ 23,648	\$ 20,948	\$ 63,468	\$ 188,082	\$ 20,418	\$ 90,231	\$ 7,427	\$ 268	\$ 414,490
Current YTD period:									
Gross charge-offs	\$ —	\$ 199	\$ 603	\$ 2,197	\$ 332	\$ 1,102	\$ 1	\$ —	\$ 4,434
Total Loans and Leases									
Internal risk rating:									
1-2 High pass	\$ 34,606	\$ 40,143	\$ 291,693	\$ 483,170	\$ 110,462	\$ 498,938	\$ 411,099	\$ 23,691	\$ 1,893,802
3-4.5 Pass	495,666	773,041	5,646,903	5,401,953	1,379,667	3,104,329	3,343,149	243,788	20,388,496
5 Special mention	—	47,404	141,900	152,059	5,154	268,943	89,788	6,640	711,888
6-8 Classified	—	5,880	99,286	126,485	30,382	251,404	19,397	757	533,591
Total	\$ 530,272	\$ 866,468	\$ 6,179,782	\$ 6,163,667	\$ 1,525,665	\$ 4,123,614	\$ 3,863,433	\$ 274,876	\$ 23,527,777
Current YTD period:									
Gross charge-offs	\$ —	\$ 5,826	\$ 26,881	\$ 19,074	\$ 10,488	\$ 3,293	\$ 1,298	\$ 387	\$ 67,247

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BANC OF CALIFORNIA, INC. AND SUBSIDIARIES
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Amortized Cost Basis ⁽¹⁾ December 31, 2023	Term Loans by Origination Year						Revolving Loans	Revolving Converted to Term Loans	Total
	2023	2022	2021	2020	2019	Prior			
<i>(In thousands)</i>									
Real Estate Mortgage:									
Commercial									
Internal risk rating:									
1-3 High pass	\$ —	\$ 16,976	\$ 17,432	\$ 16,832	\$ 17,337	\$ 69,205	\$ 1	\$ —	\$ 137,783
4-6 Pass	182,236	933,294	814,564	510,952	298,985	1,765,454	76,866	10,937	4,593,288
7 Special mention	—	14,021	32,235	25,485	17,147	129,549	1,250	—	219,687
8-9 Classified	749	—	26,172	439	17,063	29,566	1,750	—	75,739
Total	\$ 182,985	\$ 964,291	\$ 890,403	\$ 553,708	\$ 350,532	\$ 1,993,774	\$ 79,867	\$ 10,937	\$ 5,026,497
Current YTD period:									
Gross charge-offs	\$ 34	\$ —	\$ —	\$ —	\$ 76	\$ 14,185	\$ —	\$ —	\$ 14,295
Real Estate Mortgage:									
Multi-family									
Internal risk rating:									
1-3 High pass	\$ —	\$ 28,155	\$ 140,424	\$ 58,959	\$ 57,988	\$ 109,423	\$ —	\$ —	\$ 394,949
4-6 Pass	66,143	2,221,235	1,193,052	539,660	564,420	794,599	67,811	—	5,446,920
7 Special mention	—	2,610	17,784	12,201	39,808	35,953	—	—	108,356
8-9 Classified	—	—	17,283	8,576	26,543	22,552	—	—	74,954
Total	\$ 66,143	\$ 2,252,000	\$ 1,368,543	\$ 619,396	\$ 688,759	\$ 962,527	\$ 67,811	\$ —	\$ 6,025,179
Current YTD period:									
Gross charge-offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Real Estate Mortgage:									
Other residential									
Internal risk rating:									
1-3 High pass	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 6,769	\$ —	\$ 6,769
4-6 Pass	188,561	1,824,253	2,812,293	65,230	—	19,518	51,246	87	4,961,188
7 Special mention	—	46,263	7,568	—	—	—	366	—	54,197
8-9 Classified	3,847	18,263	12,908	1,223	—	1,764	65	85	38,155
Total	\$ 192,408	\$ 1,888,779	\$ 2,832,769	\$ 66,453	\$ —	\$ 21,282	\$ 58,446	\$ 172	\$ 5,060,309
Current YTD period:									
Gross charge-offs	\$ 3,402	\$ 23,544	\$ 5,385	\$ 740	\$ —	\$ 4	\$ —	\$ —	\$ 33,075

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BANC OF CALIFORNIA, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Unaudited)

Amortized Cost Basis ⁽¹⁾ December 31, 2023	Term Loans by Origination Year						Revolving Loans	Revolving Converted to Term Loans	Total
	2023	2022	2021	2020	2019	Prior			
<i>(In thousands)</i>									
Real Estate Construction and Land: Commercial									
Internal risk rating:									
1-3 High pass	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
4-6 Pass	23,916	388,165	214,303	68,833	16,781	27,175	20,412	—	759,585
7 Special mention	—	—	—	—	—	—	—	—	—
8-9 Classified	—	—	—	—	—	—	—	—	—
Total	\$ 23,916	\$ 388,165	\$ 214,303	\$ 68,833	\$ 16,781	\$ 27,175	\$ 20,412	\$ —	\$ 759,585
Current YTD period:									
Gross charge-offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Real Estate Construction and Land: Residential									
Internal risk rating:									
1-3 High pass	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
4-6 Pass	64,341	1,185,297	668,083	336,636	—	26,896	115,674	—	2,396,927
7 Special mention	—	—	2,757	—	—	—	—	—	2,757
8-9 Classified	—	—	—	—	—	—	—	—	—
Total	\$ 64,341	\$ 1,185,297	\$ 670,840	\$ 336,636	\$ —	\$ 26,896	\$ 115,674	\$ —	\$ 2,399,684
Current YTD period:									
Gross charge-offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Commercial: Asset-Based									
Internal risk rating:									
1-3 High pass	\$ 32,485	\$ 237,936	\$ 223,088	\$ 39,380	\$ 119,364	\$ 254,638	\$ 89,667	\$ —	\$ 996,558
4-6 Pass	122,064	238,206	132,449	17,823	7,447	25,945	630,073	1,453	1,175,460
7 Special mention	—	101	—	—	—	1	12,394	10	12,506
8-9 Classified	—	—	—	701	—	340	3,520	—	4,561
Total	\$ 154,549	\$ 476,243	\$ 355,537	\$ 57,904	\$ 126,811	\$ 280,924	\$ 735,654	\$ 1,463	\$ 2,189,085
Current YTD period:									
Gross charge-offs	\$ —	\$ —	\$ —	\$ 60	\$ —	\$ —	\$ —	\$ 150	\$ 210
Commercial: Venture Capital									
Internal risk rating:									
1-3 High pass	\$ (84)	\$ (7)	\$ —	\$ 1,998	\$ —	\$ (3)	\$ 136,339	\$ (140)	\$ 138,103
4-6 Pass	101,038	128,485	113,183	6,473	6,216	622	770,941	74,863	1,201,821
7 Special mention	17,481	10,984	31,928	—	19,986	—	13,260	4,994	98,633
8-9 Classified	—	—	7,808	—	—	—	(3)	—	7,805
Total	\$ 118,435	\$ 139,462	\$ 152,919	\$ 8,471	\$ 26,202	\$ 619	\$ 920,537	\$ 79,717	\$ 1,446,362
Current YTD period:									
Gross charge-offs	\$ —	\$ 2,245	\$ 2,759	\$ —	\$ —	\$ —	\$ 9	\$ —	\$ 5,013

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BANC OF CALIFORNIA, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Unaudited)

Amortized Cost Basis ⁽¹⁾ December 31, 2023	Term Loans by Origination Year						Revolving Loans	Revolving Converted to Term Loans	Total
	2023	2022	2021	2020	2019	Prior			
<i>(In thousands)</i>									
Commercial: Other Commercial									
Internal risk rating:									
1-3 High pass	\$ 815	\$ 4,350	\$ 5,216	\$ 130	\$ 29	\$ 2,148	\$ 66,827	\$ —	\$ 79,515
4-6 Pass	98,643	201,215	285,249	50,582	39,951	158,810	1,176,946	2,921	2,014,317
7 Special mention	1,748	1,306	442	554	540	5,071	254	69	9,984
8-9 Classified	—	912	4,011	1,706	1,299	13,768	3,257	1,091	26,044
Total	\$ 101,206	\$ 207,783	\$ 294,918	\$ 52,972	\$ 41,819	\$ 179,797	\$ 1,247,284	\$ 4,081	\$ 2,129,860
Current YTD period:									
Gross charge-offs	\$ —	\$ 6,867	\$ 24	\$ —	\$ 28	\$ 75	\$ 1,013	\$ 431	\$ 8,438
Consumer									
Internal risk rating:									
1-3 High pass	\$ —	\$ 27	\$ 22	\$ 4	\$ —	\$ —	\$ 1,304	\$ —	\$ 1,357
4-6 Pass	26,468	71,523	207,751	23,390	42,338	63,919	7,684	345	443,418
7 Special mention	—	1,286	4,224	371	1,100	181	30	—	7,192
8-9 Classified	—	281	42	135	198	486	1	16	1,159
Total	\$ 26,468	\$ 73,117	\$ 212,039	\$ 23,900	\$ 43,636	\$ 64,586	\$ 9,019	\$ 361	\$ 453,126
Current YTD period:									
Gross charge-offs	\$ —	\$ 432	\$ 540	\$ 76	\$ 255	\$ 1,081	\$ 1	\$ 12	\$ 2,397
Total Loans and Leases									
Internal risk rating:									
1-3 High pass	\$ 33,216	\$ 287,437	\$ 386,182	\$ 117,303	\$ 194,718	\$ 435,411	\$ 300,907	\$ (140)	\$ 1,755,034
4-6 Pass	873,410	7,191,673	6,440,927	1,619,579	976,138	2,882,938	2,917,653	90,606	22,992,924
7 Special mention	19,229	76,571	96,938	38,611	78,581	170,755	27,554	5,073	513,312
8-9 Classified	4,596	19,456	68,224	12,780	45,103	68,476	8,590	1,192	228,417
Total	\$ 930,451	\$ 7,575,137	\$ 6,992,271	\$ 1,788,273	\$ 1,294,540	\$ 3,557,580	\$ 3,254,704	\$ 96,731	\$ 25,489,687
Current YTD period:									
Gross charge-offs	\$ 3,436	\$ 33,088	\$ 8,708	\$ 876	\$ 359	\$ 15,345	\$ 1,023	\$ 593	\$ 63,428

(1) Amounts with negative balances are loans with zero principal balances and deferred loan origination fees.

BANC OF CALIFORNIA, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Unaudited)

On January 1, 2023, the Company adopted ASU 2022-02, "Financial Instruments - Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures" ("ASU 2022-02"), which eliminated the accounting guidance for troubled debt restructurings while enhancing disclosure requirements for certain loan refinancing and restructurings by creditors when a borrower is experiencing financial difficulty. This guidance was applied on a prospective basis.

The following table presents our loan modifications made to borrowers experiencing financial difficulty by type of modification for the period indicated with related amortized cost balances as of the date indicated:

Three Months Ended September 30, 2024									
Loan Modifications									
Balances (Amortized Cost Basis) at									
September 30, 2024									
	Term Extension		Payment Delay		Combination - Term Extension and Payment Delay		Total Loan Modifications		
	Balance	% of Loan Portfolio Class	Balance	% of Loan Portfolio Class	Balance	% of Loan Portfolio Class	Balance	% of Loan Portfolio Class	
(Dollars in thousands)									
Real estate mortgage:									
Commercial	\$ 93,551	2.1 %	\$ 45,957	1.0 %	\$ —	— %	\$ 139,508	3.1 %	
Other residential	1,528	0.1 %	—	— %	—	— %	1,528	0.1 %	
Commercial:									
Asset-based	2,195	0.1 %	—	— %	—	— %	2,195	0.1 %	
Venture capital	—	— %	—	— %	13,156	1.0 %	13,156	1.0 %	
Other commercial	2,141	0.1 %	—	— %	—	— %	2,141	0.1 %	
Total	<u>\$ 99,415</u>		<u>\$ 45,957</u>		<u>\$ 13,156</u>		<u>\$ 158,528</u>		

Nine Months Ended September 30, 2024										
Loan Modifications										
Balances (Amortized Cost Basis) at										
September 30, 2024										
	Term Extension		Payment Delay		Combination - Term Extension and Principal Forgiveness		Combination - Term Extension and Payment Delay		Total Loan Modifications	
	Balance	% of Loan Portfolio Class	Balance	% of Loan Portfolio Class	Balance	% of Loan Portfolio Class	Balance	% of Loan Portfolio Class	Balance	% of Loan Portfolio Class
(Dollars in thousands)										
Real estate mortgage:										
Commercial	\$ 94,690	2.1 %	\$ 60,117	1.3 %	\$ 13,500	0.3 %	\$ —	— %	\$ 168,307	3.7 %
Other residential	5,092	0.2 %	—	— %	—	— %	—	— %	5,092	0.2 %
Commercial:										
Asset-based	2,195	0.1 %	—	— %	—	— %	—	— %	2,195	0.1 %
Venture capital	—	— %	—	— %	—	— %	13,156	1.0 %	13,156	1.0 %
Other commercial	2,386	0.1 %	—	— %	—	— %	45	— %	2,431	0.1 %
Consumer	11	— %	—	— %	—	— %	—	— %	11	— %
Total	<u>\$ 104,374</u>		<u>\$ 60,117</u>		<u>\$ 13,500</u>		<u>\$ 13,201</u>		<u>\$ 191,192</u>	

BANC OF CALIFORNIA, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Unaudited)

Three Months Ended September 30, 2023

Loan Modifications

**Balances (Amortized Cost Basis) at
September 30, 2023**

	Term Extension		Payment Delay		Combination - Term Extension and Interest Rate Reduction		Total Loan Modifications	
	Balance	% of Loan Portfolio Class	Balance	% of Loan Portfolio Class	Balance	% of Loan Portfolio Class	Balance	% of Loan Portfolio Class
<i>(Dollars in thousands)</i>								
Real estate mortgage:								
Other residential	\$ 4,001	0.1 %	—	— %	—	— %	\$ 4,001	0.1 %
Commercial:								
Other commercial	1,508	0.2 %	41	— %	6	— %	1,555	0.2 %
Total	<u>\$ 5,509</u>		<u>\$ 41</u>		<u>\$ 6</u>		<u>\$ 5,556</u>	

Nine Months Ended September 30, 2023

Loan Modifications

**Balances (Amortized Cost Basis) at
September 30, 2023**

	Term Extension		Payment Delay		Combination - Term Extension and Interest Rate Reduction		Total Loan Modifications	
	Balance	% of Loan Portfolio Class	Balance	% of Loan Portfolio Class	Balance	% of Loan Portfolio Class	Balance	% of Loan Portfolio Class
<i>(Dollars in thousands)</i>								
Real estate mortgage:								
Other residential	\$ 15,311	0.3 %	—	— %	—	— %	\$ 15,311	0.3 %
Commercial:								
Other commercial	2,556	0.3 %	41	— %	6	— %	2,603	0.3 %
Consumer	15	— %	—	— %	2	— %	17	— %
Total	<u>\$ 17,882</u>		<u>\$ 41</u>		<u>\$ 8</u>		<u>\$ 17,931</u>	

BANC OF CALIFORNIA, INC. AND SUBSIDIARIES
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The following tables present the financial effect of our loan modifications made to borrowers experiencing financial difficulty by type of modification for the period indicated:

Three Months Ended September 30, 2024	
Term Extension - Financial Effect	
Real estate mortgage:	
Commercial	Extended maturity by a weighted average 15 months.
Other residential	Extended maturity by a weighted average 8 months.
Commercial:	
Asset-based	Extended maturity by a weighted average 4 months.
Other commercial	Extended maturity by a weighted average 14 months.

Three Months Ended September 30, 2024	
Payment Delay - Financial Effect	
Real estate mortgage:	
Commercial	Deferred partial payments for 24 months.

Three Months Ended September 30, 2024	
Combination - Term Extension and Payment Delay - Financial Effect	
Commercial:	
Venture capital	Extended maturity by a weighted average 3 months and granted 3 months of partial payment deferrals.

Nine Months Ended September 30, 2024	
Term Extension - Financial Effect	
Real estate mortgage:	
Commercial	Extended maturity by a weighted average 15 months.
Other residential	Extended maturity by a weighted average 10 months.
Commercial:	
Asset-based	Extended maturity by a weighted average 4 months.
Other commercial	Extended maturity by a weighted average 15 months.
Consumer	Extended maturity by a weighted average 12 months.

Nine Months Ended September 30, 2024	
Payment Delay - Financial Effect	
Real estate mortgage:	
Commercial	Deferred partial payments for up to 20 months.

Nine Months Ended September 30, 2024	
Combination - Term Extension and Principal Forgiveness - Financial Effect	
Real estate mortgage:	
Commercial	Extended maturity by a weighted average 3 years and granted principal forgiveness totaling \$4.0 million.

BANC OF CALIFORNIA, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Unaudited)

Nine Months Ended September 30, 2024
Combination - Term Extension and Payment Delay - Financial Effect

Commercial:	
Venture capital	Extended maturity by a weighted average 3 months and granted 3 months of partial payment deferrals.
Other commercial	Extended maturity by a weighted average 10 years and granted 4 months of partial payment deferrals.

Three Months Ended September 30, 2023
Term Extension - Financial Effect

Real estate mortgage:	
Other residential	Extended maturity by a weighted average 8 months.
Commercial:	
Other commercial	Extended maturity by a weighted average 17 months.

Three Months Ended September 30, 2023
Payment Delay - Financial Effect

Commercial:	
Other commercial	Provided 18 months of reduced payments to borrowers without extending the loan term.

Three Months Ended September 30, 2023
Combination - Term Extension and Interest Rate Reduction - Financial Effect

Consumer	Extended maturity by a weighted average 3 years and reduced weighted average contractual interest rate from 11.75% to 7.50%.
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Nine Months Ended September 30, 2023
Term Extension - Financial Effect

Real estate mortgage:	
Other residential	Extended maturity by a weighted average 10 months.
Commercial:	
Other commercial	Extended maturity by a weighted average 22 months.
	Extended maturity by a weighted average 12 months.
Consumer	

Nine Months Ended September 30, 2023
Payment Delay - Financial Effect

Commercial:	
Other commercial	Provided 18 months of reduced payments to borrowers without extending the loan term.

Nine Months Ended September 30, 2023
Combination - Term Extension and Interest Rate Reduction - Financial Effect

Commercial:	
Other commercial	Extended maturity by a weighted average 3 years and reduced weighted average contractual interest rate from 11.75% to 7.50%.
Consumer	Extended maturity by a weighted average 2 years and reduced weighted average contractual interest rate from 9.5% to 2.0%.

BANC OF CALIFORNIA, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Unaudited)

The following table presents the payment status of loans that were modified during the preceding 12-month period, with related amortized cost balances as of the date indicated:

	Payment Status (Amortized Cost Basis) at September 30, 2024			
	Current	30-89 Days Past Due	90 or More Days Past Due	Total
	<i>(In thousands)</i>			
Real estate mortgage:				
Commercial	\$ 154,206	\$ 14,160	\$ —	\$ 168,366
Other residential	3,112	91	3,986	7,189
Commercial:				
Asset-based	2,195	—	—	2,195
Venture capital	13,156	—	—	13,156
Other commercial	672	3,161	—	3,833
Consumer	11	—	—	11
Total	\$ 173,352	\$ 17,412	\$ 3,986	\$ 194,750

The following table presents the payment status of loans that were modified during the nine months ended September 30, 2023, subsequent to the adoption of ASU 2022-02 on January 1, 2023, with related amortized cost balances as of the date indicated:

	Payment Status (Amortized Cost Basis) at September 30, 2023			
	Current	30-89 Days Past Due	90 or More Days Past Due	Total
	<i>(In thousands)</i>			
Real estate mortgage:				
Other residential	\$ 6,225	\$ 7,662	\$ 1,424	\$ 15,311
Commercial:				
Other commercial	2,599	4	—	2,603
Consumer	17	—	—	17
Total	\$ 8,841	\$ 7,666	\$ 1,424	\$ 17,931

The following table presents information on loans that defaulted during the periods indicated, which had been modified during the preceding 12-month period, with related amortized cost balances as of the date indicated:

	Three Months Ended September 30, 2024			Nine Months Ended September 30, 2024		
	Modified Loans That Subsequently Defaulted			Modified Loans That Subsequently Defaulted		
	Amortized Cost Basis at September 30, 2024			Amortized Cost Basis at September 30, 2024		
	Term Extension	Payment Delay	Total	Term Extension	Payment Delay	Total
<i>(In thousands)</i>						
Real estate mortgage:						
Commercial	\$ —	\$ 14,160	\$ 14,160	\$ —	\$ 14,160	\$ 14,160
Other residential	556	—	556	4,077	—	4,077
Total	\$ 556	\$ 14,160	\$ 14,716	\$ 4,077	\$ 14,160	\$ 18,237

BANC OF CALIFORNIA, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Unaudited)

The following table presents information on loans that defaulted during the periods indicated, which had been modified during the nine months ended September 30, 2023, subsequent to the adoption of ASU 2022-02 on January 1, 2023, with related amortized cost balances as of the date indicated:

	Three Months Ended September 30, 2023		Nine Months Ended September 30, 2023	
	Modified Loans That Subsequently Defaulted		Modified Loans That Subsequently Defaulted	
	Amortized Cost Basis at September 30, 2024		Amortized Cost Basis at September 30, 2024	
	Term Extension		Term Extension	
	<i>(In thousands)</i>			
Real estate mortgage:				
Other residential	\$	8,700	\$	9,100
Commercial:				
Other commercial		4		4
Total	\$	8,704	\$	9,104

Leases Receivable

We provide equipment financing to our customers primarily with operating and direct financing leases. For direct financing leases, lease receivables are recorded on the balance sheet but the leased equipment is not, although we generally retain legal title to the leased equipment until the end of each lease. Direct financing leases are stated at the net amount of minimum lease payments receivable, plus any unguaranteed residual value, less the amount of unearned income and net acquisition discount at the reporting date. Direct lease origination costs are amortized using the effective interest method over the life of the leases. Direct financing leases are subject to our accounting for allowance for loan and lease losses. See Note 8. *Leases* for information regarding operating leases where we are the lessor.

