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

Form 10-Q

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

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
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	**04-3639825**
(State of Incorporation)	*(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**
Depositary Shares, each representing a 1/40th interest in a share of 7.75% fixed rate reset non-cumulative perpetual preferred stock, Series F	**BANC/PF**	**New York Stock Exchange**
(Title of Each Class)	*(Trading Symbol)*	*(Name of Exchange on Which Registered)*

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

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

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

☑ 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 August 1, 2024, there were 158,303,424 shares of the registrant's voting common stock outstanding, excluding 308,057 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.

JUNE 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	FRBSF	Federal Reserve Bank of San Francisco
AFS	Available-for-Sale	HFS	Held for Sale
AFX	American Financial Exchange	HLBV	Hypothetical Liquidation at Book Value
ALLL	Allowance for Loan and Lease Losses	HTM	Held-to-Maturity
ALM	Asset Liability Management	ICS	IntraFi Cash Service
ASC	Accounting Standards Codification	IRR	Interest Rate Risk
ASU	Accounting Standards Update	LIBOR	London Inter-bank Offered Rate
BAM	BofCal Asset Management Inc.	LIHTC	Low Income Housing Tax Credit
Basel III	A comprehensive capital framework and rules for U.S. banking organizations approved by the FRB and the FDIC in 2013	LOCOM	Lower of Cost or Market
BOLI	Bank Owned Life Insurance	MBS	Mortgage-Backed Securities
CARES Act	Coronavirus Aid, Relief, and Economic Security Act	NAV	Net Asset Value
CDI	Core Deposit Intangible Assets	NII	Net Interest Income
CECL	Current Expected Credit Loss	NIM	Net Interest Margin
CET1	Common Equity Tier 1	NVCE	Non-Voting Common Stock Equivalents
Civic	Civic Financial Services, LLC (a company acquired on February 1, 2021)	OREO	Other Real Estate Owned
CMBS	Commercial Mortgage-Backed Securities	PCD	Purchased Credit Deteriorated
CMOs	Collateralized Mortgage Obligations	PRSUs	Performance-Based Restricted Stock Units
COVID-19	Coronavirus Disease	ROU	Right-of-use
CRA	Community Reinvestment Act	RSUs	Restricted Stock Units
CRE	Commercial Real Estate	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
DTAs	Deferred Tax Assets	SEC	Securities and Exchange Commission
EVE	Economic Value of Equity	SOFR	Secured Overnight Financing Rate
FASB	Financial Accounting Standards Board	Tax Equivalent Net Interest Income	Net interest income reflecting adjustments related to tax-exempt interest on certain loans and investment securities
FDIC	Federal Deposit Insurance Corporation	Tax Equivalent NIM	NIM reflecting adjustments related to tax-exempt interest on certain loans and investment securities
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

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

BANC OF CALIFORNIA, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

	June 30, 2024	December 31, 2023
	(Unaudited)	
	(Dollars in thousands, except par value amounts)	
ASSETS:		
Cash and due from banks	$ 203,467	$ 202,427
Interest-earning deposits in financial institutions	2,495,343	5,175,149
Total cash, cash equivalents, and restricted cash	2,698,810	5,377,576
Securities available-for-sale, at fair value, net of allowance for credit losses (amortized cost of $2,613,901 and $2,699,255, respectively)	2,244,031	2,346,864
Securities held-to-maturity, at amortized cost, net of allowance for credit losses (fair value of $2,145,929 and $2,168,316, respectively)	2,296,708	2,287,291
FRB and FHLB stock, at cost	132,380	126,346
Total investment securities	4,673,119	4,760,501
Loans held for sale	1,935,455	122,757
Loans and leases held for investment	23,255,297	25,534,730
Deferred fees, net	(26,388)	(45,043)
Allowance for loan and lease losses	(247,762)	(281,687)
Total loans and leases held for investment, net	22,981,147	25,208,000
Equipment leased to others under operating leases	335,968	344,325
Premises and equipment, net	145,734	146,798
Bank owned life insurance	341,779	339,643
Goodwill	215,925	198,627
Intangible assets, net	148,894	165,477
Deferred tax asset, net	738,534	739,111
Other assets	1,028,474	1,131,249
Total assets	$ 35,243,839	$ 38,534,064
LIABILITIES:		
Noninterest-bearing deposits	$ 7,825,007	$ 7,774,254
Interest-bearing deposits	20,979,443	22,627,515
Total deposits	28,804,450	30,401,769
Borrowings (including $124,434 and $123,116 at fair value, respectively)	1,440,875	2,911,322
Subordinated debt	939,287	936,599
Accrued interest payable and other liabilities	651,379	893,609
Total liabilities	31,835,991	35,143,299
Commitments and contingencies		
STOCKHOLDERS' EQUITY:		
Preferred stock	498,516	498,516
Common stock ($0.01 par value, 158,252,791 shares issued and 157,941,818 outstanding at June 30, 2024; 157,651,752 shares issued and 156,790,349 outstanding at December 31, 2023)	1,583	1,577
Class B non-voting common stock ($0.01 par value, 477,321 shares issued at June 30, 2024 and 477,321 shares issued at December 31, 2023)	5	5
Non-voting common stock equivalents ($0.01 par value, 10,145,600 shares issued at June 30, 2024 and 10,829,990 shares issued at December 31, 2023)	101	108
Additional paid-in capital	3,813,312	3,840,974
Retained deficit	(477,010)	(518,301)
Accumulated other comprehensive loss, net	(428,659)	(432,114)
Total stockholders' equity	3,407,848	3,390,765
Total liabilities and stockholders' equity	$ 35,243,839	$ 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			Six Months Ended	
	June 30, 2024	March 31, 2024	June 30, 2023	June 30, 2024	June 30, 2023
	(Unaudited) (In thousands, except per share amounts)				
Interest income:					
Loans and leases	$ 388,853	$ 385,465	$ 408,972	$ 774,318	$ 839,657
Investment securities	33,836	34,303	44,153	68,139	88,390
Deposits in financial institutions	39,900	58,936	86,763	98,836	129,629
Total interest income	462,589	478,704	539,888	941,293	1,057,676
Interest expense:					
Deposits	186,106	194,807	178,789	380,913	334,681
Borrowings	30,311	38,124	160,914	68,435	230,036
Subordinated debt	16,684	16,671	14,109	33,355	27,611
Total interest expense	233,101	249,602	353,812	482,703	592,328
Net interest income	229,488	229,102	186,076	458,590	465,348
Provision for credit losses	11,000	10,000	2,000	21,000	5,000
Net interest income after provision for credit losses	218,488	219,102	184,076	437,590	460,348
Noninterest income:					
Leased equipment income	11,487	11,716	22,387	23,203	36,244
Other commissions and fees	8,629	8,142	11,241	16,771	21,585
Service charges on deposit accounts	4,540	4,705	4,315	9,245	7,888
Gain (loss) on sale of loans and leases	1,135	(448)	(158,881)	687	(155,919)
Dividends and gains on equity investments	1,166	3,068	2,658	4,234	3,756
Warrant (loss) income	(324)	178	(124)	(146)	(457)
LOCOM HFS adjustment	(38)	330	(11,943)	292	(11,943)
Other income	3,197	6,125	2,265	9,322	7,155
Total noninterest income (loss)	29,792	33,816	(128,082)	63,608	(91,691)
Noninterest expense:					
Compensation	85,914	92,236	82,881	178,150	171,357
Customer related expense	32,405	30,919	27,302	63,324	51,307
Insurance and assessments	26,431	20,461	25,635	46,892	37,352
Occupancy	17,455	17,968	15,383	35,423	30,450
Information technology and data processing	15,459	15,418	12,887	30,877	25,866
Intangible asset amortization	8,484	8,404	2,389	16,888	4,800
Leased equipment depreciation	7,511	7,520	9,088	15,031	18,463
Other professional services	5,183	5,075	9,973	10,258	16,046
Loan expense	4,332	4,491	5,245	8,823	11,769
Acquisition, integration and reorganization costs	(12,650)	—	12,394	(12,650)	20,908
Goodwill impairment	—	—	—	—	1,376,736
Other expense	13,119	8,026	117,260	21,145	128,386
Total noninterest expense	203,643	210,518	320,437	414,161	1,893,440
Earnings (loss) before income taxes	44,637	42,400	(264,443)	87,037	(1,524,783)
Income tax expense (benefit)	14,304	11,548	(67,029)	25,852	(131,945)
Net earnings (loss)	30,333	30,852	(197,414)	61,185	(1,392,838)
Preferred stock dividends	9,947	9,947	9,947	19,894	19,894
Net earnings (loss) available to common and equivalent stockholders	$ 20,386	$ 20,905	$ (207,361)	$ 41,291	$ (1,412,732)