The following table provides the components of leases receivable income for the periods indicated:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
	<i>(In thousands)</i>			
Component of leases receivable income:				
Interest income on net investments in leases	\$	4,711	\$	4,319
			\$	14,323
				\$
				12,186

The following table presents the components of leases receivable as of the dates indicated:

	September 30, 2024	December 31, 2023
	<i>(In thousands)</i>	
Net Investment in Direct Financing Leases:		
Lease payments receivable	\$	223,181
Unguaranteed residual assets		23,816
Deferred costs and other		2,194
Aggregate net investment in leases	\$	249,191
		\$
		277,426

BANC OF CALIFORNIA, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Unaudited)

The following table presents maturities of leases receivable as of the date indicated:

	September 30, 2024	
	<i>(In thousands)</i>	
Period ending December 31,		
2024	\$	20,341
2025		78,813
2026		61,079
2027		40,526
2028		23,552
Thereafter		25,400
Total undiscounted cash flows		249,711
Less: Unearned income		(26,530)
Present value of lease payments	\$	223,181

BANC OF CALIFORNIA, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Unaudited)

Allowance for Loan and Lease Losses

The following tables present a summary of the activity in the allowance for loan and lease losses on loans and leases held for investment by loan portfolio segment for the periods indicated:

	Three Months Ended September 30, 2024				
	Real Estate Mortgage	Real Estate Construction and Land	Commercial	Consumer	Total
	<i>(In thousands)</i>				
Allowance for Loan and Lease Losses:					
Balance, beginning of period	\$ 155,260	\$ 25,281	\$ 51,194	\$ 16,027	\$ 247,762
Charge-offs	(640)	—	(1,963)	(1,560)	(4,163)
Recoveries	216	—	1,253	277	1,746
Net charge-offs	(424)	—	(710)	(1,283)	(2,417)
Provision	9,798	(11,943)	10,387	758	9,000
Balance, end of period	<u>\$ 164,634</u>	<u>\$ 13,338</u>	<u>\$ 60,871</u>	<u>\$ 15,502</u>	<u>\$ 254,345</u>

	Nine Months Ended September 30, 2024				
	Real Estate Mortgage	Real Estate Construction and Land	Commercial	Consumer	Total
	<i>(In thousands)</i>				
Allowance for Loan and Lease Losses:					
Balance, beginning of period	\$ 186,827	\$ 33,830	\$ 45,156	\$ 15,874	\$ 281,687
Charge-offs	(56,998)	—	(5,815)	(4,434)	(67,247)
Recoveries	2,536	—	4,956	413	7,905
Net charge-offs	(54,462)	—	(859)	(4,021)	(59,342)
Provision	32,269	(20,492)	16,574	3,649	32,000
Balance, end of period	<u>\$ 164,634</u>	<u>\$ 13,338</u>	<u>\$ 60,871</u>	<u>\$ 15,502</u>	<u>\$ 254,345</u>

Ending Allowance by

Evaluation Methodology:

Individually evaluated	\$ —	\$ —	\$ 8,196	\$ —	\$ 8,196
Collectively evaluated	<u>\$ 164,634</u>	<u>\$ 13,338</u>	<u>\$ 52,675</u>	<u>\$ 15,502</u>	<u>\$ 246,149</u>

Ending Loans and Leases by

Evaluation Methodology:

Individually evaluated	\$ 129,829	\$ —	\$ 36,527	\$ —	\$ 166,356
Collectively evaluated	13,204,577	3,459,409	6,282,945	414,490	23,361,421
Ending balance	<u>\$ 13,334,406</u>	<u>\$ 3,459,409</u>	<u>\$ 6,319,472</u>	<u>\$ 414,490</u>	<u>\$ 23,527,777</u>

BANC OF CALIFORNIA, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Unaudited)

Three Months Ended September 30, 2023

	Real Estate Mortgage	Real Estate Construction and Land	Commercial	Consumer	Total
<i>(In thousands)</i>					
Allowance for Loan and Lease Losses:					
Balance, beginning of period	\$ 132,808	\$ 39,679	\$ 37,221	\$ 9,526	\$ 219,234
Charge-offs	(5,757)	—	(335)	(603)	(6,695)
Recoveries	535	—	1,199	24	1,758
Net charge-offs	(5,222)	—	864	(579)	(4,937)
Provision	8,944	686	(1,411)	(219)	8,000
Balance, end of period	<u>\$ 136,530</u>	<u>\$ 40,365</u>	<u>\$ 36,674</u>	<u>\$ 8,728</u>	<u>\$ 222,297</u>

Nine Months Ended September 30, 2023

	Real Estate Mortgage	Real Estate Construction and Land	Commercial	Consumer	Total
<i>(In thousands)</i>					
Allowance for Loan and Lease Losses:					
Balance, beginning of period	\$ 87,309	\$ 52,320	\$ 52,849	\$ 8,254	\$ 200,732
Charge-offs	(39,467)	—	(7,819)	(1,514)	(48,800)
Recoveries	797	—	2,916	152	3,865
Net charge-offs	(38,670)	—	(4,903)	(1,362)	(44,935)
Provision	87,891	(11,955)	(11,272)	1,836	66,500
Balance, end of period	<u>\$ 136,530</u>	<u>\$ 40,365</u>	<u>\$ 36,674</u>	<u>\$ 8,728</u>	<u>\$ 222,297</u>

**Ending Allowance by
Evaluation Methodology:**

Individually evaluated	\$ —	\$ —	\$ 497	\$ —	\$ 497
Collectively evaluated	<u>\$ 136,530</u>	<u>\$ 40,365</u>	<u>\$ 36,177</u>	<u>\$ 8,728</u>	<u>\$ 221,800</u>

Ending Loans and Leases by

Evaluation Methodology:

Individually evaluated	\$ 120,491	\$ —	\$ 4,723	\$ —	\$ 125,214
Collectively evaluated	13,914,000	2,737,537	4,749,707	394,488	21,795,732
Ending balance	<u>\$ 14,034,491</u>	<u>\$ 2,737,537</u>	<u>\$ 4,754,430</u>	<u>\$ 394,488</u>	<u>\$ 21,920,946</u>

The allowance for loan and lease losses increased by \$6.6 million in the third quarter of 2024 to \$254.3 million due primarily to a \$9.0 million provision, offset by net charge-offs of \$2.4 million. For additional information regarding the calculation of the allowance for loan and lease losses using the CECL methodology, including discussion of forecasts used to estimate the allowance, please see Note 1(j). *Nature of Operations and Summary of Significant Accounting Policies - Allowance for Credit Losses on Loans and Leases Held for Investment* of the Notes to Consolidated Financial Statements contained in "Item 8. Financial Statements and Supplementary Data" of the Form 10-K.

BANC OF CALIFORNIA, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Unaudited)

A loan is considered collateral-dependent, and is individually evaluated for reserve purposes, when the borrower is experiencing financial difficulty and repayment is expected to be provided substantially through the operation or sale of the collateral. The following table summarizes collateral-dependent loans held for investment by collateral type as of the following dates:

	September 30, 2024			December 31, 2023		
	Real Property	Business Assets	Total	Real Property	Business Assets	Total
	<i>(In thousands)</i>					
Real estate mortgage	\$ 129,424	\$ —	\$ 129,424	\$ 47,952	\$ —	\$ 47,952
Commercial	—	11,303	11,303	—	3,616	3,616
Total	\$ 129,424	\$ 11,303	\$ 140,727	\$ 47,952	\$ 3,616	\$ 51,568

Allowance for Credit Losses

The allowance for credit losses is the combination of the allowance for loan and lease losses and the reserve for unfunded loan commitments. The reserve for unfunded loan commitments is included within "Accrued interest payable and other liabilities" on the condensed consolidated balance sheets.

The following tables present a summary of the activity in the allowance for loan and lease losses and reserve for unfunded loan commitments for the periods indicated:

	Three Months Ended September 30, 2024		
	Allowance for Loan and Lease Losses	Reserve for Unfunded Loan Commitments	Total Allowance for Credit Losses
	<i>(In thousands)</i>		
Balance, beginning of period	\$ 247,762	\$ 27,571	\$ 275,333
Charge-offs	(4,163)	—	(4,163)
Recoveries	1,746	—	1,746
Net charge-offs	(2,417)	—	(2,417)
Provision	9,000	—	9,000
Balance, end of period	<u>\$ 254,345</u>	<u>\$ 27,571</u>	<u>\$ 281,916</u>

	Nine Months Ended September 30, 2024		
	Allowance for Loan and Lease Losses	Reserve for Unfunded Loan Commitments	Total Allowance for Credit Losses
	<i>(In thousands)</i>		
Balance, beginning of period	\$ 281,687	\$ 29,571	\$ 311,258
Charge-offs	(67,247)	—	(67,247)
Recoveries	7,905	—	7,905
Net charge-offs	(59,342)	—	(59,342)
Provision	32,000	(2,000)	30,000
Balance, end of period	<u>\$ 254,345</u>	<u>\$ 27,571</u>	<u>\$ 281,916</u>

BANC OF CALIFORNIA, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Unaudited)

	Three Months Ended September 30, 2023		
	Allowance for Loan and Lease Losses	Reserve for Unfunded Loan Commitments	Total Allowance for Credit Losses
	<i>(In thousands)</i>		
Balance, beginning of period	\$ 219,234	\$ 37,571	\$ 256,805
Charge-offs	(6,695)	—	(6,695)
Recoveries	1,758	—	1,758
Net charge-offs	(4,937)	—	(4,937)
Provision	8,000	(8,000)	—
Balance, end of period	<u>\$ 222,297</u>	<u>\$ 29,571</u>	<u>\$ 251,868</u>

	Nine Months Ended September 30, 2023		
	Allowance for Loan and Lease Losses	Reserve for Unfunded Loan Commitments	Total Allowance for Credit Losses
	<i>(In thousands)</i>		
Balance, beginning of period	\$ 200,732	\$ 91,071	\$ 291,803
Charge-offs	(48,800)	—	(48,800)
Recoveries	3,865	—	3,865
Net charge-offs	(44,935)	—	(44,935)
Provision	66,500	(61,500)	5,000
Balance, end of period	<u>\$ 222,297</u>	<u>\$ 29,571</u>	<u>\$ 251,868</u>

BANC OF CALIFORNIA, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Unaudited)

NOTE 6. GOODWILL AND OTHER INTANGIBLE ASSETS, NET

Goodwill and other intangible assets arise from the acquisition method of accounting for business combinations. Goodwill and other intangible assets generated from business combinations and deemed to have indefinite lives are not subject to amortization and instead are tested for impairment annually at the reporting unit level unless a triggering event occurs thereby requiring an updated assessment. Our regular annual impairment assessment occurs in the fourth quarter. Goodwill represents the excess of the purchase price over the fair value of the net assets and other identifiable intangible assets acquired. Impairment exists when the carrying value of the goodwill exceeds the fair value of the reporting unit. An impairment loss would be recognized in an amount equal to that excess as a charge to "Noninterest expense" in the condensed consolidated statements of earnings (loss). During the nine months ended September 30, 2024, the Company recorded adjustments related to the Merger resulting in an increase to goodwill of \$18.1 million, within the one-year measurement period subsequent to the acquisition date of November 30, 2023. These adjustments largely relate to the estimated fair value of acquired loans.

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

	Goodwill	
	<i>(In thousands)</i>	
Balance, December 31, 2023	\$	198,627
Purchase accounting adjustments		18,143
Balance, September 30, 2024	\$	216,770

Our other intangible assets with definite lives are CDI and CRI. CDI and CRI are amortized on an accelerated basis over their respective estimated useful lives and reviewed for impairment at least quarterly. The amortization expense represents the estimated decline in the value of the underlying deposits or customer relationships acquired.

The following table presents the changes in CDI and CRI and the related accumulated amortization for the periods indicated:

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2024	2023	2024	2023
	<i>(In thousands)</i>			
Gross Amount of CDI and CRI:				
Balance, beginning of period	\$ 236,264	\$ 90,800	\$ 236,264	\$ 91,550
Fully amortized portion	—	—	—	(750)
Balance, end of period	236,264	90,800	236,264	90,800
Accumulated Amortization:				
Balance, beginning of period	(87,370)	(64,219)	(70,787)	(60,169)
Amortization expense	(8,332)	(2,389)	(24,915)	(7,189)
Fully amortized portion	—	—	—	750
Balance, end of period	(95,702)	(66,608)	(95,702)	(66,608)
Net CDI and CRI, end of period	\$ 140,562	\$ 24,192	\$ 140,562	\$ 24,192

BANC OF CALIFORNIA, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Unaudited)

The following table presents the estimated aggregate future amortization expense for our current CDI and CRI as of the date indicated:

	September 30, 2024	
	<i>(In thousands)</i>	
Period ending December 31,		
2024	\$	7,618
2025		27,657
2026		24,412
2027		21,166
2028		17,920
Thereafter		41,789
Net CDI and CRI	\$	140,562

NOTE 7. OTHER ASSETS

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

Other Assets	September 30,	December 31,
	2024	2023
	<i>(In thousands)</i>	
LIHTC investments	\$ 310,672	\$ 347,478
Interest receivable	129,001	138,522
SBIC investments	108,591	105,433
Operating lease ROU assets, net ⁽¹⁾	104,173	133,126
Equity investments without readily determinable fair values	72,452	71,332
Prepaid expenses	37,640	43,498
Taxes receivable	26,307	34,268
HLBV investments	17,217	18,442
Foreclosed assets, net	8,661	7,394
Equity warrants	3,297	3,689
Equity investments with readily determinable fair values	1	1
Other receivables/assets	146,042	228,066
Total other assets	\$ 964,054	\$ 1,131,249

(1) See Note 8. *Leases* for further details regarding the operating lease ROU assets.

BANC OF CALIFORNIA, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Unaudited)

NOTE 8. LEASES

Operating Leases as a Lessee

Our lease expense is a component of "Occupancy expense" on our condensed consolidated statements of earnings (loss). The following table presents the components of lease expense for the periods indicated:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
	<i>(In thousands)</i>			
Operating lease expense:				
Fixed costs	\$ 7,689	\$ 8,580	\$ 26,051	\$ 24,749
Variable costs	299	115	447	180
Short-term lease costs	267	148	407	770
Sublease income	(1,129)	(273)	(3,646)	(1,518)
Net lease expense	<u>\$ 7,126</u>	<u>\$ 8,570</u>	<u>\$ 23,259</u>	<u>\$ 24,181</u>

The following table presents supplemental cash flow information related to leases for the periods indicated:

	Nine Months Ended September 30,	
	2024	2023
	<i>(In thousands)</i>	
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 28,689	\$ 27,609
ROU assets obtained in exchange for lease obligations:		
Operating leases	\$ 3,437	\$ 20,909

The following table presents supplemental balance sheet and other information related to operating leases as of the dates indicated:

	September 30,	December 31,
	2024	2023
	<i>(Dollars in thousands)</i>	
Operating leases:		
Operating lease right-of-use assets, net	\$ 104,173	\$ 133,126
Operating lease liabilities	\$ 132,802	\$ 161,308
Weighted average remaining lease term (in years)	6.0	6.1
Weighted average discount rate	3.50 %	3.40 %

The following table presents the maturities of operating lease liabilities as of the date indicated:

	September 30, 2024
	<i>(In thousands)</i>
Period ending December 31,	
2024	\$ 8,779
2025	32,475
2026	28,073
2027	20,676
2028	16,531
Thereafter	41,606
Total operating lease liabilities	<u>148,140</u>
Less: Imputed interest	(15,338)
Present value of operating lease liabilities	<u>\$ 132,802</u>

BANC OF CALIFORNIA, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Unaudited)

Operating Leases as a Lessor

We provide equipment financing to our customers through operating leases where we facilitate the purchase of equipment leased to our customers. The equipment is shown on the condensed consolidated balance sheets as "Equipment leased to others under operating leases" and is depreciated to its estimated residual value at the end of the lease term, shown as "Leased equipment depreciation" in the condensed consolidated statements of earnings (loss), according to our fixed asset accounting policy. We receive periodic rental income payments under the leases, which are recorded as "Noninterest Income" in the condensed consolidated statements of earnings (loss). The equipment is tested periodically for impairment. No impairment was recorded on "Equipment leased to others under operating leases" during the nine months ended September 30, 2024 and 2023.

The following table presents the rental payments to be received on operating leases as of the date indicated:

	September 30, 2024
	<i>(In thousands)</i>
Year Ending December 31,	
2024	\$ 9,752
2025	40,332
2026	36,111
2027	29,145
2028	25,020
Thereafter	68,751
Total undiscounted cash flows	<u>\$ 209,111</u>

BANC OF CALIFORNIA, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Unaudited)

NOTE 9. BORROWINGS AND SUBORDINATED DEBT

Borrowings

The following table summarizes our borrowings as of the dates indicated:

	September 30, 2024		December 31, 2023	
	Balance	Weighted Average Rate	Balance	Weighted Average Rate
	<i>(Dollars in thousands)</i>			
FHLB secured advances	\$ 1,100,000	3.93 %	\$ —	— %
FRB secured discount window advance	200,000	5.00 %	—	— %
Senior Notes	174,000	5.25 %	174,000	5.25 %
Credit-linked notes	119,624	16.05 %	123,116	16.02 %
Bank Term Funding Program	—	— %	2,618,300	4.37 %
Total borrowings	1,593,624	5.12 %	2,915,416	4.92 %
Acquisition discount on senior notes	(1,791)		(4,094)	
Total borrowings, net ⁽¹⁾	\$ 1,591,833		\$ 2,911,322	

(1) All borrowings were held at the Bank level with the exception of the 5.25% Senior Notes due April 2025 ("Senior Notes"), which were issued at the holding company level.

The Bank has established secured and unsecured lines of credit under which it may borrow funds from time to time on a term or overnight basis from the FHLB, the FRBSF, and other financial institutions.

FHLB Secured Line of Credit. The Bank had secured financing capacity with the FHLB as of September 30, 2024 of \$6.6 billion, collateralized by a blanket lien on \$10.5 billion of qualifying loans and \$20.9 million of securities. As of September 30, 2024, there were \$471.6 million in letters of credit pledged and \$1.1 billion outstanding. As of December 31, 2023, there were \$243.8 million in letters of credit pledged and no balance outstanding.

The following table presents the interest rates and maturity dates of FHLB secured advances as of the date indicated:

	September 30, 2024		
	Balance	Rate	Maturity Date
	<i>(Dollars in thousands)</i>		
Term advance	\$ 150,000	4.59 %	6/26/2026
Term advance	150,000	4.63 %	5/28/2027
Term advance	150,000	4.63 %	6/3/2027
Term advance	150,000	4.39 %	6/3/2027
Callable term advance	500,000	3.18 %	9/18/2034
Total FHLB secured advances	\$ 1,100,000	3.93 %	

FRBSF Secured Line of Credit. The Bank has a secured line of credit with the FRBSF. As of September 30, 2024, the Bank had secured borrowing capacity of \$6.9 billion collateralized by liens covering \$6.7 billion of qualifying loans and \$1.8 billion of securities. As of September 30, 2024, the balance outstanding was \$200.0 million, which was subsequently paid off on the maturity date of October 3, 2024. As of December 31, 2023, there was no balance outstanding.

Senior Notes. The Senior Notes are unsecured debt obligations and rank equally with our other present and future unsecured unsubordinated obligations. We make interest payments on the Senior Notes semi-annually in arrears. We have the option to redeem the Senior Notes either in whole or in part on or after January 15, 2025 (i.e., 90 days prior to the maturity date of April 15, 2025). Notification of no less than 30 nor more than 60 days is required for redemption. The Senior Notes will be redeemable at a price equal to 100% of the principal amount of the Senior Notes to be redeemed plus accrued and unpaid interest to the date of redemption.

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Credit-Linked Notes. The notes were issued in five classes, each with an interest rate of SOFR plus a spread that ranges from 8.00% to 13.25%, with a weighted average spread of 10.72% at September 30, 2024. The notes are linked to the credit risk of an approximately \$2.38 billion reference pool of previously purchased single-family residential mortgage loans at September 30, 2024. The notes are due June 27, 2052. Principal payments on the notes are based only on principal that is actually collected on these loans. The notes are reported at fair value of \$119.6 million at September 30, 2024. See Note 12. *Fair Value Option* for additional information.

FRBSF Bank Term Funding Program. In March of 2023, the Bank participated in the FRBSF Bank Term Funding Program. As of September 30, 2024, the was no balance outstanding. As of December 31, 2023, the balance outstanding was \$2.6 billion consisting of two term advances that matured in March 2024.

Federal Funds Arrangements with Commercial Banks. As of September 30, 2024, the Bank had unsecured lines of credit of \$290.0 million in the aggregate with several correspondent banks for the purchase of overnight funds, subject to availability of funds. These lines are renewable annually and have no unused commitment fees. As of September 30, 2024 and December 31, 2023, there were no balances outstanding. The Bank is a member of the AFX, through which it may either borrow or lend funds on an overnight or short-term basis with a group of pre-approved commercial banks. The availability of funds changes daily. As of September 30, 2024 and December 31, 2023 there was no balance outstanding.

Subordinated Debt

The following table summarizes the terms of each issuance of subordinated debt outstanding as of the dates indicated:

Series	September 30, 2024		December 31, 2023		Date Issued	Maturity Date	Rate Index (Quarterly Reset)
	Balance	Rate ⁽¹⁾	Balance	Rate ⁽¹⁾			
<i>(Dollars in thousands)</i>							
Subordinated notes, net ⁽²⁾⁽⁷⁾	\$ 381,050	3.25 %	\$ 380,651	3.25 %	4/30/2021	5/1/2031	Fixed rate ⁽³⁾
Subordinated notes	75,000	4.375 %	75,000	4.375 %	10/30/2020	10/30/2030	Fixed rate ⁽⁶⁾
Trust V	10,310	8.30 %	10,310	8.74 %	8/15/2003	9/17/2033	3-month Term SOFR + 3.10
Trust VI	10,310	8.26 %	10,310	8.70 %	9/3/2003	9/15/2033	3-month Term SOFR + 3.05
Trust CII	5,155	8.15 %	5,155	8.59 %	9/17/2003	9/17/2033	3-month Term SOFR + 2.95
Trust VII	61,856	8.27 %	61,856	8.40 %	2/5/2004	4/23/2034	3-month Term SOFR + 2.75
Trust CIII	20,619	6.90 %	20,619	7.34 %	8/15/2005	9/15/2035	3-month Term SOFR + 1.69
Trust FCCI	16,495	6.81 %	16,495	7.25 %	1/25/2007	3/15/2037	3-month Term SOFR + 1.60
Trust FCBI	10,310	6.76 %	10,310	7.20 %	9/30/2005	12/15/2035	3-month Term SOFR + 1.55
Trust CS 2005-1	82,475	7.16 %	82,475	7.60 %	11/21/2005	12/15/2035	3-month Term SOFR + 1.95
Trust CS 2005-2	128,866	7.47 %	128,866	7.60 %	12/14/2005	1/30/2036	3-month Term SOFR + 1.95
Trust CS 2006-1	51,545	10.45 %	51,545	10.45 %	2/22/2006	4/30/2036	Prime + 1.95
Trust CS 2006-2	51,550	7.47 %	51,550	7.60 %	9/27/2006	10/30/2036	3-month Term SOFR + 1.95
Trust CS 2006-3 ⁽⁴⁾	28,700	5.71 %	28,453	6.00 %	9/29/2006	10/30/2036	3-month EURIBOR + 2.05
Trust CS 2006-4	16,470	10.45 %	16,470	10.45 %	12/5/2006	1/30/2037	Prime + 1.95
Trust CS 2006-5	6,650	7.47 %	6,650	7.60 %	12/19/2006	1/30/2037	3-month Term SOFR + 1.95
Trust CS 2007-2	39,177	7.47 %	39,177	7.60 %	6/13/2007	7/30/2037	3-month Term SOFR + 1.95
PMB Statutory Trust III	7,217	8.32 %	7,217	9.02 %	9/16/2002	9/26/2032	3-month Term SOFR + 3.40
PMB Capital Trust III	10,310	7.54 %	10,310	7.66 %	10/4/2004	10/8/2034	3-month Term SOFR + 2.00
Total subordinated debt	1,014,065	5.82 %	1,013,419	5.93 %			
Acquisition discount ⁽⁵⁾	(71,914)		(76,820)				
Net subordinated debt	\$ 942,151		\$ 936,599				

(1) Rates do not include the effects of discounts and issuance costs.

(2) Net of unamortized issuance costs of \$4.0 million.

(3) Interest rate is fixed until May 1, 2026, when it changes to a floating rate and resets quarterly at a benchmark rate plus 252 basis points.

(4) Denomination is in Euros with a value of €25.8 million.

(5) Amount represents the fair value adjustment on trust preferred securities assumed in acquisitions.

(6) Interest rate is fixed until October 30, 2025, when it changes to a floating rate equal to a benchmark rate, which is expected to be 3-month Term SOFR, plus a spread of 419.5 basis points.

(7) Subordinated notes, net issued at the Bank level rather than the holding company level.

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NOTE 10. DERIVATIVES

To a limited extent, the Company utilizes interest rate swaps contracts with clients and counterparty banks for the purpose of offsetting or hedging exposures arising out of lending and borrowing transactions. The Company offers borrowers interest rate swaps under a "back-to-back" loan hedging program and offsets these "pay floating/receive fixed" contracts with borrowers with "receive floating/pay fixed" swaps with counterparty banks. The total notional balance of these offsetting hedging contracts was \$198.2 million at September 30, 2024. The Company has also hedged the interest rate risk and foreign currency risk on €25.8 million of subordinated debt utilizing a combined cross currency swap/interest rate swap, which has had the effect of hedging the foreign currency risk and fixing the Euribor-based floating rate instrument at a fixed rate of 2.76% through July 2025. The outputs from the Company's NII simulation analysis and EVE modeling reflect the impact of these interest rate/currency swaps, however, the impact is not material. Our derivatives are carried at fair value and recorded in "Other assets" or "Accrued interest payable and other liabilities," as appropriate, in the condensed consolidated balance sheets. For derivatives not designated as hedging instruments, the changes in fair value of our derivatives and the related fees are recognized in "Noninterest income - other" in the condensed consolidated statements of earnings (loss). For the three and nine months ended September 30, 2024, changes in fair value and fees recorded in noninterest income in the condensed consolidated statements of earnings (loss) were immaterial.

Cash flow hedges in the table below included pay-fixed, receive-floating interest rate swap contracts with notional amounts aggregating \$300.0 million, five year terms, and varying maturity dates throughout 2028. These swap contracts were entered into with institutional counterparties to hedge against variability in cash flow attributable to interest rate risk on a portion of the Company's borrowings. Also included in cash flow hedges in the table below are pay-fixed, receive-floating interest rate swap contracts with notional amounts aggregating \$100.0 million, with forward-starting dates in 2024 and varying maturity dates throughout 2025. These swap contracts were entered into with institutional counterparties to hedge against variability in cash flow attributable to interest rate risk on future issuance of brokered deposits. The cash flow hedges were deemed highly effective at inception and thereafter. For derivatives designated as cash flow hedges, the portion of changes in fair value considered to be highly effective are reported as a component of AOCI on the condensed consolidated balance sheets until the related cash flows from the hedged items are recognized in earnings. As of September 30, 2024, the fair value of the cash flow hedges represented a net liability of \$6.9 million, related to which a loss of \$6.6 million (net of tax) was included in AOCI. The estimated amount to be reclassified in the next 12 months out of AOCI into earnings is \$1.9 million.

The following table presents the U.S. dollar notional amounts and fair values of our derivative instruments included in the condensed consolidated balance sheets as of the dates indicated:

	September 30, 2024			December 31, 2023		
	Notional Amount	Fair Value		Notional Amount	Fair Value	
		Asset	Liability		Asset	Liability
	<i>(In thousands)</i>					
Derivatives Designated as Hedging Instruments:						
Cash flow hedges	\$ 400,000	\$ 1,368	\$ 8,281	\$ 300,000	\$ —	\$ 4,090
Derivatives Not Designated as Hedging Instruments:						
Interest rate contracts	198,205	5,027	4,973	168,850	6,426	6,331
Foreign exchange contracts	36,535	1,170	73	45,742	1,883	128
Equity warrant assets	16,333	3,297	—	17,008	3,689	—
Total contracts	\$ 651,073	\$ 10,862	\$ 13,327	\$ 531,600	\$ 11,998	\$ 10,549

During the third quarter of 2024, we closed out a portion of our pay-fixed, receive-floating interest rate swap contracts classified as cash flow hedges with notional amounts of \$255.0 million. At September 30, 2024, we had a net loss of \$0.7 million (net of tax) deferred in AOCI related to closed out cash flow hedges. Amounts deferred in AOCI from closed out cash flow hedges will be amortized into interest expense on a straight-line basis through the original maturity dates of the hedges as long as the hedged forecasted transactions continue to be expected to occur. During the three and nine months ended September 30, 2024, interest expense from the amortization of closed out cash flow hedges totaled \$90,000.

For further information regarding our derivatives, see Note 1. *Nature of Operations and Summary of Significant Accounting Policies* of the Notes to Consolidated Financial Statements contained in "Item 8. Financial Statements and Supplementary Data" of the Form 10-K.

BANC OF CALIFORNIA, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Unaudited)

NOTE 11. COMMITMENTS AND CONTINGENCIES

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

	September 30, 2024	December 31, 2023
	<i>(In thousands)</i>	
Loan commitments to extend credit	\$ 5,008,449	\$ 5,578,907
Standby letters of credit	201,317	252,572
Total	\$ 5,209,766	\$ 5,831,479

The Company is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit and standby letters of credit. Those instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized in the condensed consolidated balance sheets. The contract or notional amounts of those instruments reflect the extent of involvement that the Company has in particular classes of financial instruments.

Commitments to extend credit are contractual agreements to lend to our customers when customers are in compliance with their contractual credit agreements and when customers have contractual availability to borrow under such agreements. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The estimated exposure to loss from these commitments is included in the reserve for unfunded loan commitments, which amounted to \$27.6 million at September 30, 2024 and \$29.6 million at December 31, 2023.

Standby letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. We provide standby letters of credit in conjunction with several of our lending arrangements and property lease obligations. Most guarantees expire within one year from the date of issuance. If a borrower defaults on its commitments subject to any letter of credit issued under these arrangements, we would be required to meet the borrower's financial obligation but would seek repayment of that financial obligation from the borrower. In some cases, borrowers have pledged cash and investment securities as collateral under these arrangements.

In addition, we invest in SBICs that call for capital contributions up to an amount specified in the partnership agreements, and in CRA-related loan pools. As of September 30, 2024 and December 31, 2023, we had commitments to contribute capital to these entities totaling \$74.2 million and \$94.5 million.

The following table presents the years in which commitments are expected to be paid for our commitments to contribute capital to SBICs and CRA-related loan pools as of the date indicated:

	September 30, 2024 <i>(In thousands)</i>
Period ending December 31,	
2024	\$ 37,114
2025	37,113
Total	\$ 74,227

Legal Matters

In the ordinary course of our business, the Company is party to various legal actions, which we believe are incidental to the operation of our 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 currently available information, 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. The range of any reasonably possible liabilities is also not significant.

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NOTE 12. FAIR VALUE OPTION

The Company may elect to report financial instruments and certain other items at fair value on an instrument-by-instrument basis with changes in fair value reported in earnings. The election is made upon the initial recognition of an eligible financial asset, financial liability, or firm commitment or when certain specified reconsideration events occur. The fair value election may not otherwise be revoked once an election is made. The changes in fair value are recorded in "Noninterest income" on the condensed consolidated statements of earnings (loss). However, movements in debt valuation adjustments are reported as a component of "Accumulated other comprehensive loss, net" on the condensed consolidated balance sheets. Debt valuation adjustments represent the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk.

Fair Value Option for Certain Debt Liabilities

The Company has elected the fair value option for the credit-linked notes issued in September 2022. The Company elected the fair value option because these exposures are considered to be structured notes, which are financial instruments that contain embedded derivatives. The notes are linked to the credit risk of an approximately \$2.38 billion reference pool of previously purchased single-family residential mortgage loans. The principal balance of the credit-linked notes was \$120.6 million at September 30, 2024. The carrying value of the credit-linked notes at September 30, 2024 was the estimated fair value of \$119.6 million. For the three and nine months ended September 30, 2024, interest expense on the credit-linked notes totaled \$5.0 million and \$15.0 million, respectively, and are recorded in "Interest expense - borrowings" on the condensed consolidated statements of earnings (loss).

The following table presents the changes in fair value of the credit-linked notes for which the fair value option has been elected for the periods indicated:

<u>Credit-Linked Notes</u>	Three Months Ended		September 30,		Nine Months Ended		September 30,	
	2024	2023	2024	2023	2024	2023	2024	2023
	<i>(In thousands)</i>							
Changes in fair value - losses (gains) included in earnings	\$	(4,399)	\$	5,422	\$	(1,624)	\$	3,896
Changes in fair value - other comprehensive (income) loss	\$	1,495	\$	(3,050)	\$	2,110	\$	(7,107)

The following table provides information about the credit-linked notes carried at fair value as of the dates indicated:

<u>Credit-Linked Notes</u>	September 30,		December 31,	
	2024		2023	
	<i>(In thousands)</i>			
Carrying value reported on the condensed consolidated balance sheets	\$	119,624	\$	123,116
Aggregate unpaid principal balance in excess of fair value	\$	993	\$	1,479

BANC OF CALIFORNIA, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Unaudited)

NOTE 13. FAIR VALUE MEASUREMENTS

The Company uses fair value to measure certain assets and liabilities on a recurring basis, primarily securities available-for-sale, derivatives, and certain debt liabilities. For assets measured at the lower of cost or fair value, the fair value measurement criteria may or may not be met during a reporting period and such measurements are therefore considered “nonrecurring” for purposes of disclosing our fair value measurements. Fair value is used on a nonrecurring basis to adjust carrying values for individually evaluated loans and leases and other real estate owned and also to record impairment on certain assets, such as goodwill, CDI, and other long-lived assets.

For information regarding the valuation methodologies used to measure our assets recorded at fair value (under ASC Topic 820), and for estimating fair value for financial instruments not recorded at fair value (under ASC Topic 825, as amended by ASU 2016-01 and ASU 2018-03), see Note 1. *Nature of Operations and Summary of Significant Accounting Policies* and Note 15. *Fair Value Measurements* to the Consolidated Financial Statements of the Company's Form 10-K.

The Company also holds SBIC investments measured at fair value using the NAV per share practical expedient that are not required to be classified in the fair value hierarchy. At September 30, 2024, the fair value of these investments was \$108.6 million.

The following tables present information on the assets and liabilities measured and recorded at fair value on a recurring basis as of the dates indicated:

Measured on a Recurring Basis	Fair Value Measurements as of September 30, 2024			
	Total	Level 1	Level 2	Level 3
	<i>(In thousands)</i>			
Securities available-for-sale:				
Agency residential MBS	\$ 922,448	\$ —	\$ 922,448	\$ —
Agency commercial MBS	33,532	—	33,532	—
Agency residential CMOs	418,240	—	418,240	—
Municipal securities	597	—	597	—
Corporate debt securities	266,630	—	251,221	15,409
Private label residential CMOs	339,725	—	339,725	—
Collateralized loan obligations	284,973	—	284,973	—
Private label commercial MBS	13,622	—	13,622	—
Asset-backed securities	16,204	—	16,204	—
SBA securities	4,313	—	4,313	—
Total securities available-for-sale	\$ 2,300,284	\$ —	\$ 2,284,875	\$ 15,409
Equity investments with readily determinable fair values	\$ 1	\$ 1	\$ —	\$ —
Derivatives ⁽¹⁾ :				
Equity warrants	3,297	—	—	3,297
Interest rate and economic contracts	7,565	—	7,565	—
Derivative liabilities	13,327	—	13,327	—
Credit-linked notes	119,624	—	—	119,624

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<u>Measured on a Recurring Basis</u>	Fair Value Measurements as of December 31, 2023			
	Total	Level 1	Level 2	Level 3
	(In thousands)			
Securities available-for-sale:				
Agency residential MBS	\$ 1,187,609	\$ —	\$ 1,187,609	\$ —
U.S. Treasury securities	4,968	4,968	—	—
Agency commercial MBS	253,306	—	253,306	—
Agency residential CMOs	284,334	—	284,334	—
Municipal securities	28,083	—	28,083	—
Corporate debt securities	267,232	—	226,983	40,249
Private label residential CMOs	158,412	—	158,412	—
Collateralized loan obligations	108,416	—	108,416	—
Private label commercial MBS	20,813	—	20,813	—
Asset-backed securities	19,952	—	19,952	—
SBA securities	13,739	—	13,739	—
Total securities available-for-sale	\$ 2,346,864	\$ 4,968	\$ 2,301,647	\$ 40,249
Equity investments with readily determinable fair values	\$ 1	\$ 1	\$ —	\$ —
Derivatives ⁽¹⁾:				
Equity warrants	3,689	—	—	3,689
Interest rate and economic contracts	8,309	—	8,309	—
Derivative liabilities	10,549	—	10,549	—
Credit-linked notes	123,116	—	—	123,116

(1) For information regarding derivative instruments, see Note 10. *Derivatives*.

During the nine months ended September 30, 2024, there was a \$20,000 transfer from Level 3 equity warrants to Level 1 equity investments with readily determinable fair values measured on a recurring basis. There was also a \$38.1 million transfer of corporate debt securities from Level 3 to Level 2 during the nine months ended September 30, 2024 and an \$16.8 million transfer of corporate debt securities from Level 2 to Level 3 during the same period.

The following table presents information about quantitative inputs and assumptions used to determine the fair values provided by our third-party pricing service for our Level 3 corporate debt securities available-for-sale measured at fair value on a recurring basis as of the date indicated:

<u>Unobservable Inputs</u>	September 30, 2024 Corporate Debt Securities	
	Input or Range of Inputs	Weighted Average Input ⁽¹⁾
Spread to 10 Year Treasury	4.0% - 9.2%	5.6%
Discount rates	7.8% - 13.0%	9.4%

(1) Unobservable inputs for corporate debt securities were weighted by the relative fair values of the instruments.

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The following table presents information about quantitative inputs and assumptions used in the modified Black-Scholes option pricing model to determine the fair value for our Level 3 equity warrants measured at fair value on a recurring basis as of the date indicated:

	September 30, 2024	
	Range of Inputs	Weighted Average Input ⁽¹⁾
Unobservable Inputs		
Volatility	20.8% - 166.8%	25.7%
Risk-free interest rate	3.6% - 4.9%	3.7%
Remaining life assumption (in years)	0.08 - 4.98	3.18

(1) Unobservable inputs for equity warrants were weighted by the relative fair values of the instruments.

The following table summarizes activity for our Level 3 corporate debt securities available-for-sale, equity warrants, and credit-linked notes measured at fair value on a recurring basis for the period indicated:

	Corporate Debt Securities	Equity Warrants	Credit-Linked Notes
	<i>(In thousands)</i>		
Balance, December 31, 2023	\$ 40,249	\$ 3,689	\$ 123,116
Total included in earnings	—	65	(1,624)
Total included in other comprehensive income	(3,441)	—	2,110
Issuances	—	347	—
Principal payments	—	—	(3,978)
Transfer from Level 2	16,750	—	—
Transfer to Level 2	(38,149)	—	—
Exercises and settlements	—	(784)	—
Transfers to Level 1 (equity investments with readily determinable fair values)	—	(20)	—
Balance, September 30, 2024	<u>\$ 15,409</u>	<u>\$ 3,297</u>	<u>\$ 119,624</u>
Unrealized net gains (losses) for the period included in other comprehensive income for securities held at quarter-end	<u>\$ (4,341)</u>		

The following tables present assets measured at fair value on a non-recurring basis as of the dates indicated:

	Fair Value Measurement as of			
	September 30, 2024			
	Total	Level 1	Level 2	Level 3
Measured on a Non-Recurring Basis	<i>(In thousands)</i>			
Individually evaluated loans and leases	\$ 55,519	\$ —	\$ 34,204	\$ 21,315
OREO	4,479	—	4,479	—
Total non-recurring	<u>\$ 59,998</u>	<u>\$ —</u>	<u>\$ 38,683</u>	<u>\$ 21,315</u>

	Fair Value Measurement as of			
	December 31, 2023			
	Total	Level 1	Level 2	Level 3
Measured on a Non-Recurring Basis	<i>(In thousands)</i>			
Individually evaluated loans and leases	\$ 6,402	\$ —	\$ 4,051	\$ 2,351
OREO	3,422	—	3,422	—
Total non-recurring	<u>\$ 9,824</u>	<u>\$ —</u>	<u>\$ 7,473</u>	<u>\$ 2,351</u>

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The following table presents losses recognized on assets measured on a nonrecurring basis for the periods indicated:

Losses on Assets Measured on a Non-Recurring Basis	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
	<i>(In thousands)</i>			
Individually evaluated loans and leases	\$ 8,945	\$ 6,108	\$ 29,192	\$ 11,083
OREO	207	16	336	16
Total losses	\$ 9,152	\$ 6,124	\$ 29,528	\$ 11,099

The following table presents the valuation methodology and unobservable inputs for Level 3 assets measured at fair value on a nonrecurring basis as of the date indicated:

Asset	September 30, 2024				
	Fair Value	Valuation Technique	Unobservable Inputs	Input or Range	Weighted Average
	<i>(In thousands)</i>				
Individually evaluated loans and leases ⁽¹⁾	\$ 13,957	Discounted cash flows	Discount rates	8.50% - 8.50%	8.50%
Individually evaluated loans and leases	7,358	Third-party appraisals	No discounts		
Total non-recurring Level 3	\$ 21,315				

(1) Relates to one loan at September 30, 2024.

The following tables present carrying amounts and estimated fair values of certain financial instruments as of the dates indicated:

Financial Assets:	September 30, 2024				
	Carrying Amount	Estimated Fair Value			
	Total	Level 1	Level 2	Level 3	
	<i>(In thousands)</i>				
Cash and due from banks	\$ 251,869	\$ 251,869	\$ 251,869	\$ —	\$ —
Interest-earning deposits in financial institutions	2,302,358	2,302,358	2,302,358	—	—
Securities available-for-sale	2,300,284	2,300,284	—	2,284,875	15,409
Securities held-to-maturity	2,301,263	2,229,482	180,427	2,045,576	3,479
Investment in FRB and FHLB stock	145,123	145,123	—	145,123	—
Loans held for sale	28,639	29,355	—	29,355	—
Loans and leases held for investment, net	23,273,432	22,198,131	—	34,204	22,163,927
Equity investments with readily determinable fair values	1	1	1	—	—
Equity warrants	3,297	3,297	—	—	3,297
Interest rate and economic contracts	7,565	7,565	—	7,565	—
Servicing rights	20,102	20,661	—	—	20,661
Financial Liabilities:					
Demand, checking, money market, and savings deposits	22,383,666	22,383,666	—	22,383,666	—
Time deposits	4,444,603	4,513,879	—	4,513,879	—
Borrowings	1,591,833	1,564,364	—	1,444,740	119,624
Subordinated debt	942,151	886,815	—	886,815	—
Derivative liabilities	13,327	13,327	—	13,327	—

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	December 31, 2023				
	Carrying	Estimated Fair Value			
	Amount	Total	Level 1	Level 2	Level 3
	<i>(In thousands)</i>				
Financial Assets:					
Cash and due from banks	\$ 202,427	\$ 202,427	\$ 202,427	\$ —	\$ —
Interest-earning deposits in financial institutions	5,175,149	5,175,149	5,175,149	—	—
Securities available-for-sale	2,346,864	2,346,864	4,968	2,301,647	40,249
Securities held-to-maturity	2,287,291	2,168,316	175,579	1,976,015	16,722
Investment in FRB and FHLB stock	126,346	126,346	—	126,346	—
Loans held for sale	122,757	126,646	—	126,646	—
Loans and leases held for investment, net	25,208,000	23,551,725	—	4,051	23,547,674
Equity investments with readily determinable fair values	1	1	1	—	—
Equity warrants	3,689	3,689	—	—	3,689
Interest rate and economic contracts	8,309	8,309	—	8,309	—
Servicing rights	22,174	22,174	—	—	22,174
Financial Liabilities:					
Demand, checking, money market, and savings deposits	23,768,896	23,768,896	—	23,768,896	—
Time deposits	6,632,873	6,732,246	—	6,732,246	—
Borrowings	2,911,322	2,908,527	—	2,785,411	123,116
Subordinated debt	936,599	851,625	—	851,625	—
Derivative liabilities	10,549	10,549	—	10,549	—

Limitations

Fair value estimates are made at a specific point in time and are based on relevant market information and information about the financial instrument. These estimates do not reflect income taxes or any premium or discount that could result from offering for sale at one time the Company's entire holdings of a particular financial instrument. Because no market exists for a portion of the Company's financial instruments, fair value estimates are based on what management believes to be reasonable judgments regarding expected future cash flows, current economic conditions, risk characteristics of various financial instruments, and other factors. These estimated fair values are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates. Since the fair values have been estimated as of September 30, 2024, the amounts that will actually be realized or paid at settlement or maturity of the instruments could be significantly different.

BANC OF CALIFORNIA, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Unaudited)

NOTE 14. (LOSS) EARNINGS PER SHARE

The following table presents the computations of basic and diluted net earnings (loss) per share for the periods indicated:

	Three Months Ended September 30,				
	2024			2023	
	<i>(In thousands, except per share amounts)</i>				
	Voting Common	Class B Non-Voting Common	Non-Voting Common Stock Equivalents	Total Common	Total Common ⁽²⁾
Basic Loss Per Share:					
Net loss available to common and equivalent stockholders	\$ (1,092)	\$ (3)	\$ (68)	\$ (1,163)	\$ (33,291)
Less: Earnings allocated to unvested restricted stock (1)	59	—	—	59	374
Net loss allocated to common and equivalent shares	<u>\$ (1,033)</u>	<u>\$ (3)</u>	<u>\$ (68)</u>	<u>\$ (1,104)</u>	<u>\$ (32,917)</u>
Weighted average basic shares and unvested restricted stock outstanding	158,503	477	9,903	168,883	78,831
Less: weighted average unvested restricted stock outstanding	(300)	—	—	(300)	(950)
Weighted average basic shares outstanding	<u>158,203</u>	<u>477</u>	<u>9,903</u>	<u>168,583</u>	<u>77,881</u>
Basic loss per share	<u>\$ (0.01)</u>	<u>\$ (0.01)</u>	<u>\$ (0.01)</u>	<u>\$ (0.01)</u>	<u>\$ (0.42)</u>
Diluted Loss Per Share:					
Net loss allocated to common and equivalent shares	\$ (1,033)	\$ (3)	\$ (68)	\$ (1,104)	\$ (32,917)
Weighted average diluted shares outstanding	158,203	477	9,903	168,583	77,881
Diluted loss per share	<u>\$ (0.01)</u>	<u>\$ (0.01)</u>	<u>\$ (0.01)</u>	<u>\$ (0.01)</u>	<u>\$ (0.42)</u>

(1) Represents cash dividends paid to holders of unvested restricted stock, net of forfeitures, plus undistributed earnings amounts available to holders of unvested restricted stock, if any.

(2) Share amounts for the three months ended September 30, 2023 have been restated by multiplying historical amounts by the Merger exchange ratio of 0.6569.

BANC OF CALIFORNIA, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Unaudited)

	Nine Months Ended September 30,				
	2024			2023	
	<i>(In thousands, except per share amounts)</i>				
	Voting Common	Class B Non-Voting Common	Non-Voting Common Stock Equivalents	Total Common	Total Common ⁽²⁾
Basic Earnings (Loss) Per Share:					
Net earnings (loss) available to common and equivalent stockholders	\$ 37,575	\$ 114	\$ 2,439	\$ 40,128	\$ (1,446,023)
Less: Earnings allocated to unvested restricted stock (1)	27	—	—	27	136
Net earnings (loss) allocated to common and equivalent shares	<u>\$ 37,602</u>	<u>\$ 114</u>	<u>\$ 2,439</u>	<u>\$ 40,155</u>	<u>\$ (1,445,887)</u>
Weighted average basic shares and unvested restricted stock outstanding	158,242	477	10,234	168,953	78,941
Less: weighted average unvested restricted stock outstanding	(567)	—	—	(567)	(1,263)
Weighted average basic shares outstanding	<u>157,675</u>	<u>477</u>	<u>10,234</u>	<u>168,386</u>	<u>77,678</u>
Basic earnings (loss) per share	<u>\$ 0.24</u>	<u>\$ 0.24</u>	<u>\$ 0.24</u>	<u>\$ 0.24</u>	<u>\$ (18.61)</u>
Diluted Earnings (Loss) Per Share:					
Net earnings (loss) allocated to common and equivalent shares	\$ 37,602	\$ 114	\$ 2,439	\$ 40,155	\$ (1,445,887)
Weighted average diluted shares outstanding	157,675	477	10,234	168,386	77,678
Diluted earnings (loss) per share	<u>\$ 0.24</u>	<u>\$ 0.24</u>	<u>\$ 0.24</u>	<u>\$ 0.24</u>	<u>\$ (18.61)</u>

(1) Represents cash dividends paid to holders of unvested restricted stock, net of forfeitures, plus undistributed earnings amounts available to holders of unvested restricted stock, if any.