See Notes to Condensed Consolidated Financial Statements.

BANC OF CALIFORNIA, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS (LOSS)

	Three Months Ended			Six Months Ended	
	June 30, 2024	March 31, 2024	June 30, 2023	June 30, 2024	June 30, 2023
	(Unaudited) *(In thousands, except per share amounts)*				
Earnings (loss) per share:					
Basic	$ 0.12	$ 0.12	$ (2.67)	$ 0.25	$ (18.21)
Diluted	$ 0.12	$ 0.12	$ (2.67)	$ 0.25	$ (18.21)

See Notes to Condensed Consolidated Financial Statements.

BANC OF CALIFORNIA, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

	Three Months Ended			Six Months Ended	
	June 30, 2024	March 31, 2024	June 30, 2023	June 30, 2024	June 30, 2023
			(Unaudited) *(In thousands)*		
Net earnings (loss)	$ 30,333	$ 30,852	$ (197,414)	$ 61,185	$ (1,392,838)
Other comprehensive income (loss), net of tax:					
Unrealized net holding gains (losses) on securities available-for-sale arising during the period	729	(18,208)	(64,145)	(17,479)	3,826
Income tax (expense) benefit related to unrealized net holding gains (losses) arising during the period	(207)	5,167	17,768	4,960	(1,060)
Unrealized net holding gains (losses) on securities available-for-sale, net of tax	522	(13,041)	(46,377)	(12,519)	2,766
Amortization of unrealized net loss on securities transferred from available-for-sale to held-to-maturity	8,106	8,110	7,877	16,216	15,761
Income tax expense related to amortization of unrealized net loss on securities transferred from available-for-sale to held-to-maturity	(2,300)	(2,302)	(2,182)	(4,602)	(4,366)
Amortization of unrealized net loss on securities transferred from available-for-sale to held-to-maturity, net of tax	5,806	5,808	5,695	11,614	11,395
Change in fair value of credit-linked notes	636	(1,251)	4,057	(615)	4,057
Income tax (expense) benefit related to change in fair value of credit-linked notes	(149)	355	(1,118)	206	(1,118)
Change in fair value of credit-linked notes, net of tax	487	(896)	2,939	(409)	2,939
Unrealized gain on cash flow hedges arising during the period	1,283	5,425	—	6,708	—
Income tax expense related to unrealized gain on cash flow hedges arising during the period	(321)	(1,618)	—	(1,939)	—
Unrealized gain on cash flow hedges, net of tax	962	3,807	—	4,769	—
Other comprehensive income (loss), net of tax	7,777	(4,322)	(37,743)	3,455	17,100
Comprehensive income (loss)	$ 38,110	$ 26,530	$ (235,157)	$ 64,640	$ (1,375,738)

See Notes to Condensed Consolidated Financial Statements.

BANC OF CALIFORNIA, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

	Six Months Ended June 30, 2024							
		Common Stock		Non-Voting Common Stock Equivalents			Accumulated Other Comprehensive Loss, Net	
	Preferred Stock	Voting	Class B Non-Voting		Additional Paid-in Capital	Retained Deficit		Total
	(Unaudited) *(In thousands, except per share amount)*							
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	$ 498,516	$ 1,583	$ 5	$ 101	$ 3,827,777	$ (497,396)	$ (436,436)	$ 3,394,150
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	$ 498,516	$ 1,583	$ 5	$ 101	$ 3,813,312	$ (477,010)	$ (428,659)	$ 3,407,848

See Notes to Condensed Consolidated Financial Statements.

BANC OF CALIFORNIA, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

	Six Months Ended June 30, 2024			
		Common Stock		Non-Voting Common Stock Equivalents
	Preferred Stock	Voting	Class B Non-Voting	
	(Unaudited) *(In ones)*			
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

See Notes to Condensed Consolidated Financial Statements.

BANC OF CALIFORNIA, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

	Six Months Ended June 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					
	(Unaudited) *(In thousands, except per share amount)*							
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	$ 498,516	$ 1,232	$ —	$ —	$ 2,792,536	$ 215,253	$ (736,060)	$ 2,771,477
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	$ 498,516	$ 1,233	$ —	$ —	$ 2,799,357	$ 7,892	$ (773,803)	$ 2,533,195

	Six Months Ended June 30, 2023			
		Common Stock		Non-Voting Common Stock Equivalents
	Preferred Stock	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)	—	—
Shares purchased under Dividend Reinvestment Plan	—	—	—	—
Number of shares, June 30, 2023	513,250	78,939,024	—	—

See Notes to Condensed Consolidated Financial Statements.

BANC OF CALIFORNIA, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six Months Ended June 30, 2024	Six Months Ended June 30, 2023
	(Unaudited) (In thousands)	
Cash flows from operating activities:		
Net earnings (loss)	$ 61,185	$ (1,392,838)
Adjustments to reconcile net earnings (loss) to net cash (used in) provided by operating activities:		
Goodwill impairment	—	1,376,736
Depreciation and amortization	27,687	27,622
Amortization of net premiums on investment securities	12,496	19,281
Decrease in deferred loan fees and discounts, net	(63,017)	(59,823)
Amortization of intangible assets	16,888	4,800
Amortization of operating lease ROU assets	17,842	14,580
Provision for credit losses	21,000	5,000
Gain on sale of foreclosed assets	(568)	(210)
Provision for losses on foreclosed assets	813	685
(Gain) loss on sale of loans and leases	(687)	155,919
Loss (gain) on sale of premises and equipment	81	(5)
Gain on BOLI death benefit	(52)	(416)
Unrealized loss (gain) on derivatives, foreign currencies, and credit-linked notes, net	3,169	(1,682)
LOCOM HFS adjustment	(292)	11,943
Earned stock compensation	8,568	13,917
Acquisition, integration, and reorganization costs	—	70
Decrease (increase) in other assets	82,733	(181,990)
(Decrease) increase in accrued interest payable and other liabilities	(237,139)	30,548
Net cash (used in) provided by operating activities	(49,293)	24,137
Cash flows from investing activities:		
Net (increase) decrease in loans and leases	(101,402)	497,408
Proceeds from sales of loans and leases	530,292	5,283,557
Proceeds from maturities and paydowns of securities available-for-sale	84,629	131,475
Purchases of securities available-for-sale	(5,558)	(5,836)
Proceeds from maturities and paydowns of securities held-to-maturity	586	568
Purchases of FHLB and FRB stock	(7,816)	(194,918)
Redemptions of FHLB and FRB stock	1,782	211,958
Proceeds from sales of foreclosed assets	8,622	5,346
Purchases of premises and equipment, net	(6,639)	(9,245)
Proceeds from sales of premises and equipment	2	13
Proceeds from BOLI death benefit	1,519	3,567
Net (increase) decrease in equipment leased to others under operating leases	(6,674)	5,770
Net cash provided by investing activities	499,343	5,929,663
Cash flows from financing activities:		
Net increase (decrease) in noninterest-bearing deposits	50,753	(5,156,999)
Net decrease in interest-bearing deposits	(1,648,072)	(882,252)
Repayments of borrowings	(2,075,372)	(1,523,382)
Proceeds from borrowings	600,000	6,122,273
Shares purchased under the Dividend Reinvestment Plan	148	—
Restricted stock surrendered	(2,392)	(5,072)
Preferred stock dividends paid	(19,894)	(19,894)
Common stock dividends paid	(33,987)	(30,549)
Net cash used in financing activities	(3,128,816)	(1,495,875)
Net (decrease) increase in cash, cash equivalents, and restricted cash	(2,678,766)	4,457,925
Cash, cash equivalents, and restricted cash, beginning of period	5,377,576	2,240,222
Cash, cash equivalents, and restricted cash, end of period	$ 2,698,810	$ 6,698,147

See Notes to Condensed Consolidated Financial Statements.

BANC OF CALIFORNIA, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six Months Ended June 30, 2024	Six Months Ended June 30, 2023
	(Unaudited) (In thousands)	
Supplemental disclosures of cash flow information:		
Cash paid for interest	$ 607,769	$ 467,830
Cash (received) paid for income taxes	(7,175)	1,143
Loans transferred to foreclosed assets	14,776	9,225
Transfers from loans held for investment to loans held for sale	1,915,180	3,076,427
Transfers to loans held for investment from loans held for sale	1,179	370,375

See Notes to Condensed Consolidated Financial Statements.

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 more than 80 full-service branches 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.

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.”

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 second quarter based on new information. These estimates, including initial accounting for deferred taxes and acquired loans, are considered preliminary as of June 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 quarter 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: (In thousands)	
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	3,953,888	
Premises and equipment	103,500	
Other intangible assets	145,500	
Current and deferred tax assets, net	208,771	
Other assets	391,050	
Total assets acquired	$ 8,190,669	
Fair value of liabilities assumed:		
Deposits	$ 6,547,659	
FHLB advances	794,000	
Long-term debt	257,600	
Other liabilities	144,331	
Total liabilities assumed	$ 7,743,590	
Net assets acquired		447,079
Goodwill		$ 215,925

In connection with the Merger, the Company recorded approximately $215.9 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.

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 June 30, 2024 and 2023. As of June 30, 2024 and December 31, 2023, we pledged cash collateral for our derivative contracts of $2.9 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 $123.0 million at June 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 June 30, 2024 and December 31, 2023, the balance of such restricted cash totaled $58.0 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	June 30, 2024 Amortized Cost	Allowance for Credit Losses	Net Carrying Amount	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In thousands)					
Agency residential MBS	$ 1,333,993	$ —	$ 1,333,993	$ —	$ (232,132)	$ 1,101,861
Agency commercial MBS	257,920	—	257,920	—	(16,577)	241,343
Agency residential CMOs	313,088	—	313,088	—	(34,828)	278,260
Municipal securities	34,541	—	34,541	—	(1,484)	33,057
Corporate debt securities	327,471	(199)	327,272	1,436	(46,746)	281,962
Private label residential CMOs	187,716	—	187,716	—	(37,430)	150,286
Collateralized loan obligations	109,168	—	109,168	272	(86)	109,354
Private label commercial MBS	19,144	—	19,144	—	(1,068)	18,076
Asset-backed securities	17,472	—	17,472	—	(28)	17,444
SBA securities	13,388	—	13,388	—	(1,000)	12,388
Total	$ 2,613,901	$ (199)	$ 2,613,702	$ 1,708	$ (371,379)	$ 2,244,031

Security Type	December 31, 2023 Amortized Cost	Allowance for Credit Losses	Net Carrying Amount	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In thousands)					
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	$ 2,699,255	$ (199)	$ 2,699,056	$ 262	$ (352,454)	$ 2,346,864

As of June 30, 2024, the Company had recorded an allowance for credit losses on securities available-for-sale of $199,000. We do not currently intend to sell any of the securities in an unrealized loss position and further believe it is more likely than not that we will not be required to sell these securities before their anticipated recovery.

As of June 30, 2024, securities available-for-sale with a fair value of $4.6 million were pledged as collateral solely for public deposits.

Realized Gains and Losses on Securities Available-for-Sale

The were no investment securities sales for the three and six months ended June 30, 2024 and 2023.

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:

	June 30, 2024					
	Less Than 12 Months		12 Months or More		Total	
Security Type	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
	(In thousands)					
Agency residential MBS	$ —	$ —	$ 1,101,862	$ (232,132)	$ 1,101,862	$ (232,132)
Agency commercial MBS	—	—	241,343	(16,577)	241,343	(16,577)
Agency residential CMOs	—	—	278,260	(34,828)	278,260	(34,828)
Municipal securities	—	—	33,057	(1,484)	33,057	(1,484)
Corporate debt securities	—	—	278,895	(46,746)	278,895	(46,746)
Private label residential CMOs	—	—	150,286	(37,430)	150,286	(37,430)
Collateralized loan obligations	20,852	(86)	—	—	20,852	(86)
Private label commercial MBS	—	—	18,076	(1,068)	18,076	(1,068)
Asset-backed securities	17,445	(28)	—	—	17,445	(28)
SBA securities	—	—	12,388	(1,000)	12,388	(1,000)
Total	$ 38,297	$ (114)	$ 2,114,167	$ (371,265)	$ 2,152,464	$ (371,379)

	December 31, 2023					
	Less Than 12 Months		12 Months or More		Total	
Security Type	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
	(In thousands)					
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	—	—	265,431	(36,650)	265,431	(36,650)
Municipal securities	—	—	284,334	(1,109)	284,334	(1,109)
Corporate debt securities	—	—	19,952	(60,254)	19,952	(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	—	—	28,083	(1,313)	28,083	(1,313)
Asset-backed securities	—	—	20,813	(289)	20,813	(289)
SBA securities	—	—	13,739	(903)	13,739	(903)
Total	$ —	$ —	$ 2,298,565	$ (352,454)	$ 2,298,565	$ (352,454)

The securities that were in an unrealized loss position at June 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. Although we periodically sell securities for portfolio management purposes, we do not foresee having to sell any impaired securities and believe that it is more likely than not we would not be required to sell any impaired securities before recovery of their amortized cost.