(2) Share amounts for the nine months ended September 30, 2023 have been restated by multiplying historical amounts by the Merger exchange ratio of 0.6569.

The following table presents the weighted average outstanding restricted shares and warrants that were not included in the computation of diluted earnings (loss) per share because their effect would be anti-dilutive for the three and nine months ended September 30, 2024 and 2023:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
	<i>(In thousands)</i>			
Restricted stock awards and units ⁽¹⁾	300	950	567	1,263
Warrants	18,902	—	18,902	—

(1) Share amounts for the three and nine months ended September 30, 2023 have been restated by multiplying historical amounts by the Merger exchange ratio of 0.6569.

BANC OF CALIFORNIA, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Unaudited)

NOTE 15. REVENUE FROM CONTRACTS WITH CUSTOMERS

Disaggregation of Revenue

The following table presents interest income and noninterest income, the components of total revenue, as disclosed in the condensed consolidated statements of earnings (loss) and the related amounts which are from contracts with customers within the scope of ASC Topic 606, "Revenue from Contracts with Customers," for the periods indicated. As illustrated here, substantially all of our revenue is specifically excluded from the scope of ASC Topic 606.

	Three Months Ended September 30,			
	2024		2023	
	Total Recorded Revenue	Revenue from Contracts with Customers	Total Recorded Revenue	Revenue from Contracts with Customers
	<i>(In thousands)</i>			
Total Interest Income	\$ 446,893	\$ —	\$ 446,084	\$ —
Noninterest Income:				
Service charges on deposit accounts	4,568	4,568	4,018	4,018
Other commissions and fees	8,256	4,322	7,641	3,974
Leased equipment income	17,176	—	14,554	—
Loss on sale of loans	(62)	—	(1,901)	—
Loss on sale of securities	(59,946)	—	—	—
Dividends and gains on equity investments	3,730	—	3,837	—
Warrant income (loss)	211	—	(88)	—
LOCOM HFS adjustment	(74)	—	307	—
Other income	10,689	170	15,440	117
Total noninterest (loss) income	(15,452)	9,060	43,808	8,109
Total Revenue	\$ 431,441	\$ 9,060	\$ 489,892	\$ 8,109

The following table presents revenue from contracts with customers based on the timing of revenue recognition for the periods indicated:

	Three Months Ended September 30,	
	2024	2023
	<i>(In thousands)</i>	
Products and services transferred at a point in time	\$ 4,012	\$ 3,698
Products and services transferred over time	5,048	4,411
Total revenue from contracts with customers	\$ 9,060	\$ 8,109

BANC OF CALIFORNIA, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Unaudited)

	Nine Months Ended September 30,			
	2024		2023	
	Total Recorded Revenue	Revenue from Contracts with Customers	Total Recorded Revenue	Revenue from Contracts with Customers
	<i>(In thousands)</i>			
Total Interest Income	\$ 1,388,186	\$ —	\$ 1,503,760	\$ —
Noninterest Income:				
Service charges on deposit accounts	13,813	13,813	11,906	11,906
Other commissions and fees	25,027	13,708	29,226	12,528
Leased equipment income	40,379	—	50,798	—
Gain (loss) on sale of loans	625	—	(157,820)	—
Loss on sale of securities	(59,946)	—	—	—
Dividends and gains on equity investments	7,964	—	7,593	—
Warrant gain (loss)	65	—	(545)	—
LOCOM HFS adjustment	218	—	(11,636)	—
Other income	20,011	396	22,595	628
Total noninterest income (loss)	48,156	27,917	(47,883)	25,062
Total Revenue	\$ 1,436,342	\$ 27,917	\$ 1,455,877	\$ 25,062

The following table presents revenue from contracts with customers based on the timing of revenue recognition for the periods indicated:

	Nine Months Ended September 30,	
	2024	2023
	<i>(In thousands)</i>	
Products and services transferred at a point in time	\$ 13,093	\$ 11,899
Products and services transferred over time	14,824	13,163
Total revenue from contracts with customers	\$ 27,917	\$ 25,062

Contract Balances

The following table provides information about receivables, contract assets, and contract liabilities from contracts with customers as of the dates indicated:

	September 30, 2024	December 31, 2023
	<i>(In thousands)</i>	
Receivables, which are included in "Other assets"	\$ 1,457	\$ 1,615
Contract liabilities, which are included in "Accrued interest payable and other liabilities"	\$ 366	\$ 418

Contract liabilities relate to advance consideration received from customers for which revenue is recognized over the life of the contract. The change in contract liabilities for the nine months ended September 30, 2024 due to revenue recognized that was included in the contract liability balance at the beginning of the period was \$52,000.

BANC OF CALIFORNIA, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Unaudited)

NOTE 16. STOCKHOLDERS' EQUITY

Stock-Based Compensation

At the special meeting of stockholders held on November 22, 2023, the Company's stockholders approved the Amended and Restated Banc of California, Inc. 2018 Stock Incentive Plan (the "Amended and Restated 2018 Plan"). The Company's Amended and Restated 2018 Plan permits stock-based compensation awards to officers, directors, employees, and consultants and will remain in effect until November 30, 2033. The Amended and Restated 2018 Plan authorizes grants of stock-based compensation instruments to purchase or issue up to 10,717,882 shares. As of September 30, 2024, there were 4,744,823 shares available for grant under the Amended and Restated 2018 Plan. In addition to the Amended and Restated 2018 Plan, in connection with the Merger, the Company assumed the Amended and Restated PacWest Bancorp 2017 Stock Incentive Plan (the "PacWest 2017 Plan") with respect to PacWest's outstanding stock-based awards.

Restricted Stock

Restricted stock amortization totaled \$5.2 million and \$0.3 million for the three months ended September 30, 2024 and 2023 and \$13.3 million and \$12.9 million nine months ended September 30, 2024 and 2023. Such amounts are included in "Compensation expense" on the condensed consolidated statements of earnings (loss). The amount of unrecognized compensation expense related to all unvested RSUs, TRSAs, and PRSUs as of September 30, 2024 totaled \$49.9 million.

Time-Based Restricted Stock Awards

At September 30, 2024, there were 1,810,224 shares of unvested RSUs outstanding pursuant to the Amended and Restated 2018 Plan. At September 30, 2024, there were 283,624 shares of unvested TRSAs outstanding pursuant to the PacWest 2017 Plan. The RSUs and TRSAs generally vest over a service period of three or four years from the date of the grant or immediately upon death of an employee. Compensation expense related to RSUs and TRSAs is based on the fair value of the underlying stock on the award date and is recognized over the vesting period using the straight-line method. TRSAs were assumed by the Company in connection with the Merger and continue to vest in accordance with the original vesting schedule of the awards.

Performance-Based Restricted Stock Units

At September 30, 2024, there were 2,473,467 units of unvested PRSUs that have been granted. Compensation expense related to PRSUs is based on the fair value of the underlying stock on the award date and is amortized over the vesting period using the straight-line method unless it is determined that: (1) attainment of the financial metrics is less than probable, in which case a portion of the amortization is suspended, or (2) attainment of the financial metrics is improbable, in which case a portion of the previously recognized amortization is reversed and also suspended. Annual PRSU expense may vary during the performance period based upon changes in management's estimate of the number of shares that may ultimately vest. In the case where the performance target for the PRSUs is based on a market condition (such as total shareholder return), the amortization is neither reversed nor suspended if it is subsequently determined that the attainment of the performance target is less than probable or improbable and the employee continues to meet the service requirement of the award.

Classes of Stock and Equity Instruments

Preferred Stock

Depositary shares each representing 1/40th of a share of 7.75% Fixed Rate Reset Non-Cumulative Perpetual Preferred Stock, Series F ("Series F Preferred Stock") are listed on the NYSE under the symbol "BANC/PF." The Series F Preferred Stock ranks senior to our common stock and common stock equivalents both as to dividends and liquidation preference but generally have no voting rights. There are 50,000,000 total preferred shares authorized, of which 27,000,000 were authorized for the non-voting common stock equivalents ("NVCE") and 513,250 were authorized and outstanding for the Series F Preferred stock at September 30, 2024 and December 31, 2023.

BANC OF CALIFORNIA, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Unaudited)

Common Stock

Our voting common stock is listed on the NYSE under the symbol "BANC" and there were 446,863,844 shares authorized at September 30, 2024 and December 31, 2023 and 158,328,021 shares outstanding at September 30, 2024 and 156,790,349 shares outstanding at December 31, 2023.

Class B Non-Voting Common Stock

Our Class B non-voting common stock is not listed or traded on any national securities exchange or automated quotation system, and there currently is no established trading market for such stock. The Class B non-voting common stock ranks equally with, and has identical rights, preferences, and privileges as the voting common stock with respect to dividends and liquidation preference but generally have no voting rights. There were 3,136,156 shares authorized at September 30, 2024 and December 31, 2023 and 477,321 shares outstanding at September 30, 2024 and 477,321 shares outstanding at December 31, 2023.

Non-Voting Common Stock Equivalents

In conjunction with the Merger, the Company issued a new class of NVCE from authorized preferred stock, which were issued under the Investment Agreements (as defined below). Our NVCE stock is not listed or traded on any national securities exchange or automated quotation system, and there currently is no established trading market for such stock. The NVCE stock does not have voting rights and ranks equally with, and has identical rights, preferences, and privileges as, the voting common stock with respect to dividends or distributions (including regular quarterly dividends) declared by the Board and rights upon any liquidation, dissolution, winding up or similar proceeding of the Company. There were 27,000,000 shares authorized at September 30, 2024 and December 31, 2023 and 9,790,600 shares outstanding at September 30, 2024 and 10,829,990 shares outstanding at December 31, 2023.

Warrants

In conjunction with the Merger and per the terms of the investment agreements, each dated July 25, 2023, entered into by Banc of California, Inc. with the Warburg Investors (such agreement, the "Warburg Investment Agreement") and the Centerbridge Investor (together with the Warburg Investment Agreement, the "Investment Agreements"), respectively, the Warburg Investors received warrants to purchase 15,853,659 shares of NVCE stock, and the Centerbridge Investor received warrants to purchase 3,048,780 shares of voting common stock (the "Centerbridge Warrants"), each with an initial exercise price of \$15.375 per share, subject to customary anti-dilution adjustments provided for under the warrant agreements. The warrants carry a term of seven years but are subject to mandatory exercise when the market price of the voting common stock reaches or exceeds \$24.60 for 20 or more trading days during any 30-consecutive trading day period. These warrants are being accounted for as equity. The exercise price of the Centerbridge Warrants will be adjusted downward, per the terms of the agreement, for cash distributions to stockholders of the Company's voting common stock, including the Company's quarterly cash dividend.

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 September 30, 2024, 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 the transaction described below with the Company's current 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.

BANC OF CALIFORNIA, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Unaudited)

The Company is a party to a services agreement with IntraFi Network LLC (“IntraFi”) whereby IntraFi provides the Bank with certain insured cash sweep services from time to time. Affiliates of funds managed by Warburg Pincus LLC hold a material investment interest in IntraFi. Additionally, one of Warburg Pincus LLC’s principals, Todd Schell, who currently serves as a member of the Board, is a member of the board of directors of IntraFi. Affiliates of funds managed by Warburg Pincus LLC beneficially owned approximately 9.9% of the Company’s outstanding voting common stock as of July 30, 2023, based on information reported on a Schedule 13D filed with the SEC on August 1, 2024. For the three and nine months ended September 30, 2024, the amounts paid to IntraFi for certain insured cash sweep services were \$1.8 million and \$6.0 million and were \$2.6 million and \$6.6 million for the three and nine months ended September 30, 2023.

NOTE 18. SUBSEQUENT EVENTS

Common Stock Dividends

On November 8, 2024, the Company announced that the Board of Directors had declared a quarterly cash dividend of \$0.10 per common share. The cash dividend is payable on January 2, 2025, to stockholders of record at the close of business on December 16, 2024.

Preferred Stock Dividend

On November 8, 2024, the Company announced the that the Board of Directors had declared a quarterly cash dividend of \$0.4845 per Depository Share. The cash dividend is payable on December 2, 2024 to stockholders of record at the close of business on November 21, 2024.

NOTE 19. RECENTLY ISSUED ACCOUNTING STANDARDS

Standard	Description	Effective Date	Effect on the Financial Statements or Other Significant Matters
ASU 2023-06, <i>Disclosure Improvements - Codification Amendments in Response to the SEC's Disclosure Update and Simplification Initiative</i>	This standard amends certain Subtopics of the ASC to incorporate certain disclosure requirements from SEC Release No. 33-10532, "Disclosure Update and Simplification" that was issued in 2018. The amendments in this standard should be applied prospectively. Early adoption is prohibited.	The effective date for each amendment will be the date on which the SEC's removal of the related disclosure from Regulation S-X or Regulation S-K becomes effective.	The Company does not expect the adoption of ASU 2023-06 to have a material impact on its consolidated financial statements.
Standard	Description	Effective Date	Effect on the Financial Statements or Other Significant Matters
ASU 2023-07, <i>Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures</i>	The standard improves reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses. The enhanced segment disclosure requirements apply retrospectively to all prior periods presented in the financial statements. Additionally, early adoption is permitted.	December 31, 2024	The Company is evaluating the impact of this standard on its consolidated financial statements.

BANC OF CALIFORNIA, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Unaudited)

Standard	Description	Effective Date	Effect on the Financial Statements or Other Significant Matters
ASU 2023-09, <i>Income Taxes (Topic 740): Improvements to Income Tax Disclosures</i>	The standard, among other changes, improves annual income tax disclosures by requiring disaggregated information about a reporting entity's effective tax rate reconciliation as well as information on income taxes paid. The enhanced income tax disclosure requirements apply on a prospective basis to annual financial statements for periods beginning after the effective date. However, retrospective application in all prior periods presented is permitted. Additionally, early adoption is permitted.	January 1, 2025	The Company is evaluating the impact of this standard on its consolidated financial statements.

Standard	Description	Effective Date	Effect on the Financial Statements or Other Significant Matters
ASU 2024-02, <i>Codification Improvements: Amendments to Remove References to the Concepts Statements</i>	The ASU amends the Codification to remove references to various concepts and impacts a variety of topics in the Codification. In most instances, the references are extraneous and not required to understand or apply the guidance. In other instances, the references were used in prior Concept Statements to provide guidance in certain topical areas. The amendment in this ASU should be applied using one of the following transition methods: (1) prospectively to all new transactions recognized on or after the date that the entity first applies the amendments; or (2) retrospectively to the beginning of the earliest comparative period presented in which the amendments were first applied. Additionally, early adoption is permitted.	January 1, 2025	The Company is evaluating the impact of this standard on its consolidated financial statements.

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 nine months ended September 30, 2024. This analysis should be read in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2023 (the "Form 10-K") and with the unaudited consolidated financial statements and notes thereto set forth in this Quarterly Report on Form 10-Q.

Forward-Looking Information

This Quarterly Report on Form 10-Q contains certain "forward-looking statements" about the Company and its subsidiaries within the meaning of the Private Securities Litigation Reform Act of 1995, including certain plans, strategies, goals, and projections and including statements about our expectations regarding our operating expenses, profitability, allowance for credit losses, net interest margin, net interest income, deposit growth, loan and lease portfolio growth and production, acquisitions and related integrations, maintaining capital adequacy, liquidity, goodwill, and interest rate risk management. All statements contained in this Quarterly Report on Form 10-Q that are not clearly historical in nature are forward-looking, and the words "anticipate," "assume," "intend," "believe," "forecast," "expect," "estimate," "plan," "continue," "will," "should," "look forward" and similar expressions are generally intended to identify forward-looking statements. All forward-looking statements (including statements regarding future financial and operating results and future transactions and their results) involve risks, uncertainties, and contingencies, many of which are beyond our control, which may cause actual results, performance, or achievements to differ materially from anticipated results, performance, or achievements. Actual results could differ materially from those contained or implied by such forward-looking statements for a variety of factors, including without limitation:

- 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;
- changes in the interest rate environment, including the recent and potential future changes in the FRB benchmark rate, which could adversely affect our revenue and expenses, the value of assets and obligations, the realization of deferred tax assets, the availability and cost of capital and liquidity, and the impacts of continuing inflation;
- 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 non-performing assets, and may result in our allowance for credit losses not being adequate;
- fluctuations in the demand for loans, and fluctuations in commercial and residential real estate values in our market area;
- the quality and composition of our securities portfolio;
- our ability to develop and maintain a strong core deposit base, including among our venture banking clients, or other low cost funding sources necessary to fund our activities particularly in a rising or high interest rate environment;
- the rapid withdrawal of a significant amount of demand deposits over a short period of time;
- the costs and effects of litigation;
- 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 merger with PacWest, reputational risk, regulatory risk and potential adverse reactions of the Company's or PacWest's customers, suppliers, vendors, employees or other business partners;
- 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;
- 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;

- the risk that our enterprise risk management framework may not be effective in mitigating risk and reducing the potential for losses;
- errors in estimates of fair values of certain of our assets and liabilities, which may result in significant changes in valuation;
- failures or security breaches with respect to the network, applications, vendors, and computer systems on which we depend, including due to cybersecurity threats;
- our ability to attract and retain key members of our senior management team;
- 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;
- the impact of bank failures or other adverse developments at other banks on general depositor and investor sentiment regarding the stability and liquidity of banks;
- the possibility that our recorded goodwill could become impaired, which may have an adverse impact on our earnings and capital;
- our existing indebtedness, together with any future incurrence of additional indebtedness, could adversely affect our ability to raise additional capital and to meet our debt obligations;
- the risk that we may incur significant losses on future asset sales; and
- other economic, competitive, governmental, regulatory, and technological factors affecting our operations, pricing, products and services and the other risks described in this Quarterly Report on Form 10-Q and from time to time in other documents that we file with or furnish to the SEC.

All forward-looking statements included in this Quarterly Report on Form 10-Q are based on information available at the time the statement is made. We are under no obligation to (and expressly disclaim any such obligation to) update or alter our forward-looking statements, whether as a result of new information, future events or otherwise except as required by law.

Presentation of Results – PacWest Bancorp Merger

On November 30, 2023, PacWest Bancorp merged with and into Banc of California, Inc. (the “Merger” or “PACW Merger”), with Banc of California, Inc. continuing as the surviving legal corporation and Banc of California, Inc. concurrently closed a \$400 million equity capital raise. The Merger was accounted for as a reverse merger using the acquisition method of accounting, therefore, PacWest Bancorp was deemed the acquirer for financial reporting purposes, even though Banc of California, Inc. was the legal acquirer. The Merger was an all-stock transaction and has been accounted for as a business combination. Banc of California, Inc.’s financial results for all periods ended prior to November 30, 2023 reflect PacWest Bancorp results only on a standalone basis. In addition, Banc of California, Inc.’s reported financial results for the year ended December 31, 2023 reflect PacWest Bancorp financial results only on a standalone basis until the closing of the Merger on November 30, 2023, and results of the combined company for the month of December 2023. The number of shares issued and outstanding, earnings per share, and all references to share quantities or metrics of Banc of California, Inc. have been retrospectively restated to reflect the equivalent number of shares issued in the Merger as the Merger was accounted for as a reverse merger. Under the reverse merger method of accounting, the assets and liabilities of legacy Banc of California, Inc. as of November 30, 2023 were recorded at their respective fair values.

Overview

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 (the "Bank"), a California state-chartered bank and member of the FRB. 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.

The Bank is a relationship-based community bank focused on providing business banking and treasury management services to small, middle-market, and venture-backed businesses. The Bank offers a broad range of loan and lease and deposit products and services through 80 full-service branches located throughout California and in Durham, North Carolina and Denver, Colorado, and loan production offices around the country.

At September 30, 2024, the Company had total assets of \$33.4 billion, including \$23.6 billion of total loans and leases, net of deferred fees, \$2.3 billion of securities available-for-sale, \$2.3 billion of securities held-to-maturity, and \$2.3 billion of interest-earning deposits in financial institutions compared to \$38.5 billion of total assets at December 31, 2023, including \$25.6 billion of total loans and leases, net of deferred fees, \$2.3 billion of securities available-for-sale, \$2.3 billion securities held-to-maturity, and \$5.2 billion of interest-earning deposits in financial institutions. The \$5.1 billion decrease in total assets since year-end was due mainly to a \$2.9 billion decrease in interest-earning deposits in financial institutions and a \$2.1 billion decrease in total loans and leases, net of deferred fees.

At September 30, 2024, the Company had total liabilities of \$29.9 billion, including total deposits of \$26.8 billion and borrowings of \$1.6 billion, compared to \$35.1 billion of total liabilities at December 31, 2023, including \$30.4 billion of total deposits and \$2.9 billion borrowings. The \$5.2 billion decrease in total liabilities since year-end was due mainly to a \$3.6 billion decrease in deposits and a \$1.3 billion decrease in borrowings.

The Company had total stockholders' equity of \$3.5 billion at September 30, 2024 and \$3.4 billion at December 31, 2023. The increase was due mainly to a \$104.0 million decrease in in the unrealized after-tax net loss in accumulated other comprehensive loss and net earnings of \$70.0 million, offset partially by common and preferred stock dividends of \$80.2 million. Our consolidated common equity Tier 1 (CET1), Tier 1 capital and Total capital ratios were 10.46%, 12.88%, and 17.00% at September 30, 2024.

Recent Events

Civic Loan Sale

On July 18, 2024, the Bank closed the sale of \$1.95 billion of Civic business-purpose residential loans which had been moved to held for sale at LOCOM of \$1.91 billion during the second quarter of 2024. The loan sale generated net proceeds of \$1.91 billion and provided liquidity and capital to support the repositioning of approximately \$742 million of securities and pay down higher-cost brokered deposits and borrowings, as discussed further below.

PacWest Bancorp Merger

On November 30, 2023, Banc of California, Inc. completed the Merger, pursuant to which PacWest Bancorp merged with and into Banc of California, Inc., with Banc of California, Inc. continuing as the surviving legal corporation and, as of December 1, 2023, Banc of California, N.A. merged into Pacific Western Bank with Pacific Western Bank continuing under the Banc of California name and brand as the Bank. Concurrent with the completion of the Merger, Banc of California, Inc. also completed its \$400 million equity raise from affiliates of funds managed by Warburg Pincus LLC and certain investment vehicles sponsored, managed, or advised by Centerbridge Partners, L.P. and its affiliates. The stock issued by Banc of California, Inc. as consideration in the Merger totaled approximately \$663 million.

The Merger was accounted for as a reverse merger using the acquisition method of accounting, therefore, PacWest Bancorp was deemed the accounting acquirer, even though Banc of California, Inc. was the legal acquirer. We recorded the legacy Banc of California, Inc. acquired assets and assumed liabilities, both tangible and intangible, at their estimated fair values as of the acquisition date. The application of the acquisition method of accounting resulted in goodwill of \$216.8 million. The Bank is headquartered in Los Angeles, California, and operates 80 branches located throughout California, and in North Carolina and Colorado. We completed the Merger to, among other things, enhance our scale and presence in California and augment and diversify our sources of revenue.