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:

	June 30, 2024				
Security Type	Due Within One Year	Due After One Year Through Five Years	Due After Five Years Through Ten Years	Due After Ten Years	Total
			(In thousands)		
Amortized Cost:					
Agency residential MBS	$ —	$ —	$ 707	$ 1,333,286	$ 1,333,993
Agency commercial MBS	—	234,514	6,129	17,277	257,920
Agency residential CMOs	—	51,213	—	261,875	313,088
Municipal securities	—	16,876	17,665	—	34,541
Corporate debt securities	—	5,000	322,471	—	327,471
Private label residential CMOs	—	—	—	187,716	187,716
Collateralized loan obligations	—	—	109,168	—	109,168
Private label commercial MBS	—	—	1,170	17,974	19,144
Asset-backed securities	—	—	—	17,472	17,472
SBA securities	—	2,430	4,180	6,778	13,388
Total	$ —	$ 310,033	$ 461,490	$ 1,842,378	$ 2,613,901

	June 30, 2024				
Security Type	Due Within One Year	Due After One Year Through Five Years	Due After Five Years Through Ten Years	Due After Ten Years	Total
			(In thousands)		
Fair Value:					
Agency residential MBS	$ —	$ —	$ 677	$ 1,101,184	$ 1,101,861
Agency commercial MBS	—	219,484	5,653	16,206	241,343
Agency residential CMOs	—	47,541	—	230,719	278,260
Municipal securities	—	16,445	16,612	—	33,057
Corporate debt securities	—	4,830	277,132	—	281,962
Private label residential CMOs	—	—	—	150,286	150,286
Collateralized loan obligations	—	—	109,354	—	109,354
Private label commercial MBS	—	—	1,132	16,944	18,076
Asset-backed securities	—	—	—	17,444	17,444
SBA securities	—	2,314	3,869	6,205	12,388
Total	$ —	$ 290,614	$ 414,429	$ 1,538,988	$ 2,244,031

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.

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 June 30, 2024, was $169.8 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:

	June 30, 2024					
Security Type	Amortized Cost	Allowance for Credit Losses	Net Carrying Amount	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In thousands)					
Municipal securities	$ 1,249,421	$ (140)	$ 1,249,281	$ 46	$ (51,317)	$ 1,198,010
Agency commercial MBS	437,110	—	437,110	—	(36,391)	400,719
Private label commercial MBS	352,880	—	352,880	—	(30,053)	322,827
U.S. Treasury securities	188,495	—	188,495	—	(16,566)	171,929
Corporate debt securities	70,302	(1,360)	68,942	—	(16,498)	52,444
Total (1)	$ 2,298,208	$ (1,500)	$ 2,296,708	$ 46	$ (150,825)	$ 2,145,929

(1) Excludes accrued interest receivable of $13.4 million at June 30, 2024 which is recorded in "Other assets" on the condensed consolidated balance sheets.

	December 31, 2023					
Security Type	Amortized Cost	Allowance for Credit Losses	Net Carrying Amount	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In thousands)					
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)	$ 2,288,791	$ (1,500)	$ 2,287,291	$ 1,760	$ (120,735)	$ 2,168,316

(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 June 30, 2024, securities held-to-maturity with an amortized cost of $2.2 billion and a fair value of $2.1 billion were pledged as collateral primarily for the FRB secured line of credit, Bank Term Funding Program borrowings, and public deposits.

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:

Security Type	Allowance for Credit Losses, Beginning of Period	Provision for Credit Losses	Charge-offs	Recoveries	Allowance for Credit Losses, End of Period
			(In thousands)		
Three Months Ended June 30, 2024					
Municipal securities	$ 140	$ —	$ —	$ —	$ 140
Corporate debt securities	1,360	—	—	—	1,360
Total	$ 1,500	$ —	$ —	$ —	$ 1,500
Six Months Ended June 30, 2024					
Municipal securities	$ 140	$ —	$ —	$ —	$ 140
Corporate debt securities	1,360	—	—	—	1,360
Total	$ 1,500	$ —	$ —	$ —	$ 1,500

Security Type	Allowance for Credit Losses, Beginning of Period	Provision for Credit Losses	Charge-offs	Recoveries	Allowance for Credit Losses, End of Period
			(In thousands)		
Three Months Ended June 30, 2023					
Municipal securities	$ 140	$ —	$ —	$ —	$ 140
Corporate debt securities	1,360	—	—	—	1,360
Total	$ 1,500	$ —	$ —	$ —	$ 1,500
Six Months Ended June 30, 2023					
Municipal securities	$ 140	$ —	$ —	$ —	$ 140
Corporate debt securities	1,360	—	—	—	1,360
Total	$ 1,500	$ —	$ —	$ —	$ 1,500

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.

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:

	June 30, 2024									
Security Type	AAA	AA+	AA	AA-	A+	A	A-	BBB	NR	Total
	(In thousands)									
Amortized Cost:										
Municipal securities	$ 564,410	$ 399,743	$ 193,049	$ 60,722	$ 11,996	$ 1,779	$ —	$ —	$ 17,722	$ 1,249,421
Agency commercial MBS	—	437,110	—	—	—	—	—	—	—	437,110
Private label commercial MBS	352,880	—	—	—	—	—	—	—	—	352,880
U.S. Treasury securities	—	188,495	—	—	—	—	—	—	—	188,495
Corporate debt securities	—	—	—	—	—	—	—	44,438	25,864	70,302
Total	$ 917,290	$ 1,025,348	$ 193,049	$ 60,722	$ 11,996	$ 1,779	$ —	$ 44,438	$ 43,586	$ 2,298,208

	December 31, 2023									
Security Type	AAA	AA+	AA	AA-	A+	A	A-	BBB	NR	Total
	(In thousands)									
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

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:

	June 30, 2024				
Security Type	**Due Within One Year**	**Due After One Year Through Five Years**	**Due After Five Years Through Ten Years**	**Due After Ten Years**	**Total**
			(In thousands)		
Amortized Cost:					
Municipal securities	$ —	$ 17,722	$ 407,453	$ 824,246	$ 1,249,421
Agency commercial MBS	—	—	437,110	—	437,110
Private label commercial MBS	—	—	36,623	316,257	352,880
U.S. Treasury securities	—	—	188,495	—	188,495
Corporate debt securities	—	—	10,172	60,130	70,302
Total	$ —	$ 17,722	$ 1,079,853	$ 1,200,633	$ 2,298,208

	June 30, 2024				
Security Type	**Due Within One Year**	**Due After One Year Through Five Years**	**Due After Five Years Through Ten Years**	**Due After Ten Years**	**Total**
			(In thousands)		
Fair Value:					
Municipal securities	$ —	$ 17,621	$ 384,920	$ 795,469	$ 1,198,010
Agency commercial MBS	—	—	400,719	—	400,719
Private label commercial MBS	—	—	34,041	288,786	322,827
U.S. Treasury securities	—	—	171,929	—	171,929
Corporate debt securities	—	—	9,708	42,736	52,444
Total	$ —	$ 17,621	$ 1,001,317	$ 1,126,991	$ 2,145,929

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 June 30,		Six Months Ended June 30,	
	2024	**2023**	**2024**	**2023**
		(In thousands)		
Taxable interest	$ 27,064	$ 38,207	$ 54,665	$ 76,899
Non-taxable interest	4,746	4,922	9,466	9,825
Dividend income	2,026	1,024	4,008	1,666
Total interest income on investment securities	$ 33,836	$ 44,153	$ 68,139	$ 88,390

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:

	June 30, 2024	December 31, 2023
	(In thousands)	
Real estate mortgage	$ 13,787,815	$ 16,378,537
Real estate construction and land [(1)]	3,376,301	3,183,357
Commercial	5,882,603	5,780,346
Consumer	426,199	454,474
Total gross loans and leases held for investment	23,472,918	25,796,714
Unearned discounts, net [(2)]	(217,621)	(261,984)
Deferred fees, net	(26,388)	(45,043)
Total loans and leases held for investment, net of unearned discounts and deferred fees	23,228,909	25,489,687
Allowance for loan and lease losses	(247,762)	(281,687)
Total loans and leases held for investment, net [(3)]	$ 22,981,147	$ 25,208,000

(1) Includes land and acquisition and development loans of $213.6 million and $228.9 million at June 30, 2024 and December 31, 2023.
(2) Represents net acquisition discounts of $284.3 million and purchase premiums of $66.7 million at June 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 $109.2 million and $111.3 million at June 30, 2024 and December 31, 2023, respectively, which is recorded in "Other assets" on the condensed consolidated balance sheets.

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:

	June 30, 2024				
	30 - 89 Days Past Due	90 or More Days Past Due	Total Past Due	Current	Total
	(In thousands)				
Real estate mortgage:					
Commercial	$ 189	$ 28,424	$ 28,613	$ 4,693,972	$ 4,722,585
Multi-family	227	—	227	5,984,703	5,984,930
Other residential	20,184	19,095	39,279	2,826,806	2,866,085
Total real estate mortgage	20,600	47,519	68,119	13,505,481	13,573,600
Real estate construction and land:					
Commercial	—	—	—	784,166	784,166
Residential	—	—	—	2,573,431	2,573,431
Total real estate construction and land	—	—	—	3,357,597	3,357,597
Commercial:					
Asset-based	—	1,613	1,613	1,967,100	1,968,713
Venture capital	1,545	—	1,545	1,454,577	1,456,122
Other commercial	3,269	5,977	9,246	2,437,728	2,446,974
Total commercial	4,814	7,590	12,404	5,859,405	5,871,809
Consumer	2,548	683	3,231	422,672	425,903
Total	$ 27,962	$ 55,792	$ 83,754	$ 23,145,155	$ 23,228,909

	December 31, 2023				
	30 - 89 Days Past Due	90 or More Days Past Due	Total Past Due	Current	Total
	(In thousands)				
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

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:

	June 30, 2024			December 31, 2023		
	Nonaccrual	Performing	Total	Nonaccrual	Performing	Total
	(In thousands)					
Real estate mortgage:						
Commercial	$ 62,498	$ 4,660,087	$ 4,722,585	$ 15,669	$ 5,010,828	$ 5,026,497
Multi-family	934	5,983,996	5,984,930	1,020	6,024,159	6,025,179
Other residential	31,832	2,834,253	2,866,085	31,041	5,029,268	5,060,309
Total real estate mortgage	95,264	13,478,336	13,573,600	47,730	16,064,255	16,111,985
Real estate construction and land:						
Commercial	—	784,166	784,166	—	759,585	759,585
Residential	—	2,573,431	2,573,431	—	2,399,684	2,399,684
Total real estate construction and land	—	3,357,597	3,357,597	—	3,159,269	3,159,269
Commercial:						
Asset-based	8,081	1,960,632	1,968,713	2,689	2,186,396	2,189,085
Venture capital	—	1,456,122	1,456,122	325	1,446,037	1,446,362
Other commercial	12,925	2,434,049	2,446,974	10,972	2,118,888	2,129,860
Total commercial	21,006	5,850,803	5,871,809	13,986	5,751,321	5,765,307
Consumer	800	425,103	425,903	811	452,315	453,126
Total	$ 117,070	$ 23,111,839	$ 23,228,909	$ 62,527	$ 25,427,160	$ 25,489,687

At June 30, 2024, nonaccrual loans and leases included $55.8 million of loans and leases 90 or more days past due, $2.8 million of loans and leases 30 to 89 days past due, and $58.4 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 June 30, 2024, our three largest loan relationships on nonaccrual status had an aggregate carrying value of $35.9 million and represented 31% of total nonaccrual loans and leases.

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.

	June 30, 2024			
	Classified	**Special Mention**	**Pass**	**Total**
	(In thousands)			
Real estate mortgage:				
Commercial	$ 188,537	$ 273,747	$ 4,260,301	$ 4,722,585
Multi-family	114,583	54,893	5,815,454	5,984,930
Other residential	51,965	21,412	2,792,708	2,866,085
Total real estate mortgage	355,085	350,052	12,868,463	13,573,600
Real estate construction and land:				
Commercial	—	107,424	676,742	784,166
Residential	—	3,350	2,570,081	2,573,431
Total real estate construction and land	—	110,774	3,246,823	3,357,597
Commercial:				
Asset-based	13,644	9,029	1,946,040	1,968,713
Venture capital	20,278	189,016	1,246,828	1,456,122
Other commercial	25,601	14,684	2,406,689	2,446,974
Total commercial	59,523	212,729	5,599,557	5,871,809
Consumer	890	7,108	417,905	425,903
Total	$ 415,498	$ 680,663	$ 22,132,748	$ 23,228,909

	December 31, 2023			
	Classified	**Special Mention**	**Pass**	**Total**
	(In thousands)			
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	188,848	382,240	15,540,897	16,111,985
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	—	2,757	3,156,512	3,159,269
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	38,410	121,123	5,605,774	5,765,307
Consumer	1,159	7,192	444,775	453,126
Total	$ 228,417	$ 513,312	$ 24,747,958	$ 25,489,687

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:

	June 30, 2024 Nonaccrual Recorded Investment	Three Months Ended June 30, 2024 Interest Income Recognized	Six Months Ended June 30, 2024 Interest Income Recognized	June 30, 2023 Nonaccrual Recorded Investment	Three Months Ended June 30, 2023 Interest Income Recognized	Six Months Ended June 30, 2023 Interest Income Recognized
			(In thousands)			
With An Allowance Recorded:						
Real estate mortgage:						
Commercial	$ 210	$ —	$ —	$ 57	$ —	$ —
Multi-family	—	—	—	—	—	—
Other residential	283	—	—	396	—	—
Real estate construction and land:						
Commercial	—	—	—	—	—	—
Residential	—	—	—	—	—	—
Commercial:						
Asset-based	—	—	—	—	—	—
Venture capital	—	—	—	—	—	—
Other commercial	1,714	—	—	738	—	—
Consumer	800	—	—	205	—	—
With No Related Allowance Recorded:						
Real estate mortgage:						
Commercial	$ 62,288	$ 4	$ 8	$ 37,134	$ 104	$ 107
Multi-family	934	—	—	—	—	—
Other residential	31,549	—	—	63,230	—	—
Real estate construction and land:						
Commercial	—	—	—	—	—	—
Residential	—	—	—	—	—	—
Commercial:						
Asset-based	8,081	—	—	385	—	—
Venture capital	—	—	—	—	—	—
Other commercial	11,211	45	45	2,741	—	—
Consumer	—	—	—	—	—	—
Total Loans and Leases With and Without an Allowance Recorded:						
Real estate mortgage	$ 95,264	$ 4	$ 8	$ 100,817	$ 104	$ 107
Real estate construction and land	—	—	—	—	—	—
Commercial	21,006	45	45	3,864	—	—
Consumer	800	—	—	205	—	—
Total	$ 117,070	$ 49	$ 53	$ 104,886	$ 104	$ 107