Balance Sheet Repositioning

In connection with the Merger, we implemented our previously announced balance sheet repositioning strategy. From the announcement of the Merger on July 25, 2023, through the end of the year, the combined company, legacy PacWest Bancorp and legacy Banc of California, Inc., sold assets totaling \$6.1 billion and completed the paydown of \$8.6 billion of high-cost liabilities, which improved the mix of earning assets and reduced the amount of higher-cost funding. The sold assets included \$3.9 billion of securities from both the legacy Banc of California, Inc. and PacWest Bancorp portfolios, and \$1.5 billion of single-family loans and \$0.7 billion of multi-family loans from the legacy Banc of California, Inc. portfolios. The liabilities that were paid down included \$4.7 billion of borrowings and \$3.9 billion of brokered deposits from both legacy entities.

In the third quarter of 2024, we closed on the sale of \$1.95 billion of Civic loans which had been moved to held for sale during the second quarter of 2024. The loan sale generated net proceeds of \$1.91 billion, which provided capital and liquidity to support the repositioning of a portion of the available-for-sale securities portfolio and pay down higher-cost brokered deposits and borrowings. We sold \$742 million of securities with a weighted average yield of 2.94% resulting in a pre-tax loss of \$60 million and purchased \$724 million of similar quality securities with a weighted average yield of 5.65%. The liabilities that were paid off included \$1.85 billion of brokered deposits with an average cost of 5.35% at the time of retirement and the remaining \$545 million in Bank Term Funding Program balance with a rate of 5.40%. We replaced a portion of these higher-cost fundings with the addition of a \$500 million long-term FHLB advance with a rate of 3.18%. These balance sheet repositioning actions that we executed during the quarter resulted in net interest margin expansion and improved both our capital and liquidity. As of September 30, 2024, the repositioning as contemplated as a result of the Merger has been largely completed.

Key Performance Indicators

Among other factors, our operating results generally depend on the following key performance indicators:

The Level of Net Interest Income

Net interest income is the excess of interest earned on our interest-earning assets over the interest paid on our interest-bearing liabilities. Net interest margin is net interest income (annualized if related to a quarterly period) expressed as a percentage of average interest-earning assets. Tax equivalent net interest income is net interest income increased by an adjustment for tax-exempt interest on certain loans and investment securities based on a 21% federal statutory tax rate. Tax equivalent net interest margin is calculated as tax equivalent net interest income divided by average interest-earning assets.

Net interest income is affected by changes in both interest rates and the volume of average interest-earning assets and interest-bearing liabilities. Our primary interest-earning assets are loans and investment securities, and our primary interest-bearing liabilities are deposits and borrowings. While our deposit balances will fluctuate depending on our customers' liquidity and cash flow, market conditions, and competitive pressures, we seek to minimize the impact of these variances by attracting a high percentage of noninterest-bearing deposits. Our current priorities are to increase customer deposits to replace brokered deposits, which will reduce our interest expense.

Loan and Lease Production

We actively seek new lending opportunities under an array of lending products. Our lending activities include real estate mortgage loans, real estate construction and land loans, commercial loans and leases, and a small amount of consumer lending. Our commercial real estate loans and real estate construction loans are secured by a range of property types. Our commercial loans and leases portfolio is diverse and generally includes various asset-secured loans, equipment-secured loans and leases, venture capital loans to support venture capital firms' operations and the operations of entrepreneurial and venture-backed companies during the various phases of their early life cycles, and secured business loans.

Our loan origination process emphasizes credit quality. On occasion, to augment our internal loan production, we have purchased loans such as multi-family loans from other banks, private student loans from third-party lenders, and single-family residential mortgage loans. These loan purchases help us manage the concentrations in our portfolio as they diversify the geographic risk, interest-rate risk, credit risk, and product composition of our loan portfolio. Achieving net loan growth is subject to many factors, including maintaining strict credit standards, competition from other lenders, and borrowers that opt to prepay loans.

The Magnitude of Credit Losses

We emphasize credit quality in originating and monitoring our loans and leases, and we measure our success by the levels of our classified loans and leases, nonaccrual loans and leases, and net charge-offs. We maintain an allowance for credit losses on loans and leases, which is the sum of the allowance for loan and lease losses and the reserve for unfunded loan commitments. Provisions for credit losses are charged to operations as and when needed for both on and off-balance sheet credit exposures. Loans and leases that are deemed uncollectable are charged off and deducted from the allowance for loan and lease losses. Recoveries on loans and leases previously charged off are added to the allowance for loan and lease losses. The provision for credit losses on the loan and lease portfolio is based on our allowance methodology, which considers the impact of assumptions and is reflective of historical experience, economic forecasts viewed to be reasonable and supportable by management, the current loan and lease composition, and relative credit risks known as of the balance sheet date. For originated and acquired credit-deteriorated loans, a provision for credit losses may be recorded to reflect credit deterioration after the origination date or after the acquisition date, respectively.

We regularly review loans and leases to determine whether there has been any deterioration in credit quality resulting from borrower operations or changes in collateral value or other factors which may affect collectability of our loans and leases. Changes in economic conditions, such as the rate of economic growth, the unemployment rate, rate of inflation, increases in the general level of interest rates, declines in real estate values, changes in commodity prices, and adverse conditions in borrowers' businesses, could negatively impact our borrowers and cause us to adversely classify loans and leases. An increase in classified loans and leases generally results in increased provisions for credit losses and an increased allowance for credit losses. Any deterioration in the commercial real estate market may lead to increased provisions for credit losses because our loans are concentrated in commercial real estate loans.

The Level of Noninterest Expense

Our noninterest expense includes fixed and controllable overhead, the largest components of which are compensation expense, customer related expense, and occupancy expense. Customer related expenses are primarily earnings credit rate payments to customers and are mostly driven by the Homeowners Association ("HOA") business. It also includes costs that tend to vary based on the volume of activity, such as loan and lease production and the number and complexity of foreclosed assets. Additionally, noninterest expense included acquisition, integration and reorganization costs related to the Merger and a goodwill impairment charge recorded in 2023. We measure success in controlling both fixed and variable costs through monitoring of the ratio of noninterest expense to average total assets.

The following table presents the calculation of our ratio of noninterest expense to average total assets and for the periods indicated:

	Three Months Ended		Nine Months Ended	
	September 30,	June 30,	September 30,	
<u>Noninterest Expense to Average Total Assets</u>	2024	2024	2024	2023
	<i>(Dollars in thousands)</i>			
Noninterest expense	\$ 196,209	\$ 203,643	\$ 610,370	\$ 2,094,543
Average total assets	\$ 34,426,185	\$ 35,834,467	\$ 35,928,284	\$ 41,187,428
Noninterest expense to average total assets ⁽¹⁾	2.27 %	2.29 %	2.27 %	6.80 %

(1) Annualized.

Critical Accounting Policies and Estimates

The following discussion and analysis of financial condition and results of operations are based upon our condensed consolidated financial statements and the notes thereto, which have been prepared in accordance with U.S. GAAP. The preparation of the condensed consolidated financial statements requires us to make a number of estimates and assumptions that affect the reported amounts and disclosures in the condensed consolidated financial statements. On an ongoing basis, we evaluate our estimates and assumptions based upon historical experience and various other factors and circumstances. We believe that our estimates and assumptions are reasonable; however, actual results may ultimately differ significantly from these estimates and assumptions, which could have a material adverse effect on the carrying value of assets and liabilities at the balance sheet dates and on our results of operations for the reporting periods.

Our accounting policies and estimates are fundamental to understanding the following discussion and analysis of financial condition and results of operations. We identify critical policies and estimates as those that require management to make particularly difficult, subjective, and/or complex judgments about matters that are inherently uncertain and because of the likelihood that materially different amounts would be reported under different conditions or using different assumptions. These policies and estimates relate to the allowance for credit losses on loans and leases held for investment, business combinations, the carrying value of goodwill and other intangible assets, and the realization of deferred income tax assets and liabilities.

Our critical accounting policies and estimates are described in Item 7. *Management's Discussion and Analysis of Financial Condition and Results of Operations* included in the Form 10-K.

Non-GAAP Financial Measures

We use certain non-GAAP financial measures to provide meaningful supplemental information regarding the Company's operational performance and to enhance investors' overall understanding of such financial performance. This disclosure should not be viewed as a substitute for results determined in accordance with GAAP. The methodology for determining these non-GAAP measures may differ among companies and may not be comparable. We used the following non-GAAP measures in this Quarterly Report on Form 10-Q:

- **Return on average tangible common equity ("ROATCE"), tangible common equity ratio, and tangible book value per common share:** Given that the use of these measures is prevalent among banking regulators, investors, and analysts, we disclose them in addition to the related GAAP measures of return on average equity, equity to assets ratio, and book value per common share, respectively. The reconciliations of these non-GAAP measures to the GAAP measures are presented in the following tables for and as of the periods presented.

	Three Months Ended		Nine Months Ended	
	September 30, 2024	June 30, 2024	September 30, 2024 2023	
Return on Average Tangible Common Equity	<i>(Dollars in thousands)</i>			
Net earnings (loss)	\$ 8,784	\$ 30,333	\$ 69,969	\$ (1,416,182)
Earnings (loss) before income taxes	\$ 11,514	\$ 44,637	\$ 98,551	\$ (1,551,349)
Add: Intangible asset amortization	8,485	8,484	25,373	7,189
Add: Goodwill impairment	—	—	—	1,376,736
Adjusted earnings (loss) before income taxes	19,999	53,121	123,924	(167,424)
Adjusted income tax expense (benefit) ⁽¹⁾	5,522	15,203	34,215	(15,319)
Adjusted net earnings (loss)	14,477	37,918	89,709	(152,105)
Less: Preferred stock dividends	9,947	9,947	29,841	29,841
Adjusted net earnings (loss) available to common and equivalent stockholders	\$ 4,530	\$ 27,971	\$ 59,868	\$ (181,946)
Average stockholders' equity	\$ 3,452,575	\$ 3,395,350	\$ 3,412,964	\$ 3,060,696
Less: Average intangible assets	361,316	352,934	358,321	476,721
Less: Average preferred stock	498,516	498,516	498,516	498,516
Average tangible common equity	\$ 2,592,743	\$ 2,543,900	\$ 2,556,127	\$ 2,085,459
Return on average equity ⁽²⁾	1.01 %	3.59 %	2.74 %	(61.86)%
Return on average tangible common equity ⁽³⁾	0.70 %	4.42 %	3.13 %	(11.66)%

(1) Effective tax rates of 27.61%, 28.62% and 9.15% used for the three months ended September 30, 2024, June 30, 2024 and September 30, 2023, respectively. Effective tax rates of 27.61% and 9.15% used for the nine months ended September 30, 2024 and 2023.

(2) Annualized net earnings (loss) divided by average stockholders' equity.

(3) Annualized adjusted net earnings (loss) available to common and equivalent stockholders divided by average tangible common equity.

**Tangible Common Equity to Tangible Assets and
Tangible Book Value Per Common Share**

	September 30, 2024	December 31, 2023
	<i>(Dollars in thousands, except per share data)</i>	
Stockholders' equity	\$ 3,496,198	\$ 3,390,765
Less: Preferred stock	498,516	498,516
Total common equity	2,997,682	2,892,249
Less: Goodwill and intangible assets	357,332	364,104
Tangible common equity	\$ 2,640,350	\$ 2,528,145
Total assets	\$ 33,432,613	\$ 38,534,064
Less: Goodwill and intangible assets	357,332	364,104
Tangible assets	\$ 33,075,281	\$ 38,169,960
Total stockholders' equity to total assets ratio	10.46 %	8.80 %
Tangible common equity to tangible assets ratio	7.98 %	6.62 %
Book value per common share ⁽¹⁾	\$ 17.75	\$ 17.12
Tangible book value per common share ⁽²⁾	\$ 15.63	\$ 14.96
Common and equivalent shares outstanding ⁽³⁾	168,879,566	168,959,063

(1) Total common equity divided by common and equivalent shares outstanding.

(2) Tangible common equity divided by common and equivalent shares outstanding.

(3) Common and equivalent shares outstanding include non-voting common stock equivalents that are participating securities.

**Adjusted Net Earnings, Net Earnings
Available to Common and Equivalent
Stockholders, Diluted EPS, and ROAA**

	Three Months Ended		Nine Months Ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
	<i>(In thousands, except per share amounts)</i>			
Net earnings (loss)	\$ 8,784	\$ (23,344)	\$ 69,969	\$ (1,416,182)
Earnings (loss) before income taxes	\$ 11,514	\$ (26,566)	\$ 98,551	\$ (1,551,349)
Add: FDIC special assessment	—	—	5,816	—
Add: Loss on sale of securities	59,946	—	59,946	—
Less: Acquisition, integration, and reorganization costs	(510)	9,925	(13,160)	30,833
Add: Loan fair value loss adjustments	—	—	—	170,971
Add: Unfunded commitments fair value loss adjustments	—	—	—	106,767
Add: Goodwill impairment	—	—	—	1,376,736
Adjusted earnings (loss) before income taxes	70,950	(16,641)	151,153	133,958
Adjusted income tax expense (benefit) ⁽¹⁾	19,589	(1,523)	41,733	12,257
Adjusted net earnings (loss)	51,361	(15,118)	109,420	121,701
Less: Preferred stock dividends	(9,947)	(9,947)	(29,841)	(29,841)
Adjusted net earnings (loss) available to common and equivalent stockholders	\$ 41,414	\$ (25,065)	\$ 79,579	\$ 91,860
Weighted average common shares outstanding	168,583	77,881	168,386	77,678
Diluted (loss) earnings per common share	\$ (0.01)	\$ (0.42)	\$ 0.24	\$ (18.61)
Adjusted diluted earnings (loss) per common share ⁽²⁾	\$ 0.25	\$ (0.32)	\$ 0.47	\$ 1.18
Average total assets	\$ 34,426,185	\$ 37,807,758	\$ 35,928,284	\$ 41,187,428
Return on average assets ("ROAA") ⁽³⁾	0.10 %	(0.24)%	0.26 %	(4.60)%
Adjusted ROAA ⁽⁴⁾	0.59 %	(0.16)%	0.41 %	0.40 %

(1) Effective tax rates of 27.61% used for the 2024 periods and 9.15% for the 2023 periods.

(2) Adjusted net earnings (loss) available to common and equivalent stockholders divided by weighted average common shares outstanding.

(3) Annualized net earnings (loss) divided by average assets.

(4) Annualized adjusted net earnings (loss) divided by average assets.

Results of Operations

Earnings Performance

The following table presents performance metrics for the periods indicated:

	Three Months Ended		Nine Months Ended	
	September 30, 2024	June 30, 2024	September 30, 2024	September 30, 2023
<i>(Dollars in thousands, except per share data)</i>				
Earnings Summary:				
Interest income	\$ 446,893	\$ 462,589	\$ 1,388,186	\$ 1,503,760
Interest expense	(214,718)	(233,101)	(697,421)	(907,683)
Net interest income	232,175	229,488	690,765	596,077
Provision for credit losses	(9,000)	(11,000)	(30,000)	(5,000)
Noninterest (loss) income	(15,452)	29,792	48,156	(47,883)
Operating expense	(196,719)	(216,293)	(623,530)	(686,974)
Acquisition, integration and reorganization costs	510	12,650	13,160	(30,833)
Goodwill impairment	—	—	—	(1,376,736)
Earnings (loss) before income taxes	11,514	44,637	98,551	(1,551,349)
Income tax (expense) benefit	(2,730)	(14,304)	(28,582)	135,167
Net earnings (loss)	8,784	30,333	69,969	(1,416,182)
Preferred stock dividends	(9,947)	(9,947)	(29,841)	(29,841)
Net (loss) earnings available to common and equivalent stockholders	\$ (1,163)	\$ 20,386	\$ 40,128	\$ (1,446,023)
Per Common Share Data:				
Diluted (loss) earnings per share ⁽¹⁾	\$ (0.01)	\$ 0.12	\$ 0.24	\$ (18.61)
Book value per share ⁽¹⁾	\$ 17.75	\$ 17.23		
Tangible book value per share ⁽¹⁾⁽²⁾	\$ 15.63	\$ 15.07		
Performance Ratios:				
Return on average assets	0.10 %	0.34 %	0.26 %	(4.60)%
Return on average tangible common equity ⁽¹⁾⁽²⁾	0.70 %	4.42 %	3.13 %	(11.66)%
Net interest margin	2.93 %	2.80 %	2.79 %	2.07 %
Yield on average loans and leases	6.18 %	6.18 %	6.14 %	5.95 %
Cost of average total deposits	2.54 %	2.60 %	2.60 %	2.50 %
Noninterest expense to average total assets	2.27 %	2.29 %	2.27 %	6.80 %
Capital Ratios (consolidated):				
Common equity tier 1 capital ratio	10.46 %	10.27 %		
Tier 1 capital ratio	12.88 %	12.62 %		
Total capital ratio	17.00 %	16.57 %		
Tier 1 leverage capital ratio	9.83 %	9.51 %		
Risk-weighted assets	\$ 26,040,959	\$ 26,888,980		

(1) Shares include non-voting common stock equivalents that are participating securities.

(2) See "- Non-GAAP Financial Measures."

Third Quarter of 2024 Compared to Second Quarter of 2024

Net loss available to common and equivalent stockholders for the third quarter of 2024 was \$1.2 million, or a loss of \$0.01 per diluted common share, compared to a net earnings available to common and equivalent stockholders for the second quarter of 2024 of \$20.4 million, or \$0.12 per diluted common share. The \$21.5 million decrease in net earnings available to common and equivalent stockholders from the second quarter of 2024 was due mainly to lower noninterest income of \$45.2 million, offset partially by higher net interest income of \$2.7 million, lower noninterest expense of \$7.4 million, lower provision for credit losses of \$2.0 million and lower income tax expense of \$11.6 million. The decrease in noninterest income was due mainly to a \$59.9 million loss on the sale of \$741.8 million of securities in the third quarter of 2024, offset partially by a \$7.5 million increase in other income and a \$5.7 million increase in leased equipment income. Net interest income was higher in the third quarter compared to the second quarter due to lower interest expense on interest-bearing liabilities, offset partially by lower interest income on interest-earning assets. The decrease in noninterest expense was due mainly to decreases of \$13.7 million in insurance and assessments expense and \$5.8 million in other expense, offset partially by a \$12.1 million increase in acquisition, integration and reorganization costs. The decrease in income tax expense was due to lower pre-tax income for the third quarter compared to the second quarter and a lower effective tax rate of 23.7% for the third quarter compared to 32.0% for the second quarter.

Nine Months Ended September 30, 2024 Compared to Nine Months Ended September 30, 2023

Net earnings available to common and equivalent stockholders for the nine months ended September 30, 2024 was \$40.1 million, or \$0.24 per diluted common share, compared to a net loss available to common and equivalent stockholders for the nine months ended September 30, 2023 of \$1.4 billion, or a loss of \$18.61 per diluted common share. The \$1.5 billion increase in net earnings available to common and equivalent stockholders was due mainly to lower noninterest expense of \$1.5 billion, higher noninterest income of \$96.0 million and higher net interest income of \$94.7 million, offset partially by higher provision for credit losses of \$25.0 million and higher income tax expense of \$163.7 million. The decrease in noninterest expense was due, in part, to a \$1.38 billion goodwill impairment charge in the first quarter of 2023. The increase in noninterest income was due mainly to a decrease in the loss on sale of loans and leases of \$158.4 million, offset partially by an increase in the loss on sale of securities of \$59.9 million. The increase in net interest income was due primarily to lower interest expense on interest-bearing liabilities, offset partially by lower interest income on interest-earning assets. The increase in income tax expense was due to the income tax expense recorded on earnings before taxes in the nine months ended September 30, 2024, compared to an income tax benefit recorded on a net loss before income taxes in the nine months ended September 30, 2023.

Net Interest Income

The following tables summarize the distribution of average assets, liabilities, and stockholders' equity, as well as interest income and yields earned on average interest-earning assets and interest expense and rates paid on average interest-bearing liabilities, presented on a tax equivalent basis, for the periods indicated:

	Three Months Ended					
	September 30, 2024			June 30, 2024		
	Average Balance	Interest Income/Expense	Yields and Rates	Average Balance	Interest Income/Expense	Yields and Rates
<i>(Dollars in thousands)</i>						
ASSETS:						
Loans and leases ⁽¹⁾	\$ 23,803,691	\$ 369,913	6.18 %	\$ 25,325,578	\$ 388,853	6.18 %
Investment securities	4,665,549	34,912	2.98 %	4,658,690	33,836	2.92 %
Deposits in financial institutions	3,106,227	42,068	5.39 %	2,960,292	39,900	5.42 %
Total interest-earning assets	31,575,467	446,893	5.63 %	32,944,560	462,589	5.65 %
Other assets	2,850,718			2,889,907		
Total assets	\$ 34,426,185			\$ 35,834,467		
LIABILITIES AND STOCKHOLDERS' EQUITY:						
Interest checking	\$ 7,644,515	61,880	3.22 %	\$ 7,673,902	61,076	3.20 %
Money market	4,958,777	32,361	2.60 %	4,962,567	32,776	2.66 %
Savings	2,028,931	17,140	3.36 %	2,002,670	16,996	3.41 %
Time	5,841,965	69,605	4.74 %	6,274,242	75,258	4.82 %
Total interest-bearing deposits	20,474,188	180,986	3.52 %	20,913,381	186,106	3.58 %
Borrowings	1,063,541	16,970	6.35 %	2,013,600	30,311	6.05 %
Subordinated debt	940,480	16,762	7.09 %	938,367	16,684	7.15 %
Total interest-bearing liabilities	22,478,209	214,718	3.80 %	23,865,348	233,101	3.93 %
Noninterest-bearing demand deposits	7,846,641			7,881,620		
Other liabilities	648,760			692,149		
Total liabilities	30,973,610			32,439,117		
Stockholders' equity	3,452,575			3,395,350		
Total liabilities and stockholders' equity	\$ 34,426,185			\$ 35,834,467		
Net interest income		\$ 232,175			\$ 229,488	
Net interest rate spread			1.83 %			1.72 %
Net interest margin			2.93 %			2.80 %
Total deposits ⁽²⁾	\$ 28,320,829	\$ 180,986	2.54 %	\$ 28,795,001	\$ 186,106	2.60 %
Total funds ⁽³⁾	\$ 30,324,850	\$ 214,718	2.82 %	\$ 31,746,968	\$ 233,101	2.95 %

(1) Includes net loan discount accretion of \$23.0 million and \$21.8 million for the three months ended September 30, 2024 and June 30, 2024.

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

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

	Nine Months Ended					
	September 30, 2024			September 30, 2023		
		Interest	Yields		Interest	Yields
	Average	Income/ Expense	and Rates	Average	Income/ Expense	and Rates
<i>(Dollars in thousands)</i>						
ASSETS:						
Loans and leases ⁽¹⁾⁽²⁾⁽³⁾	\$ 24,878,682	\$ 1,144,231	6.14 %	\$ 25,910,694	\$ 1,152,393	5.95 %
Investment securities	4,681,872	103,051	2.94 %	7,097,438	133,716	2.52 %
Deposits in financial institutions	3,479,130	140,904	5.41 %	5,731,733	219,995	5.13 %
Total interest-earning assets ⁽¹⁾	33,039,684	1,388,186	5.61 %	38,739,865	1,506,104	5.20 %
Other assets	2,888,600			2,447,563		
Total assets	\$ 35,928,284			\$ 41,187,428		
LIABILITIES AND STOCKHOLDERS' EQUITY:						
Interest checking	\$ 7,733,588	184,505	3.19 %	\$ 6,890,661	159,992	3.10 %
Money market	5,218,774	106,488	2.73 %	7,049,910	145,748	2.76 %
Savings	2,022,600	52,166	3.45 %	833,719	14,532	2.33 %
Time	6,073,993	218,740	4.81 %	6,815,786	220,391	4.32 %
Total interest-bearing deposits	21,048,955	561,899	3.57 %	21,590,076	540,663	3.35 %
Borrowings	1,986,468	85,405	5.74 %	7,688,698	324,270	5.64 %
Subordinated debt	938,624	50,117	7.13 %	869,353	42,750	6.57 %
Total interest-bearing liabilities	23,974,047	697,421	3.89 %	30,148,127	907,683	4.03 %
Noninterest-bearing demand deposits	7,804,534			7,323,673		
Other liabilities	736,739			654,932		
Total liabilities	32,515,320			38,126,732		
Stockholders' equity	3,412,964			3,060,696		
Total liabilities and stockholders' equity	\$ 35,928,284			\$ 41,187,428		
Net interest income ⁽¹⁾		\$ 690,765			\$ 598,421	
Net interest rate spread ⁽¹⁾			1.72 %			1.17 %
Net interest margin ⁽¹⁾			2.79 %			2.07 %
Total deposits ⁽⁴⁾	\$ 28,853,489	\$ 561,899	2.60 %	\$ 28,913,749	\$ 540,663	2.50 %
Total funds ⁽⁵⁾	\$ 31,778,581	\$ 697,421	2.93 %	\$ 37,471,800	\$ 907,683	3.24 %

(1) Tax equivalent.