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)]	Term Loans by Origination Year							Revolving Converted to Term Loans	
June 30, 2024	2024	2023	2022	2021	2020	Prior	Revolving Loans	Revolving Converted to Term Loans	Total
	(In thousands)								
Real Estate Mortgage: Commercial									
Internal risk rating:									
1-2 High pass	$ 2,517	$ —	$ 28,367	$ 22,647	$ 13,704	$ 102,288	$ 1	$ —	$ 169,524
3-4.5 Pass	86,983	173,183	850,359	755,651	500,349	1,629,686	62,200	32,366	4,090,777
5 Special mention	—	—	74,465	12,514	724	184,938	1,106	—	273,747
6-8 Classified	—	711	5,518	64,278	17,267	99,513	1,250	—	188,537
Total	$ 89,500	$ 173,894	$ 958,709	$ 855,090	$ 532,044	$ 2,016,425	$ 64,557	$ 32,366	$ 4,722,585
Current YTD period:									
Gross charge-offs	$ —	$ —	$ 175	$ 9,958	$ 9,714	$ 1,036	$ —	$ —	$ 20,883
Real Estate Mortgage: Multi-family									
Internal risk rating:									
1-2 High pass	$ —	$ —	$ 51,071	$ 199,549	$ 79,761	$ 152,870	$ —	$ —	$ 483,251
3-4.5 Pass	57,539	85,143	2,171,433	1,134,874	504,063	1,319,665	11,486	48,000	5,332,203
5 Special mention	—	—	—	4,944	3,307	46,642	—	—	54,893
6-8 Classified	—	—	40,019	17,283	8,528	48,753	—	—	114,583
Total	$ 57,539	$ 85,143	$ 2,262,523	$ 1,356,650	$ 595,659	$ 1,567,930	$ 11,486	$ 48,000	$ 5,984,930
Current YTD period:									
Gross charge-offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Real Estate Mortgage: Other residential									
Internal risk rating:									
1-2 High pass	$ —	$ —	$ —	$ —	$ —	$ —	$ 6,597	$ —	$ 6,597
3-4.5 Pass	—	8,930	348,749	2,316,284	40,367	19,849	51,856	76	2,786,111
5 Special mention	—	1,070	11,045	8,916	—	281	100	—	21,412
6-8 Classified	—	2,809	29,350	17,827	—	1,689	257	33	51,965
Total	$ —	$ 12,809	$ 389,144	$ 2,343,027	$ 40,367	$ 21,819	$ 58,810	$ 109	$ 2,866,085
Current YTD period:									
Gross charge-offs	$ —	$ 3,355	$ 25,389	$ 6,381	$ 350	$ —	$ —	$ —	$ 35,475

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

Amortized Cost Basis (1)	Term Loans by Origination Year						Revolving	Revolving Converted to Term	
June 30, 2024	2024	2023	2022	2021	2020	Prior	Revolving Loans	Revolving Converted to Term Loans	Total
					(In thousands)				
Real Estate Construction and Land: Commercial									
Internal risk rating:									
1-2 High pass	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
3-4.5 Pass	10,712	29,185	423,956	119,502	59,802	10,635	22,950	—	676,742
5 Special mention	—	—	—	107,424	—	—	—	—	107,424
6-8 Classified	—	—	—	—	—	—	—	—	—
Total	$ 10,712	$ 29,185	$ 423,956	$ 226,926	$ 59,802	$ 10,635	$ 22,950	$ —	$ 784,166
Current YTD period:									
Gross charge-offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Real Estate Construction and Land: Residential									
Internal risk rating:									
1-2 High pass	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
3-4.5 Pass	64,193	123,032	1,370,102	636,650	241,695	27,064	107,345	—	2,570,081
5 Special mention	—	—	—	3,350	—	—	—	—	3,350
6-8 Classified	—	—	—	—	—	—	—	—	—
Total	$ 64,193	$ 123,032	$ 1,370,102	$ 640,000	$ 241,695	$ 27,064	$ 107,345	$ —	$ 2,573,431
Current YTD period:									
Gross charge-offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Commercial: Asset-Based									
Internal risk rating:									
1-2 High pass	$ 30,375	$ 48,684	$ 218,109	$ 235,078	$ 30,010	$ 281,592	$ 131,466	$ —	$ 975,314
3-4.5 Pass	3,426	95,643	199,627	94,603	11,327	30,660	525,308	10,132	970,726
5 Special mention	—	—	25	—	—	1	9,003	—	9,029
6-8 Classified	—	—	—	—	—	—	13,644	—	13,644
Total	$ 33,801	$ 144,327	$ 417,761	$ 329,681	$ 41,337	$ 312,253	$ 679,421	$ 10,132	$ 1,968,713
Current YTD period:									
Gross charge-offs	$ —	$ —	$ —	$ —	$ 92	$ —	$ —	$ —	$ 92
Commercial: Venture Capital									
Internal risk rating:									
1-2 High pass	$ (34)	$ (115)	$ (4)	$ —	$ 1,999	$ —	$ 241,262	$ 1,477	$ 244,585
3-4.5 Pass	44,143	81,444	60,675	85,317	4,779	19,793	638,233	67,859	1,002,243
5 Special mention	—	61,453	28,840	31,942	—	—	66,781	—	189,016
6-8 Classified	—	—	13,726	6,552	—	—	—	—	20,278
Total	$ 44,109	$ 142,782	$ 103,237	$ 123,811	$ 6,778	$ 19,793	$ 946,276	$ 69,336	$ 1,456,122
Current YTD period:									
Gross charge-offs	$ —	$ 2,272	$ —	$ —	$ —	$ 2	$ 140	$ —	$ 2,414

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

Amortized Cost Basis [1]	Term Loans by Origination Year						Revolving	Revolving Converted to Term	
June 30, 2024	2024	2023	2022	2021	2020	Prior	Revolving Loans	Revolving Converted to Term Loans	Total
					(In thousands)				
Commercial: Other Commercial									
Internal risk rating:									
1-2 High pass	$ 708	$ 748	$ 3,933	$ 4,884	$ 64	$ 1,267	$ 59,850	$ —	$ 71,454
3-4.5 Pass	129,883	88,690	149,923	267,503	44,987	168,825	1,482,651	2,773	2,335,235
5 Special mention	—	92	579	260	656	4,481	8,557	59	14,684
6-8 Classified	—	—	2,545	3,503	1,351	16,823	364	1,015	25,601
Total	$ 130,591	$ 89,530	$ 156,980	$ 276,150	$ 47,058	$ 191,396	$ 1,551,422	$ 3,847	$ 2,446,974
Current YTD period:									
Gross charge-offs	$ —	$ —	$ 32	$ 287	$ —	$ 202	$ 825	$ —	$ 1,346
Consumer									
Internal risk rating:									
1-2 High pass	$ —	$ —	$ 24	$ 19	$ 2	$ —	$ 1,684	$ —	$ 1,729
3-4.5 Pass	15,879	23,410	63,677	192,289	20,822	93,638	6,179	282	416,176
5 Special mention	—	—	1,481	3,507	501	1,619	—	—	7,108
6-8 Classified	—	—	50	460	33	334	—	13	890
Total	$ 15,879	$ 23,410	$ 65,232	$ 196,275	$ 21,358	$ 95,591	$ 7,863	$ 295	$ 425,903
Current YTD period:									
Gross charge-offs	$ —	$ 45	$ 514	$ 1,198	$ 298	$ 819	$ —	$ —	$ 2,874
Total Loans and Leases									
Internal risk rating:									
1-2 High pass	$ 33,566	$ 49,317	$ 301,500	$ 462,177	$ 125,540	$ 538,017	$ 440,860	$ 1,477	$ 1,952,454
3-4.5 Pass	412,758	708,660	5,638,501	5,602,673	1,428,191	3,319,815	2,908,208	161,488	20,180,294
5 Special mention	—	62,615	116,435	172,857	5,188	237,962	85,547	59	680,663
6-8 Classified	—	3,520	91,208	109,903	27,179	167,112	15,515	1,061	415,498
Total	$ 446,324	$ 824,112	$ 6,147,644	$ 6,347,610	$ 1,586,098	$ 4,262,906	$ 3,450,130	$ 164,085	$ 23,228,909
Current YTD period:									
Gross charge-offs	$ —	$ 5,672	$ 26,110	$ 17,824	$ 10,454	$ 2,059	$ 965	$ —	$ 63,084

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

Amortized Cost Basis [1] December 31, 2023	Term Loans by Origination Year 2023	2022	2021	2020	2019	Prior	Revolving Loans	Revolving Converted to Term Loans	Total
	(In thousands)								
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

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

Amortized Cost Basis [1] **December 31, 2023**	**Term Loans by Origination Year** **2023**	**2022**	**2021**	**2020**	**2019**	**Prior**	**Revolving Loans**	**Revolving Converted to Term Loans**	**Total**
					(In thousands)				
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

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

Amortized Cost Basis [1] December 31, 2023	Term Loans by Origination Year 2023	2022	2021	2020	2019	Prior	Revolving Loans	Revolving Converted to Term Loans	Total
					(In thousands)				
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.

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 June 30, 2024 Loan Modifications Balances (Amortized Cost Basis) at June 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	$ 2,695	0.1 %	$ 14,253	0.3 %	$ 13,500	0.3 %	$ —	— %	$ 30,448	0.6 %
Other residential	3,017	0.1 %	—	— %	—	— %	—	— %	3,017	0.1 %
Commercial:										
Other commercial	2,099	0.1 %	—	— %	—	— %	54	— %	2,153	0.1 %
Consumer	12	— %	—	— %	—	— %	—	— %	12	— %
Total	$ 7,823		$ 14,253		$ 13,500		$ 54		$ 35,630	

	Six Months Ended June 30, 2024 Loan Modifications Balances (Amortized Cost Basis) at June 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	$ 2,695	0.1 %	$ 14,253	0.3 %	$ 13,500	0.3 %	$ —	— %	$ 30,448	0.6 %
Other residential	4,356	0.2 %	—	— %	—	— %	—	— %	4,356	0.2 %
Commercial:										
Other commercial	2,099	0.1 %	—	— %	—	— %	54	— %	2,153	0.1 %
Consumer	12	— %	—	— %	—	— %	—	— %	12	— %
Total	$ 9,162		$ 14,253		$ 13,500		$ 54		$ 36,969	

	Three Months Ended June 30, 2023 Loan Modifications Balances (Amortized Cost Basis) at June 30, 2023 Term Extension	
	Balance	% of Loan Portfolio Class
	(Dollars in thousands)	
Real estate mortgage:		
Other residential	$ 8,993	0.1 %
Commercial:		
Other commercial	931	0.1 %
Consumer	15	— %
Total	$ 9,939	

	Six Months Ended June 30, 2023 Loan Modifications Balances (Amortized Cost Basis) at June 30, 2023									
	Term Extension		Payment Delay		Combination - Term Extension and Interest Rate Reduction		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:										
Other residential	$ 18,522	0.3 %	$ —	— %	$ —	— %	$ —	— %	$ 18,522	0.3 %
Commercial:										
Venture capital	—	— %	—	— %	—	— %	612	— %	612	— %
Other commercial	2,762	0.3 %	44	— %	—	— %	—	— %	2,806	0.3 %
Consumer	15	— %	—	— %	3	— %	—	— %	18	— %
Total	$ 21,299		$ 44		$ 3		$ 612		$ 21,958	

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 June 30, 2024 Term Extension - Financial Effect
Real estate mortgage:	
Commercial	Extended maturity by a weighted average 14 months.
Other residential	Extended maturity by a weighted average 8 months.
Commercial:	
Other commercial	Extended maturity by a weighted average 11 months.
Consumer	Extended maturity by a weighted average 12 months.

	Three Months Ended June 30, 2024 Payment Delay - Financial Effect
Real estate mortgage:	
Commercial	Deferred partial payments for up to 8 months.

	Three Months Ended June 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.

	Three Months Ended June 30, 2024 Combination - Term Extension and Payment Delay - Financial Effect
Commercial:	
Other commercial	Extended maturity by a weighted average 10 years and granted 4 months of payment deferrals.

	Six Months Ended June 30, 2024 Term Extension - Financial Effect
Real estate mortgage:	
Commercial	Extended maturity by a weighted average 14 months.
Other residential	Extended maturity by a weighted average 10 months.
Commercial:	
Other commercial	Extended maturity by a weighted average 11 months.
Consumer	Extended maturity by a weighted average 12 months.

	Six Months Ended June 30, 2024 Payment Delay - Financial Effect
Real estate mortgage:	
Commercial	Deferred partial payments for up to 8 months.

	Six Months Ended June 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.

	Six Months Ended June 30, 2024 Combination - Term Extension and Payment Delay - Financial Effect
Commercial:	
Other commercial	Extended maturity by a weighted average 10 years and granted 4 months of payment deferrals.

	Three Months Ended June 30, 2023 Term Extension - Financial Effect
Real estate mortgage:	
Other residential	Extended maturity by a weighted average 12 months.
Commercial:	
Other commercial	Extended maturity by a weighted average 23 months.
Consumer	Extended maturity by a weighted average 12 months.

	Six Months Ended June 30, 2023 Term Extension - Financial Effect
Real estate mortgage:	
Other residential	Extended maturity by a weighted average 9 months.
Commercial:	
Other commercial	Extended maturity by a weighted average 16 months.
Consumer	Extended maturity by a weighted average 12 months.

	Six Months Ended June 30, 2023 Payment Delay - Financial Effect
Commercial:	
Other commercial	Provided 6 months of reduced payments to borrowers without extending the loan term.

	Six Months Ended June 30, 2023 Combination - Term Extension and Interest Rate Reduction– Financial Effect
Consumer	Extended maturity by a weighted average 2 years and reduced weighted average contractual interest rate from 9.5% to 2.0%.

	Six Months Ended June 30, 2023 Combination - Term Extension and Payment Delay - Financial Effect
Commercial:	
Venture capital	Extended maturity by a weighted average 11 months and provided 11 months of interest only payments to borrowers.