(2) Includes net loan discount accretion of \$67.3 million for the nine months ended September 30, 2024 and net loan premium amortization of \$6.0 million for the nine months ended September 30, 2023.

(3) Includes tax-equivalent adjustments of \$0.0 million and \$2.3 million for the nine months ended September 30, 2024 and 2023, related to tax-exempt income on loans. The federal statutory rate utilized was 21%.

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

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

Third Quarter of 2024 Compared to Second Quarter of 2024

Net interest income increased by \$2.7 million to \$232.2 million for the third quarter of 2024 from \$229.5 million for the second quarter of 2024 due to lower interest expense on interest-bearing liabilities, offset partially by lower interest income on interest-earning assets.

Average interest-earning assets decreased by \$1.4 billion to \$31.6 billion for the third quarter due mainly to the sale in July 2024 of \$1.95 billion of Civic loans which had been moved to held for sale during the second quarter. The proceeds of the sale provided liquidity and capital to support the repositioning of approximately \$742 million of securities and pay down higher-cost brokered deposits and borrowings. The net interest margin increased by 13 basis points to 2.93% for the third quarter compared to 2.80% for the second quarter due to a 2 basis points decrease in the average yield on interest-earning assets more than offset by a 13 basis point decrease in the average total cost of funds, which was positively impacted by a decrease in average borrowings.

The average yield on interest-earning assets decreased by 2 basis points to 5.63% for the third quarter from 5.65% in the second quarter due mainly to the average yield on deposits in financial institutions decreasing by 3 basis points and the average yield on loans and leases being flat.

The average yield on loans and leases was unchanged at 6.18% for the third quarter compared to the second quarter as a result of new originations being at rates higher than the existing portfolio, slightly higher loan discount accretion, and the change in the mix of loan product balances including the impact of the sale of the \$1.95 billion Civic loan portfolio.

The average total cost of funds decreased by 13 basis points to 2.82% for the third quarter from 2.95% in the second quarter due mainly to lower market interest rates and reduced average borrowings. The average cost of interest-bearing liabilities decreased by 13 basis points to 3.80% for the third quarter from 3.93% for the second quarter. The average total cost of deposits decreased by 6 basis points to 2.54% for the third quarter compared to 2.60% in the second quarter. Average noninterest-bearing deposits decreased by \$35.0 million for the third quarter compared to the second quarter, average total deposits decreased by \$474.2 million, and average borrowings decreased by \$950.1 million.

Nine Months Ended September 30, 2024 Compared to Nine Months Ended September 30, 2023

Net interest income increased by \$94.7 million to \$690.8 million for the nine months ended September 30, 2024 compared to \$596.1 million for the nine months ended September 30, 2023 due to lower interest expense on interest-bearing liabilities, offset partially by lower interest income on interest-earning assets.

Average interest-earning assets decreased by \$5.7 billion to \$33.0 billion for the first nine months of 2024 due to lower average balances in loans and leases, investments securities, and deposits in financial institutions. Average loans and leases decreased by \$1.0 billion primarily due to the sale in July 2024 of \$1.95 billion of Civic loans which had been moved to held for sale during the second quarter of 2024 and the sales of non-core loan portfolios in the second quarter of 2023, offset partially by the acquisition of legacy Banc of California loans completed in the fourth quarter of 2023. Average investment securities decreased by \$2.4 billion mostly due to securities sales completed in the fourth quarter of 2023. Average deposits in financial institutions decreased by \$2.3 billion due to lower cash balances which were used to pay down higher-cost borrowings. The net interest margin increased by 72 basis points to 2.79% for the nine months ended September 30, 2024 compared to 2.07% for the same period in 2023 due to the average yield on interest-earning assets increasing by 41 basis points, while the average total cost of funds decreased by 31 basis points.

The average yield on interest-earning assets increased by 41 basis points to 5.61% for the first nine months of 2024 from 5.20% for the same period in 2023 due mainly to the change in the interest-earning asset mix. This was driven by the increase in the balance of average loans and leases as a percentage of average interest-earning assets to 75% for the nine months ended September 30, 2024 from 67% for the nine months ended September 30, 2023, the decrease in the balance of average investment securities as a percentage of average interest-earning assets to 14% for the first nine months of 2024 from 18% for the same period in 2023, and the decrease in the balance of average deposits in financial institutions as a percentage of average interest-earning assets to 10% for the nine months ended September 30, 2024 from 15% for the same period in 2023.

The average yield on loans and leases increased by 19 basis points to 6.14% for the first nine months of 2024 from 5.95% for the same period in 2023 as a result of changes in portfolio mix and higher net accretion of loan discounts.

The average total cost of funds decreased by 31 basis points to 2.93% for the nine months ended September 30, 2024 from 3.24% for the nine months ended September 30, 2023 due mainly to changes in the total funds mix. This was driven by the increase in the balance of lower-cost average total deposits as a percentage of average total funds to 91% for the first nine months of 2024 from 77% for the same period in 2023, and the decrease in the balance of higher cost average borrowings as a percentage of average total funds to 6% for the nine months ended September 30, 2024 from 21% for the same period in 2023. The average cost of interest-bearing liabilities decreased by 14 basis points to 3.89% for the first nine months of 2024 from 4.03% for the same period in 2023. The average total cost of deposits increased by 10 basis points to 2.60% for the nine months ended September 30, 2024 compared to 2.50% for the nine months ended September 30, 2024. Average noninterest-bearing deposits increased by \$480.9 million for the first nine months of 2024 compared to the same period in 2023 and average total deposits decreased by \$60.3 million.

Provision for Credit Losses

The following table sets forth the details of the provision for credit losses on loans and leases held for investment and held-to-maturity securities and information regarding credit quality metrics for the periods indicated:

	Three Months Ended		Nine Months Ended	
	September 30, 2024	June 30, 2024	September 30, 2024	September 30, 2023
	<i>(Dollars in thousands)</i>			
Provision For Credit Losses:				
Addition to allowance for loan and lease losses	\$ 9,000	\$ 12,000	\$ 32,000	\$ 66,500
Reduction in reserve for unfunded loan commitments	—	(1,000)	(2,000)	(61,500)
Total loan-related provision	\$ 9,000	\$ 11,000	\$ 30,000	\$ 5,000
Addition to allowances for held-to-maturity and available-for-sale securities	—	—	—	—
Total provision for credit losses	<u>\$ 9,000</u>	<u>\$ 11,000</u>	<u>\$ 30,000</u>	<u>\$ 5,000</u>
Credit Quality Metrics:				
Net charge-offs on loans and leases held for investment ⁽¹⁾	\$ 2,417	\$ 55,741	\$ 59,342	\$ 44,935
Annualized net charge-offs to average loans and leases	0.04 %	0.89 %	0.32 %	0.23 %
At quarter-end:				
Allowance for credit losses	\$ 281,916	\$ 275,333		
Allowance for credit losses to loans and leases held for investment	1.20 %	1.19 %		
Allowance for credit losses to nonaccrual loans and leases held for investment	167.5 %	235.2 %		
Nonaccrual loans and leases held for investment	\$ 168,341	\$ 117,070		
Nonaccrual loans and leases held for investment to loans and leases held for investment	0.72 %	0.50 %		
Classified loans and leases held for investment	\$ 533,591	\$ 415,498		
Special mention loans and leases held for investment	\$ 711,888	\$ 680,663		

(1) See "- Balance Sheet Analysis - Allowance for Credit Losses on Loans and Leases Held for Investment" for detail of charge-offs and recoveries by loan portfolio segment, class, and subclass for the periods presented.

Provisions for credit losses are charged to earnings for the allowance for loan and lease losses, the reserve for unfunded loan commitments, and the allowance for credit losses on held-to-maturity securities. The provision for credit losses on our loans and leases held for investment is based on our allowance methodology and is an expense that, in our judgment, is required to maintain an adequate allowance for credit losses. For further details on our loan-related allowance for credit losses methodology, see “- Balance Sheet Analysis - Allowance for Credit Losses on Loans and Leases Held for Investment” contained herein.

Third Quarter of 2024 Compared to Second Quarter of 2024

The provision for credit losses was \$9.0 million for the third quarter of 2024 compared to \$11.0 million for the second quarter of 2024. The \$9.0 million third quarter provision was driven by increases in qualitative reserves for loans secured by office properties and concentrations of credit, and specific reserves for nonperforming loan downgrades. The \$11.0 million second quarter provision was driven by higher net charge-offs and higher qualitative reserves for office loans and other concentrations of credit, offset partially by the reserves released for the Civic loans transferred to held for sale.

Nine Months Ended September 30, 2024 Compared to Nine Months Ended September 30, 2023

The provision for credit losses increased by \$25.0 million to \$30.0 million for the nine months ended September 30, 2024 compared to \$5.0 million for the nine months ended September 30, 2023. The higher provision in the 2024 period was generally due to higher net charge-offs and higher qualitative reserves for office loans and other concentrations of credits, offset partially by the reserves released for the Civic loans transferred to held for sale in the second quarter of 2024 and sold in the third quarter of 2024.

Certain circumstances may lead to increased provisions for credit losses on loans and leases in the future. Examples of such circumstances include deterioration in economic conditions and forecasts, an increased amount of classified and/or criticized loans and leases, and net loan and lease and unfunded commitment growth. Deterioration in economic conditions and forecasts include the rate of economic growth, the unemployment rate, the rate of inflation, changes in the general level of interest rates, changes in real estate values, and adverse conditions in borrowers’ businesses. See further discussion in “- Balance Sheet Analysis - Allowance for Credit Losses on Loans and Leases Held for Investment” contained herein.

Noninterest Income

The following table summarizes noninterest income by category for the periods indicated:

Noninterest Income	Three Months Ended		Nine Months Ended	
	September 30,	June 30,	September 30,	
	2024	2024	2024	2023
	<i>(In thousands)</i>			
Leased equipment income	\$ 17,176	\$ 11,487	\$ 40,379	\$ 50,798
Other commissions and fees	8,256	8,629	25,027	29,226
Service charges on deposit accounts	4,568	4,540	13,813	11,906
(Loss) gain on sale of loans and leases	(62)	1,135	625	(157,820)
Loss on sale of securities	(59,946)	—	(59,946)	—
Dividends and gains on equity investments	3,730	1,166	7,964	7,593
Warrant income (loss)	211	(324)	65	(545)
LOCOM HFS adjustment	(74)	(38)	218	(11,636)
Other	10,689	3,197	20,011	22,595
Total noninterest (loss) income	\$ (15,452)	\$ 29,792	\$ 48,156	\$ (47,883)

Third Quarter of 2024 Compared to Second Quarter of 2024

Noninterest income decreased by \$45.2 million to a loss of \$15.5 million for the third quarter of 2024 due mainly to a \$59.9 million loss on the sale of \$741.8 million of securities in the third quarter of 2024, offset partially by a \$7.5 million increase in other income and a \$5.7 million increase in leased equipment income. The increase in other income was due primarily to a \$6.8 million increase in the positive fair value mark on the credit-linked notes. The increase in leased equipment income was due mostly to higher gains from early lease terminations and sale of leased assets.

Nine Months Ended September 30, 2024 Compared to Nine Months Ended September 30, 2023

Noninterest income increased by \$96.0 million to \$48.2 million for the nine months ended September 30, 2024 compared to a loss of \$47.9 million for the nine months ended September 30, 2023, due mostly to a decrease in the loss on sale of loans and leases of \$158.4 million, offset partially by a \$59.9 million loss on the sale of \$741.8 million of securities in the third quarter of 2024. The decrease in the loss on sale of loans and leases was due to the sales of \$2.5 billion of loans for a net gain of \$0.6 million in the nine months ended September 30, 2024 compared to the sales of \$6.1 billion of loans for a net loss of \$157.8 million in the nine months ended September 30, 2023.

Noninterest Expense

The following table summarizes noninterest expense by category for the periods indicated:

Noninterest Expense	Three Months Ended		Nine Months Ended	
	September 30, 2024	June 30, 2024	September 30, 2024	September 30, 2023
	(In thousands)			
Compensation	\$ 85,585	\$ 85,914	\$ 263,735	\$ 242,999
Customer related expense	34,475	32,405	97,799	78,278
Occupancy	16,892	17,455	52,315	45,743
Information technology and data processing	14,995	15,459	45,872	38,706
Insurance and assessments	12,708	26,431	59,600	75,650
Intangible asset amortization	8,485	8,484	25,373	7,189
Leased equipment depreciation	7,144	7,511	22,175	26,796
Other professional services	5,101	5,183	15,359	21,643
Loan expense	3,994	4,332	12,817	16,012
Other	7,340	13,119	28,485	133,958
Total operating expense	196,719	216,293	623,530	686,974
Acquisition, integration and reorganization costs	(510)	(12,650)	(13,160)	30,833
Goodwill impairment	—	—	—	1,376,736
Total noninterest expense	\$ 196,209	\$ 203,643	\$ 610,370	\$ 2,094,543

Third Quarter of 2024 Compared to Second Quarter of 2024

Noninterest expense decreased by \$7.4 million to \$196.2 million for the third quarter of 2024 due mainly to decreases of \$13.7 million in insurance and assessments expense and \$5.8 million in other expense, offset partially by a lower reversal of \$12.1 million in acquisition, integration and reorganization costs. The decrease in insurance and assessments expense was due to lower assessment rates for both the regular FDIC assessment and the special assessment. The decrease in other expense was mostly due to a repurchase reserve recorded in the second quarter of 2024 for standard representations and warranties associated with the Civic loan sale. Acquisition, integration and reorganization costs included an adjustment of \$0.5 million for the third quarter and \$12.7 million for the second quarter due to actual amounts for certain expenses being lower than the estimated amounts accrued at merger close.

Nine Months Ended September 30, 2024 Compared to Nine Months Ended September 30, 2023

Noninterest expense decreased by \$1.5 billion to \$610.4 million for the nine months ended September 30, 2024 compared to \$2.1 billion for the nine months ended September 30, 2023, due mainly to a \$1.4 billion goodwill impairment recorded in the 2023 period.

Income Taxes

Third Quarter of 2024 Compared to Second Quarter of 2024

Income tax expense of \$2.7 million was recorded for the third quarter resulting in an effective tax rate of 23.7% compared to income tax expense of \$14.3 million for the second quarter and an effective tax rate of 32.0%. The lower third quarter effective tax rate was due primarily to a true-up to the full year tax rate, an increase in disallowed executive compensation expense, and loss of tax benefits with respect to restricted stock vested during the second quarter.

Nine Months Ended September 30, 2024 Compared to Nine Months Ended September 30, 2023

Income tax expense of \$28.6 million was recorded for the nine months ended September 30, 2024, resulting in an effective tax rate of 29.0% compared to an income tax benefit of \$135.2 million for the same period in 2023 and an effective tax rate of 8.7%. Excluding goodwill impairment, the effective tax rate for the nine months ended September 30, 2023 was 21.7%. The lower effective tax rate in 2023 was due primarily to higher FDIC insurance premiums in relation to the reported net loss for 2023.

Balance Sheet Analysis

Securities Available-for-Sale

The following table presents the composition and durations of our securities available-for-sale as of the dates indicated:

<u>Security Type</u>	September 30, 2024			December 31, 2023		
	Fair Value	% of Total	Duration (in years)	Fair Value	% of Total	Duration (in years)
<i>(Dollars in thousands)</i>						
Agency residential MBS	\$ 922,448	40 %	8.6	\$ 1,187,609	51 %	8.2
Agency residential CMOs	418,240	18 %	2.6	284,334	12 %	4.4
Private label residential CMOs	339,725	15 %	4.4	158,412	7 %	7.7
Collateralized loan obligations	284,973	12 %	0.2	108,416	5 %	0.1
Corporate debt securities	266,630	12 %	1.7	267,232	11 %	1.9
Agency commercial MBS	33,532	1 %	1.3	253,306	11 %	3.4
Asset-backed securities	16,204	1 %	—	19,952	1 %	—
Private label commercial MBS	13,622	1 %	1.5	20,813	1 %	2.1
SBA securities	4,313	— %	3.5	13,739	— %	3.2
Municipal securities	597	— %	3.8	28,083	1 %	4.5
U.S. Treasury securities	—	— %	—	4,968	— %	0.1
Total securities available-for-sale	<u>\$ 2,300,284</u>	<u>100 %</u>	4.8	<u>\$ 2,346,864</u>	<u>100 %</u>	5.9

Securities Held-to-Maturity

The following table presents the composition and durations of our securities held-to-maturity as of the dates indicated:

<u>Security Type</u>	September 30, 2024			December 31, 2023		
	Amortized Cost	% of Total	Duration (in years)	Amortized Cost	% of Total	Duration (in years)
<i>(Dollars in thousands)</i>						
Municipal securities	\$ 1,250,254	55 %	7.8	\$ 1,247,310	55 %	8.1
Agency commercial MBS	438,781	19 %	6.2	433,827	19 %	6.8
Private label commercial MBS	354,098	15 %	5.8	350,493	15 %	6.3
U.S. Treasury securities	189,239	8 %	6.0	187,033	8 %	6.7
Corporate debt securities	70,391	3 %	4.1	70,128	3 %	4.4
Total securities held-to-maturity	<u>\$ 2,302,763</u>	<u>100 %</u>	7.0	<u>\$ 2,288,791</u>	<u>100 %</u>	7.4

The following table shows the geographic composition of the majority of our held-to-maturity municipal securities portfolio as of the date indicated:

Municipal Securities by State	September 30, 2024	
	Amortized Cost	% of Total
	<i>(Dollars in thousands)</i>	
California	\$ 312,630	25 %
Texas	277,159	22 %
Washington	188,830	15 %
Oregon	79,722	6 %
Maryland	64,434	5 %
Georgia	55,333	4 %
Colorado	48,728	4 %
Minnesota	34,840	3 %
Tennessee	31,019	3 %
Florida	21,959	2 %
Total of ten largest states	1,114,654	89 %
All other states	135,600	11 %
Total municipal securities held-to-maturity	\$ 1,250,254	100 %

Loans and Leases Held for Investment

The following table presents the composition of our loans and leases held for investment, net of deferred fees, by loan portfolio segment, class, and subclass as of the dates indicated:

Loan and Lease Portfolio	September 30, 2024		December 31, 2023	
	Balance	% of Total	Balance	% of Total
<i>(Dollars in thousands)</i>				
Real Estate Mortgage:				
Commercial real estate	\$ 3,529,615	15 %	\$ 3,874,804	15 %
SBA program	628,875	3 %	632,110	3 %
Hotel	399,449	1 %	519,583	2 %
Total commercial real estate mortgage	4,557,939	19 %	5,026,497	20 %
Multi-family	6,009,280	25 %	6,025,179	23 %
Residential mortgage	2,619,372	11 %	2,754,176	11 %
Investor-owned residential	121,810	1 %	2,234,531	9 %
Residential renovation	26,005	— %	71,602	— %
Total other residential real estate	2,767,187	12 %	5,060,309	20 %
Total real estate mortgage	13,334,406	56 %	16,111,985	63 %
Real Estate Construction and Land:				
Commercial	836,902	4 %	759,585	3 %
Residential	2,622,507	11 %	2,399,684	9 %
Total real estate construction and land ⁽¹⁾	3,459,409	15 %	3,159,269	12 %
Total real estate	16,793,815	71 %	19,271,254	75 %
Commercial:				
Lender finance	686,426	3 %	486,966	2 %
Equipment finance	646,477	3 %	736,275	3 %
Premium finance	586,730	2 %	732,162	3 %
Other asset-based	195,678	1 %	233,682	1 %
Total asset-based	2,115,311	9 %	2,189,085	9 %
Equity fund loans	576,498	3 %	662,732	3 %
Venture lending	777,128	3 %	783,630	3 %
Total venture capital	1,353,626	6 %	1,446,362	6 %
Secured business loans	731,215	3 %	614,120	2 %
Warehouse lending	1,230,105	5 %	554,940	2 %
Other lending	889,215	4 %	960,800	4 %
Total other commercial	2,850,535	12 %	2,129,860	8 %
Total commercial	6,319,472	27 %	5,765,307	23 %
Consumer				
Total loans and leases held for investment, net of deferred fees	\$ 23,527,777	100 %	\$ 25,489,687	100 %
Total unfunded loan commitments	\$ 5,008,449		\$ 5,578,907	

(1) Includes land and acquisition and development loans of \$208.3 million at September 30, 2024 and \$228.9 million at December 31, 2023.

The following table presents the geographic composition of our real estate loans held for investment, net of deferred fees, by the top 10 states and all other states combined (in the order presented for the current quarter-end) as of the dates indicated:

<u>Real Estate Loans by State</u>	September 30, 2024		December 31, 2023	
	Balance	% of Total	Balance	% of Total
	<i>(Dollars in thousands)</i>			
California	\$ 11,907,187	71 %	\$ 12,262,311	64 %
Colorado	1,265,516	8 %	1,167,659	6 %
Arizona	546,893	3 %	719,299	4 %
Texas	517,569	3 %	878,538	4 %
Florida	451,590	3 %	837,467	4 %
Washington	395,643	2 %	533,931	3 %
Nevada	365,970	2 %	411,020	2 %
Oregon	310,164	2 %	348,166	2 %
Utah	147,727	1 %	168,080	1 %
Illinois	103,040	— %	92,758	— %
Total of 10 largest states	16,011,299	95 %	17,419,229	90 %
All other states	782,516	5 %	1,852,025	10 %
Total real estate loans held for investment, net of deferred fees	\$ 16,793,815	100 %	\$ 19,271,254	100 %

Due to hybrid and remote working policies adopted by most companies during the COVID-19 pandemic, many of which remain in place today, there are concerns over the utilization of commercial office space which could impact the long-term performance of some types of office properties within our commercial real estate portfolio. Furthermore, higher interest rates presented a risk for the variable rate and hybrid loans in our portfolio, even considering the recent interest rate cut and expected future incremental interest rate cuts. Due to these concerns and concentrations of credit associated with commercial real estate loans, excluding owner occupied real estate loans, we have increased the qualitative reserve component of our allowance for credit losses for our office loan exposure. At September 30, 2024, mortgage loans secured by office properties represent 7.5% of total loans and leases held for investment.

The risks outlined above result from market conditions and are not controllable by us. However, when considering the markets in which to pursue real estate loans, we consider the market conditions, our current loan portfolio concentrations by property type and by market, and our past experiences with the borrower, within the specific market, and with the property type.

When underwriting real estate loans, we seek to mitigate risk by using the following framework:

- Requiring our borrowers to invest and maintain a meaningful cash equity interest in the properties securing our loans;
- Reviewing each loan request and renewal individually;
- Using a credit committee approval process for the approval of loan requests (or aggregated credit exposures) over a certain dollar amount;
- Adhering to written loan acceptance standards, including among other factors, maximum loan to acquisition cost ratios, maximum loan to as-is or stabilized value ratios, and minimum operating cash flow requirements;
- Considering market rental and occupancy rates relative to our underwritten or projected rental and occupancy rates;
- Considering the experience of our borrowers and our borrowers' abilities to operate and manage the properties securing our loans;
- Evaluating the supply of comparable real estate and new supply under construction in the collateral's market area;
- Obtaining independent third party appraisals that are reviewed by our appraisal department; and
- Obtaining environmental risk assessments.

The following table presents a roll forward of loans and leases held for investment, net of deferred fees, for the period indicated:

<u>Roll Forward of Loans and Leases Held for Investment, Net of Deferred Fees</u>	Nine Months Ended September 30, 2024
	<i>(In thousands)</i>
Balance, beginning of period	\$ 25,489,687
Additions:	
Production	1,223,782
Disbursements	3,757,575
Total production and disbursements	<u>4,981,357</u>
Reductions:	
Payoffs	(2,607,236)
Paydowns	(2,296,598)
Total payoffs and paydowns	<u>(4,903,834)</u>
Sales	(27,516)
Transfers to foreclosed assets	(15,564)
Charge-offs	(67,247)
Transfers to loans held for sale	(1,930,285)
Total reductions	<u>(6,944,446)</u>
Transfers from loans held for sale	<u>1,179</u>
Net decrease	<u>(1,961,910)</u>
Balance, end of period	<u>\$ 23,527,777</u>

Allowance for Credit Losses on Loans and Leases Held for Investment

The allowance for credit losses on loans and leases held for investment is the combination of the allowance for loan and lease losses and the reserve for unfunded loan commitments. The allowance for loan and lease losses is reported as a reduction of the amortized cost basis of loans and leases, while the reserve for unfunded loan commitments is included within "Accrued interest payable and other liabilities" on the condensed consolidated balance sheets. The amortized cost basis of loans and leases does not include accrued interest receivable, which is included in "Other assets" on the condensed consolidated balance sheets. The "Provision for credit losses" on the condensed consolidated statement of earnings (loss) is a combination of the provision for loan and lease losses, the provision for unfunded loan commitments, and the provision for held-to-maturity debt securities.

Under the CECL methodology, expected credit losses reflect losses over the remaining contractual life of an asset, considering the effect of prepayments and available information about the collectability of cash flows, including information about relevant historical experience, current conditions, and reasonable and supportable forecasts of future events and circumstances. Thus, the CECL methodology incorporates a broad range of information in developing credit loss estimates.

For further information regarding the calculation of the allowance for credit losses on loans and leases held for investment using the CECL methodology, see Note 1. *Nature of Operations and Summary of Significant Accounting Policies* of the Notes to Consolidated Financial Statements contained in "Item 8. Financial Statements and Supplementary Data" of our Form 10-K.

In calculating our allowance for credit losses, we continued to consider higher inflation rates, the Federal Reserve's monetary policy, the risk of a recession, technical or otherwise, and the impact of various geopolitical risks on the economy in our process for estimating expected credit losses given the changes in economic forecasts and assumptions along with the uncertainty related to the severity and duration of the economic consequences resulting from such events. Our methodology and framework along with the 4-quarter reasonable and supportable forecast period and 2-quarter reversion period have remained consistent since the implementation of CECL on January 1, 2020. Certain management assumptions are reassessed every quarter based on current expectations for credit losses, while other assumptions are assessed and updated on at least an annual basis.

For the third quarter of 2024, we used the Moody's September 30, 2024 Baseline and S2 Downside 75th Percentile for the calculation of our quantitative component. The weightings of the scenarios were based on management's current expectations for the economic forecast, acknowledging the risk of recession over our reasonable and supportable forecast period and inherent uncertainty in the economy. Compared to the second quarter of 2024, updates to the economic forecasts, including the Company's scenario weighting, resulted in an immaterial impact to the allowance for credit losses.

The primary drivers behind higher quantitative reserves compared to the prior quarter were an increase of specific reserves associated with nonperforming loans and higher reserves due to risk rating migration. The increase in quantitative reserves was partially offset by changes in portfolio mix along with charge-off activity. The Company has successfully grown portfolios with lower risk of loss during the quarter, such as warehouse lending and lender finance, while portfolios requiring higher reserves, such as commercial real estate, have lower overall balances.

As part of our allowance for credit losses methodology, we consistently incorporate the use of qualitative factors in determining the overall allowance for credit losses to capture risks that may not be adequately reflected in our quantitative models. Such qualitative factors may include, but are not limited to: economic conditions not captured in the quantitative reserve; collateral dependency related to certain loan portfolios including loans secured by office properties that were directly impacted by flexible/hybrid work environment; concentrations of credit within the loan portfolio including the commercial real estate portfolio; the quality of the Company's credit review system; the volume and severity of adversely classified financial assets; the Company's lending policies and procedures; and the effect of other external factors such as the regulatory and legal environments. During the third quarter of 2024, reserves associated with the qualitative adjustments increased when compared to the prior quarter. Primary qualitative adjustments are related to loans secured by office properties and concentration of credit associated with commercial real estate loans, multi-family loans, and construction loans.

The use of different economic forecasts, whether based on different scenarios, the use of multiple or single scenarios, or updated economic forecasts and scenarios, can change the outcome of the calculations. In addition to the economic forecasts, there are numerous components and assumptions that are integral to the overall estimation of allowance for credit losses. As part of our allowance for credit losses process, sensitivity analyses are performed to assess the impact of how changing certain assumptions could impact the estimated allowance for credit losses. At times, these analyses can provide information to further assist management in making decisions related to certain assumptions. We calculated alternative values for our ACL using various alternative forecast scenarios weightings and the calculated amounts for the quantitative component differed from the probability-weighted multiple scenario forecast ranging from decreases in the dollar amount of the quantitative component of the ACL by 2.03% to 6.65%. However, changing one assumption and not reassessing other assumptions used in the quantitative or qualitative process could yield results that are not reasonable or appropriate, hence all assumptions and information must be considered. From a sensitivity analysis perspective, changing key assumptions such as the macro-economic variable inputs from the economic forecasts, the reasonable and supportable forecast period, prepayment rates, loan segmentation, historical loss factors and/or periods, among others, would all change the outcome of the quantitative components of the allowance for credit losses. Those results would then need to be assessed from a qualitative perspective potentially requiring further adjustments to the qualitative component to arrive at a reasonable and appropriate allowance for credit losses.

The determination of the allowance for credit losses is complex and highly dependent on numerous models, assumptions, and judgments made by management. Management's current expectation for credit losses on loans and leases held for investment as quantified in the allowance for credit losses considers the impact of assumptions and is reflective of historical credit experience, economic forecasts viewed to be reasonable and supportable, current loan and lease composition, and relative credit risks known as of the balance sheet date.

Management believes the allowance for credit losses is appropriate for the current expected credit losses in our loan and lease portfolio and associated unfunded loan commitments, and the credit risk ratings and inherent loss rates currently assigned are reasonable and appropriate as of the reporting date. It is possible that others, given the same information, may at any point in time reach different conclusions that could result in a significant impact to the Company's financial statements.

The following table presents information regarding the allowance for credit losses on loans and leases held for investment as of the dates indicated:

<u>Allowance for Credit Losses Data</u>	September 30, 2024	December 31, 2023
	<i>(Dollars in thousands)</i>	
Allowance for loan and lease losses	\$ 254,345	\$ 281,687
Reserve for unfunded loan commitments	27,571	29,571
Total allowance for credit losses	<u>\$ 281,916</u>	<u>\$ 311,258</u>
Allowance for loan and lease losses to loans and leases held for investment	1.08 %	1.11 %
Allowance for credit losses to loans and leases held for investment	1.20 %	1.22 %

The following table presents the changes in our allowance for credit losses on loans and leases held for investment for the periods indicated:

Allowance for Credit Losses Roll Forward	Three Months Ended		Nine Months Ended	
	September 30, 2024	June 30, 2024	2024	September 30, 2023
	<i>(Dollars in thousands)</i>			
Balance, beginning of period	\$ 275,333	\$ 320,074	\$ 311,258	\$ 291,803
Provision for credit losses:				
Addition to allowance for loan and lease losses	9,000	12,000	32,000	66,500
Reduction in reserve for unfunded loan commitments	—	(1,000)	(2,000)	(61,500)
Total provision for credit losses	9,000	11,000	30,000	5,000
Loans and leases charged off:				
Real estate mortgage	(640)	(53,881)	(56,998)	(39,467)
Real estate construction and land	—	—	—	—
Commercial	(1,963)	(3,148)	(5,815)	(7,819)
Consumer	(1,560)	(1,041)	(4,434)	(1,514)
Total loans and leases charged off	(4,163)	(58,070)	(67,247)	(48,800)
Recoveries on loans charged off:				
Real estate mortgage	216	1,429	2,536	797
Real estate construction and land	—	—	—	—
Commercial	1,253	834	4,956	2,916
Consumer	277	66	413	152
Total recoveries on loans charged off	1,746	2,329	7,905	3,865
Net charge-offs	(2,417)	(55,741)	(59,342)	(44,935)
Balance, end of period	\$ 281,916	\$ 275,333	\$ 281,916	\$ 251,868
Annualized net charge-offs to average loans and leases	0.04 %	0.89 %	0.32 %	0.23 %

The following table presents charge-offs by loan portfolio segment, class, and subclass for the periods indicated:

Allowance for Credit Losses Charge-offs	Three Months Ended		Nine Months Ended	
	September 30,	June 30,	September 30,	
	2024	2024	2024	2023
	<i>(In thousands)</i>			
Real Estate Mortgage:				
Commercial real estate	\$ 185	\$ 20,183	\$ 20,368	\$ 11,525
SBA program	226	663	926	334
Hotel	—	—	—	—
Total commercial real estate mortgage	411	20,846	21,294	11,859
Multi-family	—	—	—	—
Residential mortgage	67	—	67	—
Investor-owned residential	55	32,904	34,479	17,365
Residential renovation	107	131	1,158	10,243
Total other residential real estate	229	33,035	35,704	27,608
Total real estate mortgage	640	53,881	56,998	39,467
Real Estate Construction and Land:				
Commercial	—	—	—	—
Residential	—	—	—	—
Total real estate construction and land	—	—	—	—
Total real estate	640	53,881	56,998	39,467
Commercial:				
Lender finance	—	—	—	150
Equipment finance	—	—	—	—
Premium finance	—	—	—	—
Other asset-based	—	92	92	—
Total asset-based	—	92	92	150
Equity fund loans	—	—	—	—
Venture lending	—	2,273	2,414	—
Total venture capital	—	2,273	2,414	—
Secured business loans	732	—	943	492
Warehouse lending	—	—	—	—
Other lending	1,231	783	2,366	7,177
Total other commercial	1,963	783	3,309	7,669
Total commercial	1,963	3,148	5,815	7,819
Consumer	1,560	1,041	4,434	1,514
Total charge-offs	\$ 4,163	\$ 58,070	\$ 67,247	\$ 48,800

The following table presents recoveries by portfolio segment, class, and subclass for the periods indicated:

Allowance for Credit Losses Recoveries	Three Months Ended		Nine Months Ended	
	September 30,	June 30,	September 30,	
	2024	2024	2024	2023
	<i>(In thousands)</i>			
Real Estate Mortgage:				
Commercial real estate	\$ 61	\$ 85	\$ 389	\$ —
SBA program	31	124	256	267
Hotel	—	—	—	—
Total commercial real estate mortgage	92	209	645	267
Multi-family	—	500	500	—
Residential mortgage	3	1	5	19
Investor-owned residential	121	299	721	102
Residential renovation	—	420	665	409
Total other residential real estate	124	720	1,391	530
Total real estate mortgage	216	1,429	2,536	797
Real Estate Construction and Land:				
Commercial	—	—	—	—
Residential	—	—	—	—
Total real estate construction and land	—	—	—	—
Total real estate	216	1,429	2,536	797
Commercial:				
Lender finance	—	—	—	324
Equipment finance	—	—	—	—
Premium finance	—	—	—	—
Other asset-based	63	50	113	279
Total asset-based	63	50	113	603
Equity fund loans	—	—	—	—
Venture lending	809	104	1,270	1,149
Total venture capital	809	104	1,270	1,149
Secured business loans	21	56	340	29
Warehouse lending	—	—	—	—
Other lending	360	624	3,233	1,135
Total other commercial	381	680	3,573	1,164
Total commercial	1,253	834	4,956	2,916
Consumer	277	66	413	152
Total recoveries	\$ 1,746	\$ 2,329	\$ 7,905	\$ 3,865

Deposits

The following table presents the composition of our deposit portfolio by account type as of the dates indicated:

Deposit Composition	September 30, 2024		December 31, 2023		Increase (Decrease)
	Balance	% of Total	Balance	% of Total	
	<i>(Dollars in thousands)</i>				
Noninterest-bearing checking	\$ 7,811,796	29 %	\$ 7,774,254	26 %	\$ 37,542
Interest-bearing:					
Checking	7,539,899	28 %	7,808,764	26 %	(268,865)
Money market	5,039,607	19 %	6,187,889	20 %	(1,148,282)
Savings	1,992,364	7 %	1,997,989	6 %	(5,625)
Time:					
Non-brokered	2,451,340	9 %	3,139,270	10 %	(687,930)
Brokered	1,993,263	8 %	3,493,603	12 %	(1,500,340)
Total time deposits	4,444,603	17 %	6,632,873	22 %	(2,188,270)
Total interest-bearing	19,016,473	71 %	22,627,515	74 %	(3,611,042)
Total deposits	\$ 26,828,269	100 %	\$ 30,401,769	100 %	\$ (3,573,500)

The following table presents time deposits based on the \$250,000 FDIC insured limit as of the dates indicated:

Time Deposits	September 30, 2024		December 31, 2023	
	Balance	% of Total Deposits	Balance	% of Total Deposits
	<i>(Dollars in thousands)</i>			
Time deposits \$250,000 and under	\$ 3,414,451	13 %	\$ 5,526,396	18 %
Time deposits over \$250,000	1,030,152	4 %	1,106,477	4 %
Total time deposits	\$ 4,444,603	17 %	\$ 6,632,873	22 %

During the nine months ended September 30, 2024, total deposits decreased by \$3.6 billion, or 11.8%, to \$26.8 billion at September 30, 2024, due primarily to a decrease of \$1.5 billion in brokered time deposits and a decrease of \$1.1 billion in money market accounts. At September 30, 2024, noninterest-bearing deposits totaled \$7.8 billion, or 29%, of total deposits and interest-bearing deposits totaled \$19.0 billion, or 71%, of total deposits.

As of September 30, 2024, FDIC-insured deposits represented approximately 72% of total deposits, including accounts eligible for pass-through insurance, down from 76% as of December 31, 2023. Available liquidity (on-balance sheet liquidity plus unused borrowing capacity and unpledged AFS securities) was \$16.2 billion at September 30, 2024, which exceeded uninsured and uncollateralized deposits of \$6.7 billion, with a coverage ratio of 241% as compared to a coverage ratio of 247% at December 31, 2023. Available liquidity also represented 60% of total deposits at September 30, 2024.

The Bank is a participant in the IntraFi Network, a network that offers deposit placement services such as ICS and CDARS, and other reciprocal deposit networks which offer products that qualify large deposits for FDIC insurance. At September 30, 2024, the Bank had \$8.2 billion of reciprocal deposits compared to \$8.9 billion at December 31, 2023.

The following table summarizes the maturities of time deposits as of the date indicated:

	Time Deposits		
	\$250,000 and Under	Over \$250,000	Total
<i>(In thousands)</i>			
September 30, 2024			
Maturities:			
Due in three months or less	\$ 1,252,341	\$ 177,248	\$ 1,429,589
Due in over three months through six months	986,439	377,179	1,363,618
Due in over six months through 12 months	995,066	339,473	1,334,539
Total due within 12 months	3,233,846	893,900	4,127,746
Due in over 12 months through 24 months	175,054	130,917	305,971
Due in over 24 months	5,551	5,335	10,886
Total due over twelve months	180,605	136,252	316,857
Total	\$ 3,414,451	\$ 1,030,152	\$ 4,444,603

Client Investment Funds

In addition to deposit products, we also offer select clients non-depository cash investment options through BAM, our registered investment adviser subsidiary, and third-party money market sweep products. BAM provides customized investment advisory and asset management solutions. At September 30, 2024, total off-balance sheet client investment funds were \$1.3 billion, of which \$0.6 billion was managed by BAM. At December 31, 2023, total off-balance sheet client investment funds were \$0.6 billion, of which \$0.2 billion was managed by BAM.

Credit Quality

During the third quarter of 2024, we continued to remain conservative on risk rating of loans and leases. Increases to classified loans and leases that remained on accrual status resulted from downward migration for groups of loans and leases where performance deteriorated or increased borrower financial information was determined to be necessary. Nonaccrual loans and leases increased in the quarter primarily due to two commercial loans and one legacy Civic loan that migrated to nonperforming status.

Nonperforming Assets, Classified Loans and Leases, and Special Mention Loans and Leases

The following table presents information on our nonperforming assets, classified loans and leases, and special mention loans and leases as of the dates indicated:

	September 30, 2024	December 31, 2023
	<i>(Dollars in thousands)</i>	
Nonaccrual loans and leases held for investment	\$ 168,341	\$ 62,527
Accruing loans contractually past due 90 days or more	—	11,750
Total nonperforming loans and leases	168,341	74,277
Foreclosed assets, net	8,661	7,394
Total nonperforming assets	\$ 177,002	\$ 81,671
Classified loans and leases held for investment	\$ 533,591	\$ 228,417
Special mention loans and leases held for investment	\$ 711,888	\$ 513,312
Nonaccrual loans and leases held for investment to loans and leases held for investment	0.72 %	0.25 %
Nonperforming assets to loans and leases held for investment and foreclosed assets, net	0.75 %	0.32 %
Allowance for credit losses to nonaccrual loans and leases held for investment	167.5 %	497.8 %
Classified loans and leases held for investment to loans and leases held for investment	2.27 %	0.90 %
Special mention loans and leases held for investment to loans and leases held for investment	3.03 %	2.01 %

Nonaccrual Loans and Leases Held for Investment

The following table presents our nonaccrual loans and leases held for investment and accruing loans and leases past due between 30 and 89 days by loan portfolio segment and class as of the dates indicated:

	September 30, 2024		December 31, 2023		Increase (Decrease)	
	Nonaccrual	Accruing and 30-89 Days Past Due	Nonaccrual	Accruing and 30-89 Days Past Due	Nonaccrual	Accruing and 30-89 Days Past Due
<i>(In thousands)</i>						
Real estate mortgage:						
Commercial	\$ 78,478	\$ 1,960	\$ 15,669	\$ 10,577	\$ 62,809	\$ (8,617)
Multi-family	916	—	1,020	2,302	(104)	(2,302)
Other residential	50,514	15,680	31,041	83,747	19,473	(68,067)
Total real estate mortgage	129,908	17,640	47,730	96,626	82,178	(78,986)
Real estate construction and land:						
Commercial	—	—	—	—	—	—
Residential	—	—	—	—	—	—
Total real estate construction and land	—	—	—	—	—	—
Commercial:						
Asset-based	2,295	1,097	2,689	608	(394)	489
Venture capital	19,957	—	325	—	19,632	—
Other commercial	15,662	2,221	10,972	1,187	4,690	1,034
Total commercial	37,914	3,318	13,986	1,795	23,928	1,523
Consumer	519	2,449	811	3,461	(292)	(1,012)
Total held for investment	\$ 168,341	\$ 23,407	\$ 62,527	\$ 101,882	\$ 105,814	\$ (78,475)

During the nine months ended September 30, 2024, nonperforming loan and leases held for investment increased by \$94.1 million to \$168.3 million at September 30, 2024 due mainly to additions of \$188.6 million, offset partially by transfers to held for sale of \$19.6 million, transfers to accrual status of \$15.3 million, charge-offs of \$14.7 million, and principal and other reductions of \$44.9 million. As of September 30, 2024, the Company's three largest loan relationships on nonaccrual status had an aggregate carrying value of \$49.0 million and represented 29% of total nonaccrual loans and leases.

Loans and leases accruing 30-89 days past due decreased \$78.5 million to \$23.4 million as of September 30, 2024 due mainly to decreases in other residential and commercial real estate delinquent loans. Decrease in other residential real estate delinquent loans was primarily due to the Civic loan sale.

Foreclosed Assets

The following table presents foreclosed assets (primarily OREO), net of the valuation allowance, by property type as of the dates indicated:

Property Type	September 30,	December 31,
	2024	2023
<i>(In thousands)</i>		
Single-family residential	\$ 8,661	\$ 7,394
Total OREO, net	8,661	7,394
Other foreclosed assets	—	—
Total foreclosed assets, net	\$ 8,661	\$ 7,394

During the nine months ended September 30, 2024, foreclosed assets increased by \$1.3 million to \$8.7 million at September 30, 2024 due mainly to transfers from loans of \$15.6 million, offset partially by sales of \$13.6 million.

Classified and Special Mention Loans and Leases Held for Investment

The following table presents the credit risk ratings of our loans and leases held for investment, net of deferred fees, as of the dates indicated:

Loan and Lease Credit Risk Ratings	September 30, 2024	December 31, 2023
	<i>(In thousands)</i>	
Pass	\$ 22,282,298	\$ 24,747,958
Special mention	711,888	513,312
Classified	533,591	228,417
Total loans and leases held for investment, net of deferred fees	<u>\$ 23,527,777</u>	<u>\$ 25,489,687</u>

Classified and special mention loans and leases fluctuate from period to period as a result of loan repayments and downgrades or upgrades from our ongoing active portfolio management.

The following table presents the classified and special mention credit risk rating categories for loans and leases held for investment, net of deferred fees, by loan portfolio segment and class and the related net changes as of the dates indicated:

	September 30, 2024		December 31, 2023		Increase (Decrease)	
	Classified	Special Mention	Classified	Special Mention	Classified	Special Mention
	<i>(In thousands)</i>					
Real estate mortgage:						
Commercial	\$ 256,581	\$ 339,559	\$ 75,739	\$ 219,687	\$ 180,842	\$ 119,872
Multi-family	152,288	46,332	74,954	108,356	77,334	(62,024)
Other residential	53,140	14,775	38,155	54,197	14,985	(39,422)
Total real estate mortgage	<u>462,009</u>	<u>400,666</u>	<u>188,848</u>	<u>382,240</u>	<u>273,161</u>	<u>18,426</u>
Real estate construction and land:						
Commercial	—	111,195	—	—	—	111,195
Residential	—	3,164	—	2,757	—	407
Total real estate construction and land	<u>—</u>	<u>114,359</u>	<u>—</u>	<u>2,757</u>	<u>—</u>	<u>111,602</u>
Commercial:						
Asset-based	5,731	11,156	4,561	12,506	1,170	(1,350)
Venture capital	39,699	145,441	7,805	98,633	31,894	46,808
Other commercial	25,511	32,358	26,044	9,984	(533)	22,374
Total commercial	<u>70,941</u>	<u>188,955</u>	<u>38,410</u>	<u>121,123</u>	<u>32,531</u>	<u>67,832</u>
Consumer	641	7,908	1,159	7,192	(518)	716
Total	<u>\$ 533,591</u>	<u>\$ 711,888</u>	<u>\$ 228,417</u>	<u>\$ 513,312</u>	<u>\$ 305,174</u>	<u>\$ 198,576</u>

During the nine months ended September 30, 2024, classified loans and leases increased by \$305.2 million to \$533.6 million at September 30, 2024 due mainly to increases of \$180.8 million in commercial real estate mortgage classified loans, \$77.3 million in multi-family real estate mortgage classified loans, \$31.9 million in venture capital classified loans, and \$15.0 million in other residential real estate mortgage classified loans.

During the nine months ended September 30, 2024, special mention loans and leases increased by \$198.6 million to \$711.9 million at September 30, 2024 due mainly to increases of \$119.9 million in commercial real estate mortgage special mention loans, \$111.2 million in commercial real estate construction and land special mention loans, and \$46.8 million in venture capital special mention loans, offset partially by decreases of \$62.0 million in multi-family real estate mortgage special mention loans and \$39.4 million in other residential real estate mortgage special mention loans.

Regulatory Matters

Capital

Bank regulatory agencies measure capital adequacy through standardized risk-based capital guidelines that compare different levels of capital (as defined by such guidelines) to risk-weighted assets and off-balance sheet obligations. At September 30, 2024, banks considered to be “well capitalized” must maintain a minimum Tier 1 leverage ratio of 5.00%, a minimum common equity Tier 1 risk-based capital ratio of 6.50%, a minimum Tier 1 risk-based capital ratio of 8.00%, and a minimum Total risk-based capital ratio of 10.00%.

Regulatory capital requirements limit the amount of deferred tax assets that may be included when determining the amount of regulatory capital. Deferred tax asset amounts in excess of the calculated limit are disallowed from regulatory capital. At September 30, 2024, such disallowed amounts was \$284.7 million for the Company. No assurance can be given that the regulatory capital deferred tax asset limitation will not increase in the future or that the Company will not have increased deferred tax assets that are disallowed.

Basel III currently requires all banking organizations to maintain a 2.50% capital conservation buffer above the minimum risk-based capital requirements to avoid certain limitations on capital distributions, stock repurchases and discretionary bonus payments to executive officers. The capital conservation buffer is exclusively comprised of common equity Tier 1 capital, and it applies to each of the three risk-based capital ratios but not to the leverage ratio. Effective January 1, 2019, the common equity Tier 1, Tier 1, and Total capital ratio minimums inclusive of the capital conservation buffer were 7.00%, 8.50%, and 10.50%. At September 30, 2024, the Company and the Bank were in compliance with the capital conservation buffer requirements.

The Company and the Bank elected the CECL 5-year regulatory transition guidance for calculating regulatory capital ratios and the September 30, 2024 ratios include this election. This regulatory guidance allows an entity to add back to capital 100% of the capital impact from the day one CECL transition adjustment and 25% of subsequent increases to the allowance for credit losses through December 31, 2021. This cumulative amount is now being phased out of regulatory capital evenly over the three years from 2022 to 2024. The add-back as of September 30, 2024 ranged from 0 basis points to 3 basis points for the capital ratios below.

The following tables present a comparison of our actual capital ratios to the minimum required ratios and well capitalized ratios as of the dates indicated:

	September 30, 2024	December 31, 2023	Minimum Required		
			For Capital Adequacy Purposes	For Capital Conservation Buffer	For Well Capitalized Classification
Banc of California, Inc.:					
Tier 1 leverage capital ratio	9.83%	9.00%	4.00%	N/A	N/A
CET1 capital ratio	10.46%	10.14%	4.50%	7.00%	N/A
Tier 1 capital ratio	12.88%	12.44%	6.00%	8.50%	N/A
Total capital ratio	17.00%	16.43%	8.00%	10.50%	N/A
Banc of California:					
Tier 1 leverage capital ratio	10.74%	9.62%	4.00%	N/A	5.00%
CET1 capital ratio	14.08%	13.27%	4.50%	7.00%	6.50%
Tier 1 capital ratio	14.08%	13.27%	6.00%	8.50%	8.00%
Total capital ratio	16.61%	15.75%	8.00%	10.50%	10.00%

The Company's consolidated risk-based capital ratios increased during the nine months ended September 30, 2024 due mainly to a decrease in risk-weighted assets and positive earnings for the period. The consolidated Tier 1 leverage ratio increased during the nine months ended September 30, 2024 due mainly to a decrease in average assets attributable primarily to decreased cash and cash equivalents.

Subordinated Debt

We issued or assumed through mergers subordinated debt to trusts that were established by us or entities we acquired, which, in turn, issued trust preferred securities. As of September 30, 2024, the carrying value of subordinated debt totaled \$942.2 million. At September 30, 2024, \$131.0 million of the trust preferred securities were included in the Company's Tier I capital and \$796.2 million were included in Tier II capital.

Dividends on Common Stock and Interest on Subordinated Debt

As a bank holding company, Banc of California, Inc. is required to notify and receive approval from the FRB prior to declaring and paying a dividend to common stockholders during any period in which quarterly and/or cumulative twelve-month net earnings are insufficient to fund the dividend amount, among other requirements. Interest payments made on subordinated debt are considered dividend payments under FRB regulations. We may not pay a dividend if the FRB objects or until such time as we receive approval from the FRB or we no longer need to provide notice under applicable regulations. The Company currently is required to receive FRB approval to declare or pay a dividend to stockholders. Further, if the Company defaults or elects to defer the interest payments on its subordinated debt, it is restricted from paying dividends on its Series F preferred and common stock.

Dividends on Preferred Stock

The Company's ability to pay dividends on the Series F preferred stock depends on the ability of the Bank to pay dividends to the holding company. The ability of the Company and the Bank to pay dividends in the future is subject to bank regulatory requirements, including capital regulations and policies established by the FRB, and the DFPI, as applicable. Dividends on the Series F preferred stock will not be declared, paid, or set aside for payment to the extent such act would cause us to fail to comply with applicable laws and regulations, including applicable FRB capital adequacy regulations and policies.

Dividends on the Series F preferred stock are not cumulative or mandatory. If the Company's Board of Directors does not declare a dividend on the Series F preferred stock in respect of a dividend period, then no dividend shall be deemed to be payable for such dividend period or be cumulative, and the Company will have no obligation to pay any dividend for that dividend period, whether or not the Board of Directors declares a dividend on the Series F preferred stock or any other class or series of its capital stock for any future dividend period. However, if dividends on the Series F preferred stock have not been declared or paid for the equivalent of six dividend payments, whether or not for consecutive dividend periods, holders of the outstanding shares of Series F preferred stock, together with holders of any other series of the Company's preferred stock ranking equal with the Series F preferred stock with similar voting rights, will generally be entitled to vote for the election of two additional directors. Additionally, so long as any share of Series F preferred stock remains outstanding, unless dividends on all outstanding shares of Series F preferred stock for the most recently completed dividend period have been paid in full or declared and a sum sufficient for the payment thereof has been set aside for payment, no dividend shall be declared or paid or set aside for payment and no distribution shall be declared or made or set aside for payment on the Company's common stock.

Liquidity

Liquidity Management

Liquidity is the ongoing ability to accommodate liability maturities and deposit withdrawals, fund asset growth and business operations, and meet contractual obligations through unconstrained access to funding at reasonable market rates. Liquidity management involves forecasting funding requirements and maintaining sufficient capacity to meet the needs and accommodate fluctuations in asset and liability levels due to changes in the Company's business operations or unanticipated events.

We have a Management Finance Committee ("MFC") that is comprised of members of senior management and is responsible for managing commitments to meet the needs of customers while achieving our financial objectives. MFC meets regularly to review funding capacities, current and forecasted loan demand, and investment opportunities.

We manage our liquidity by maintaining pools of liquid assets on-balance sheet, consisting of cash and receivables due from banks, interest-earning deposits in other financial institutions, and unpledged available-for-sale securities, which we refer to as our primary liquidity. We also maintain available borrowing capacity under secured credit lines with the FHLB and the FRBSF, which we refer to as our secondary liquidity.

As a member of the FHLB, the Bank had secured borrowing capacity with the FHLB of \$6.6 billion at September 30, 2024, and \$471.6 million pledged for letters of credit and a balance outstanding of \$1.1 billion as of that date. The FHLB secured credit line was collateralized by a blanket lien on \$10.5 billion of certain qualifying loans and \$20.9 million of securities. The Bank also had secured borrowing capacity with the FRBSF under the Discount Window program totaling \$6.9 billion at September 30, 2024, of which \$6.7 billion was available. The FRBSF Discount Window secured credit line was collateralized by liens on \$6.7 billion of qualifying loans and \$1.8 billion of pledged securities.

In addition to its secured lines of credit with the FHLB and FRBSF, the Bank also maintains unsecured lines of credit for the purpose of borrowing overnight funds, subject to availability, of \$290.0 million in the aggregate with several correspondent banks. As of September 30, 2024, there was no balance outstanding related to these unsecured lines of credit. The Bank is a member of the AFX, through which it may either borrow or lend funds on an overnight or short-term basis with a group of pre-approved commercial banks. The availability of funds changes daily. As of September 30, 2024, there was no outstanding balance through the AFX.

The following tables provide a summary of the Bank's primary and secondary liquidity levels at the dates indicated:

Primary Liquidity - On-Balance Sheet	September 30, 2024	December 31, 2023
	<i>(Dollars in thousands)</i>	
Cash and due from banks	\$ 251,869	\$ 202,427
Interest-earning deposits in financial institutions	2,302,358	5,175,149
Less: restricted cash	(183,247)	(185,147)
Securities available-for-sale, at fair value	2,300,284	2,346,864
Less: pledged securities, available-for-sale, at fair value	(4,313)	(2,063,754)
Total primary liquidity	\$ 4,666,951	\$ 5,475,539
Ratio of primary liquidity to total assets	14.0 %	14.2 %
Secondary Liquidity - Off-Balance Sheet Available Secured Borrowing Capacity	September 30, 2024	December 31, 2023
	<i>(In thousands)</i>	
Total secured borrowing capacity with the FHLB	\$ 6,552,711	\$ 5,302,210
Less: letters of credit	(471,580)	(243,801)
Less: secured advances outstanding	(1,100,000)	—
Available secured borrowing capacity with the FHLB	4,981,131	5,058,409
Total secured borrowing capacity with the FRBSF	6,942,509	6,916,235
Less: secured advances outstanding	(200,000)	—
Available secured borrowing capacity with the FRBSF	6,742,509	6,916,235
Total secondary liquidity	\$ 11,723,640	\$ 11,974,644

During the nine months ended September 30, 2024, the Company's primary liquidity decreased by \$808.6 million to \$4.7 billion at September 30, 2024 due mainly to a \$2.9 billion decrease in interest-earning deposits in financial institutions, offset partially by a decrease of \$2.1 billion in pledged AFS securities. During the nine months ended September 30, 2024, the Company's secondary liquidity decreased by \$251.0 million to \$11.7 billion at September 30, 2024 due to decreases in available secured borrowing capacity with the FHLB of \$77.3 million and available secured borrowing capacity with the FRB of \$173.7 million.

Obtaining new customer deposits, or having existing customers increase their deposit balances with us, are the primary sources of funding for our operations and is one of the highest priorities of the Company. See "- Balance Sheet Analysis - Deposits" for additional information and detail of our deposits. Additionally, we fund our operations with cash flows from our loan and securities portfolios.

Our deposit balances may decrease if customers withdraw funds from the Bank. In order to address the Bank's liquidity risk from fluctuating deposit balances, the Bank maintains adequate levels of available liquidity on and off the balance sheet.

We use brokered deposits, the availability of which is uncertain and subject to competitive market forces and regulation, for liquidity management purposes. At September 30, 2024, brokered deposits totaled \$2.6 billion, consisting of \$638.8 million of non-maturity brokered accounts and \$2.0 billion of brokered time deposits. At December 31, 2023, brokered deposits totaled \$4.6 billion, consisting of \$1.1 billion of non-maturity brokered accounts and \$3.5 billion of brokered time deposits.

Our liquidity policy includes guidelines, which are governed by the Company's Risk Appetite Statement, which include the following metrics: Primary Liquidity Ratio (unencumbered liquid assets and the market value of unpledged AFS securities, net of a haircut, divided by total assets), Brokered Deposits to Total Funding Ratio (wholesale deposits to total deposits plus borrowings), Total Borrowings to Total Funding Ratio (borrowings to total deposits and borrowings), Short-Term Non-Core Funding Ratio (retail time deposits of \$250,000 or more that mature within one year, brokered deposits that mature within one year, listing service deposits that mature within one year, official checks, escrow and title company deposits, 1031 exchange accommodator deposits, Federal Funds purchased, and borrowings that mature within one year as a percentage of total assets) and the Wholesale Funding Ratio (wholesale deposits and borrowings to total assets). At September 30, 2024, the Bank was in compliance with all of its funding concentration liquidity guidelines.

Holding Company Liquidity

Banc of California, Inc. acts as a source of financial strength for the Bank which can also include being a source of liquidity. The primary sources of liquidity for the holding company include dividends from the Bank, intercompany tax payments from the Bank, and Banc of California, Inc.'s ability to raise capital, issue subordinated debt, and secure outside borrowings. Banc of California, Inc.'s ability to obtain funds for the payment of dividends to our stockholders, the repurchase of shares of common stock, and other cash requirements is largely dependent upon the Bank's earnings. The Bank is subject to restrictions under certain federal and state laws and regulations that limit its ability to transfer funds to the holding company through intercompany loans, advances, or cash dividends. Banc of California, Inc.'s ability to pay dividends is also subject to the restrictions set forth by the FRB, and by certain covenants contained in our subordinated debt. See "- Regulatory Matters - Dividend on Preferred Stock" for information regarding the payment of dividends on the Series F preferred stock.

At September 30, 2024, Banc of California, Inc. had \$192.4 million in cash and cash equivalents, of which a substantial amount was on deposit at the Bank. We believe this amount of cash, along with anticipated future dividends from the Bank, will be sufficient to fund the holding company's cash flow needs over the next 12 months.

Our obligations also include off-balance sheet arrangements consisting of loan commitments, of which only a portion is expected to be funded, and standby letters of credit. At September 30, 2024, our loan commitments and standby letters of credit were \$5.0 billion and \$201.3 million. The loan commitments, a portion of which will eventually result in funded loans, increase our profitability through net interest income when drawn and unused commitment fees prior to being drawn. We manage our overall liquidity taking into consideration funded and unfunded commitments as a percentage of our liquidity sources. Our liquidity sources, as described in "- Liquidity - Liquidity Management," have been and are expected to be sufficient to meet the cash requirements of our lending activities. For further information on loan commitments, see Note 11. *Commitments and Contingencies*, of our unaudited condensed consolidated financial statements included in this Quarterly Report on Form 10-Q.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

This analysis should be read in conjunction with text under the caption "*Quantitative and Qualitative Disclosures About Market Risk*" in our Annual Report on Form 10-K for the year ended December 31, 2023, which text is incorporated herein by reference. Our analysis of market risk and market-sensitive financial information contains forward-looking statements and is subject to the disclosure at the beginning of Item 2 regarding such forward-looking information.

Market Risk - Foreign Currency Exposure

We enter into foreign exchange contracts with our clients and counterparty banks primarily for the purpose of offsetting or hedging clients' foreign currency exposures arising out of commercial transactions, and we enter into cross currency swaps and foreign exchange contracts to hedge exposures to loans and debt instruments denominated in foreign currencies. We have experienced and will continue to experience fluctuations in our net earnings as a result of transaction gains or losses related to revaluing certain asset and liability balances that are denominated in currencies other than the U.S. Dollar and the derivatives that hedge those exposures. As of September 30, 2024, the U.S. Dollar notional amounts of loans receivable and subordinated debt payable denominated in foreign currencies were \$8.1 million and \$28.7 million, and the U.S. Dollar notional amounts of derivatives outstanding to hedge these foreign currency exposures were \$8.1 million and \$28.5 million. We recognized a foreign currency translation net loss of \$752,000 for the nine months ended September 30, 2024 and a foreign currency translation net loss of \$97,000 for the nine months ended September 30, 2023.

Asset/Liability Management and Interest Rate Sensitivity

Interest Rate Risk - Company Governance. On a monthly basis, we measure our IRR position using two methods: (i) Net Interest Income ("NII") simulation analysis and (ii) Economic Value of Equity ("EVE") modeling. The Management Finance Committee ("MFC") and the Finance Committee of the Company's Board of Directors review the results of these analyses at least quarterly. As discussed in more detail below, if projected changes to interest rates cause changes to our simulated net present value of equity and/or net interest income to be outside our pre-established IRR limits, we may adjust our asset and liability mix in an effort to bring our interest rate risk exposure within our established limits.

The pre-established IRR Limits are recommended by management, determined based on analytical review and available peer data published by regulatory agencies about the IRR Limits utilized by other regional banks, and documented in the Company's ALCO Policy. The ALCO Policy is approved by MFC and the Finance Committee of the Board of Directors annually. We believe our ALCO Policy IRR Limits are consistent with prevailing practice in the regional banking industry.

We use a balance sheet simulation model (the "IRR Model") to estimate changes in NII and EVE that would result from immediate and sustained changes in interest rates as of the measurement date. This IRR Model assesses the changes in NII and EVE that would occur in response to an instantaneous and sustained increase and decrease in market interest rates of +-100, +-200, +-300, and +-400 basis points. This model is an IRR management tool, and the results are not necessarily an indication of our future net interest income. The IRR Model has inherent limitations and the model's results are based on a given set of rate changes and assumptions at a single point in time.

The IRR Model is updated monthly and the IRR Model results are reported to MFC and the Finance Committee of the Company's Board of Directors at each monthly or quarterly meeting, as applicable.

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.

The Management Finance Committee ("MFC") is comprised of select members of senior management. The Company also has a Finance Committee of the Boards of Directors of the Company and the Bank (together with MFC, the "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, and SOFR.

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 Finance Committee of the Boards of Directors of the Company and Bank, which delegates the day to day management of interest rate risk to the MFC. MFC ensures that the Bank is following the appropriate and current regulatory guidance in the formulation and implementation of our interest rate risk program. The Finance Committee of the Boards of Directors of the Company and the Bank 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.

We used a NII simulation model to measure the estimated changes in NII that would result over the next twelve months from immediate and sustained changes in interest rates as of September 30, 2024. We have assumed no growth or changes in the product mix of either our total interest-sensitive assets or liabilities over the next twelve months, therefore the results reflect an interest rate shock to a static balance sheet. This model is an interest rate risk management tool and the results are not necessarily an indication of our future net interest income.

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 income, 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 income, as rates paid on our interest-bearing liabilities reprice higher at a pace faster than rates earned on our interest-earning assets.

At September 30, 2024, our interest rate risk profile is “liability sensitive,” but less liability sensitive as compared to our interest rate risk profile position as of December 31, 2023. This shift is primarily due to the change in the mix of funding sources during the nine months ended September 30, 2024 resulting from the paydowns of the Bank Term Funding Program balances. 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 September 30, 2024 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		
	Amount	Amount Change	Percentage Change	Amount	Amount Change	Percentage Change
September 30, 2024	<i>(Dollars in millions)</i>					
+200 bps	\$ 2,874	\$ (256)	(8.2)%	\$ 1,131	\$ (10)	(0.9)%
+100 bps	\$ 3,018	\$ (112)	(3.6)%	\$ 1,134	\$ (7)	(0.6)%
0 bps	\$ 3,130			\$ 1,141		
-100 bps	\$ 3,241	\$ 111	3.5 %	\$ 1,148	\$ 7	0.6 %
-200 bps	\$ 3,174	\$ 44	1.4 %	\$ 1,150	\$ 9	0.8 %

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

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

Trading Arrangements

During the quarter ended September 30, 2024, none of our directors or executive officers adopted or terminated a Rule 10b5-1 trading arrangement or non-Rule 10b5-1 trading arrangement (in each case, as defined in Item 408 of Regulation S-K) for the purchase or sale of the Company's securities.

ITEM 6. EXHIBITS

Exhibit Number	Description
2.1	Agreement and Plan of Merger, dated as of July 25, 2023, by and among PacWest Bancorp, Banc of California, Inc. and Cal Merger Sub, Inc. (Exhibit 2.1 to the Registrant's Current Report on Form 8-K filed on July 31, 2023 and incorporated herein by reference).
3.1	Third Articles of Restatement of Banc of California, Inc., restated as of February 27, 2024 (Exhibit 3.1 to the Registrant's Annual Report on Form 10-K filed on February 29, 2024 and incorporated herein by reference).
3.2	Sixth Amended and Restated Bylaws of Banc of California, Inc. (Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed on May 15, 2023 and incorporated herein by reference).
31.1	Section 302 Certification of Chief Executive Officer (Filed herewith).
31.2	Section 302 Certification of Chief Financial Officer (Filed herewith).
32.1+	Section 906 Certification of Chief Executive Officer (Furnished herewith).
32.2+	Section 906 Certification of Chief Financial Officer (Furnished herewith).
101	Interactive data files pursuant to Rule 405 of Regulation S-T formatted in Inline XBRL: (i) the Condensed Consolidated Balance Sheets as of September 30, 2024 and December 31, 2023 , (ii) the Condensed Consolidated Statements of Earnings (Loss) for the three months ended September 30, 2024, June 30, 2024 and September 30, 2023 and nine months ended September 30, 2024 and 2023 , (iii) the Condensed Consolidated Statements of Comprehensive Income (Loss) for the three months ended September 30, 2024, June 30, 2024 and September 30, 2023 and nine months ended September 30, 2024 and 2023 , (iv) the Condensed Consolidated Statement of Changes in Stockholders' Equity for the nine months ended September 30, 2024 and 2023 , (v) the Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2024 and 2023 , and (vi) the Notes to Condensed Consolidated Financial Statements . (Filed herewith).
104	Cover page of Banc of California, Inc.'s Quarterly Report on Form 10-Q formatted as Inline XBRL and contained in Exhibit 101.

+ This exhibit shall not be deemed "filed" for purposes of Section 18 of the Exchange Act or otherwise subject to the liability of that Section. Such exhibit shall not be deemed incorporated into any filing under the Securities Act of 1933, as amended, or the Exchange Act.

The agreements and other documents filed as exhibits to this report are not intended to provide factual information or other disclosure other than with respect to the terms of the agreements or other documents themselves, and you should not rely on them for that purpose. In particular, any representations and warranties made by us in these agreements or other documents were made solely within the specific context of the relevant agreement or document and may not describe the actual state of affairs as of the date they were made or at any other time.

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: November 8, 2024

/s/ Jared M. Wolff

Jared M. Wolff

*President and Chief Executive Officer
(Principal Executive Officer)*

Date: November 8, 2024

/s/ Joseph Kauder

Joseph Kauder

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

Date: November 8, 2024

/s/ Jeff Krumpoch

Jeff Krumpoch

*Executive Vice President and Interim Chief Accounting Officer
(Principal Accounting Officer)*

Certification
Pursuant to Section 302 of the
Sarbanes-Oxley Act of 2002

I, Jared M. Wolff, certify that:

1. I have reviewed this report on Form 10-Q for the quarterly period ended September 30, 2024 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: November 8, 2024

/s/ JARED M. WOLFF

Jared M. Wolff
President and Chief Executive Officer

Certification
Pursuant to Section 302 of the
Sarbanes-Oxley Act of 2002

I, Joseph Kauder, certify that:

1. I have reviewed this report on Form 10-Q for the quarterly period ended September 30, 2024 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: November 8, 2024

/s/ JOSEPH KAUDER

Joseph Kauder
Executive Vice President and Chief Financial Officer

**Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted
Pursuant to Section 906 of the
Sarbanes-Oxley Act of 2002**

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350), the undersigned officer of Banc of California, Inc. (the “Company”) hereby certifies that the Company’s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2024 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 8, 2024

/s/ JARED M. WOLFF

Jared M. Wolff

President and Chief Executive Officer

The foregoing certification is being furnished solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350) and is not being filed as part of the Report or as a separate disclosure document.

**Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted
Pursuant to Section 906 of the
Sarbanes-Oxley Act of 2002**

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350), the undersigned officer of Banc of California, Inc. (the “Company”) hereby certifies that the Company’s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2024 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 8, 2024

/s/ JOSEPH KAUDER

Joseph Kauder
Executive Vice President and Chief Financial Officer

The foregoing certification is being furnished solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350) and is not being filed as part of the Report or as a separate disclosure document.