The following table presents the payment status of our loan modifications made during the past 12 months with related amortized cost balances as of the date indicated:

	Payment Status (Amortized Cost Basis) at June 30, 2024			
	Current	30-89 Days Past Due	90 or More Days Past Due	Total
	(In thousands)			
Real estate mortgage:				
Commercial	$ 30,448	$ —	$ —	$ 30,448
Other residential	3,211	—	3,611	6,822
Commercial:				
Other commercial	3,674	—	—	3,674
Consumer	12	—	—	12
Total	$ 37,345	$ —	$ 3,611	$ 40,956

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

	Three Months Ended June 30, 2024 Modified Loans That Subsequently Defaulted	Six Months Ended June 30, 2024 Modified Loans That Subsequently Defaulted
	Amortized Cost Basis at June 30, 2024	Amortized Cost Basis at June 30, 2024
	Term Extension	Term Extension
	(In thousands)	
Real estate mortgage:		
Other residential	$ 2,108	$ 3,836
Commercial:		
Other commercial	47	47
Total	$ 2,155	$ 3,883

At June 30, 2023, there were other residential real estate loans with an amortized cost of $4.1 million that had been modified in the form of a term extension during the preceding six-month period that subsequently defaulted during the three and six months ended June 30, 2023.

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 June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
	(In thousands)			
Component of leases receivable income:				
Interest income on net investments in leases	$ 4,877	$ 4,118	$ 9,612	$ 7,867

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

	June 30, 2024	December 31, 2023
	(In thousands)	
Net Investment in Direct Financing Leases:		
Lease payments receivable	$ 242,768	$ 249,223
Unguaranteed residual assets	25,043	25,488
Deferred costs and other	2,447	2,715
Aggregate net investment in leases	$ 270,258	$ 277,426

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

	June 30, 2024
	(In thousands)
Period ending December 31,	
2024	$ 43,140
2025	79,088
2026	61,086
2027	40,528
2028	23,553
Thereafter	25,400
Total undiscounted cash flows	272,795
Less: Unearned income	(30,027)
Present value of lease payments	$ 242,768

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 June 30, 2024				
	Real Estate Mortgage	Real Estate Construction and Land	Commercial	Consumer	Total
			(In thousands)		
Allowance for Loan and Lease Losses:					
Balance, beginning of period	$ 198,274	$ 30,011	$ 47,054	$ 16,164	$ 291,503
Charge-offs	(53,881)	—	(3,148)	(1,041)	(58,070)
Recoveries	1,429	—	834	66	2,329
Net charge-offs	(52,452)	—	(2,314)	(975)	(55,741)
Provision	9,438	(4,730)	6,454	838	12,000
Balance, end of period	$ 155,260	$ 25,281	$ 51,194	$ 16,027	$ 247,762

	Six Months Ended June 30, 2024				
	Real Estate Mortgage	Real Estate Construction and Land	Commercial	Consumer	Total
			(In thousands)		
Allowance for Loan and Lease Losses:					
Balance, beginning of period	$ 186,827	$ 33,830	$ 45,156	$ 15,874	$ 281,687
Charge-offs	(56,358)	—	(3,852)	(2,874)	(63,084)
Recoveries	2,320	—	3,703	136	6,159
Net charge-offs	(54,038)	—	(149)	(2,738)	(56,925)
Provision	22,471	(8,549)	6,187	2,891	23,000
Balance, end of period	$ 155,260	$ 25,281	$ 51,194	$ 16,027	$ 247,762
Ending Allowance by Evaluation Methodology:					
Individually evaluated	$ —	$ —	$ —	$ —	$ —
Collectively evaluated	$ 155,260	$ 25,281	$ 51,194	$ 16,027	$ 247,762
Ending Loans and Leases by					
Evaluation Methodology:					
Individually evaluated	$ 95,086	$ —	$ 19,292	$ —	$ 114,378
Collectively evaluated	13,478,514	3,357,597	5,852,517	425,903	23,114,531
Ending balance	$ 13,573,600	$ 3,357,597	$ 5,871,809	$ 425,903	$ 23,228,909

	Three Months Ended June 30, 2023				
	Real Estate Mortgage	Real Estate Construction and Land	Commercial	Consumer	Total
			(In thousands)		
Allowance for Loan and Lease Losses:					
Balance, beginning of period	$ 109,483	$ 55,034	$ 37,195	$ 8,343	$ 210,055
Charge-offs	(23,875)	—	(7,347)	(486)	(31,708
Recoveries	62	—	742	83	887
Net charge-offs	(23,813)	—	(6,605)	(403)	(30,821
Provision	47,138	(15,355)	6,631	1,586	40,000
Balance, end of period	$ 132,808	$ 39,679	$ 37,221	$ 9,526	$ 219,234

	Six Months Ended June 30, 2023				
	Real Estate Mortgage	Real Estate Construction and Land	Commercial	Consumer	Total
			(In thousands)		
Allowance for Loan and Lease Losses:					
Balance, beginning of period	$ 87,309	$ 52,320	$ 52,849	$ 8,254	$ 200,732
Charge-offs	(33,710)	—	(7,484)	(911)	(42,105
Recoveries	262	—	1,717	128	2,107
Net charge-offs	(33,448)	—	(5,767)	(783)	(39,998
Provision	78,947	(12,641)	(9,861)	2,055	58,500
Balance, end of period	$ 132,808	$ 39,679	$ 37,221	$ 9,526	$ 219,234
Ending Allowance by Evaluation Methodology:					
Individually evaluated	$ —	$ —	$ —	$ —	$ —
Collectively evaluated	$ 132,808	$ 39,679	$ 37,221	$ 9,526	$ 219,234
Ending Loans and Leases by Evaluation Methodology:					
Individually evaluated	$ 101,968	$ —	$ 3,126	$ —	$ 105,094
Collectively evaluated	14,186,074	2,465,523	5,091,660	409,859	22,153,116
Ending balance	$ 14,288,042	$ 2,465,523	$ 5,094,786	$ 409,859	$ 22,258,210

The allowance for loan and lease losses decreased by $43.7 million in the second quarter of 2024 to $247.8 million due primarily to net charge-offs of $55.7 million, offset partially by a $12.0 million provision. The net charge-offs of $55.7 million included $28.7 million of Civic charge-offs as a result of the related $1.9 billion of Civic loans reclassified to held for sale at June 30, 2024. 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.

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:

	June 30, 2024			December 31, 2023		
	Real Property	Business Assets	Total	Real Property	Business Assets	Total
	(In thousands)					
Real estate mortgage	$ 93,986	$ —	$ 93,986	$ 47,952	$ —	$ 47,952
Commercial	—	11,256	11,256	—	3,616	3,616
Total	$ 93,986	$ 11,256	$ 105,242	$ 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 June 30, 2024		
	Allowance for Loan and Lease Losses	Reserve for Unfunded Loan Commitments	Total Allowance for Credit Losses
	(In thousands)		
Balance, beginning of period	$ 291,503	$ 28,571	$ 320,074
Charge-offs	(58,070)	—	(58,070)
Recoveries	2,329	—	2,329
Net charge-offs	(55,741)	—	(55,741)
Provision	12,000	(1,000)	11,000
Balance, end of period	$ 247,762	$ 27,571	$ 275,333

	Six Months Ended June 30, 2024		
	Allowance for Loan and Lease Losses	Reserve for Unfunded Loan Commitments	Total Allowance for Credit Losses
	(In thousands)		
Balance, beginning of period	$ 281,687	$ 29,571	$ 311,258
Charge-offs	(63,084)	—	(63,084)
Recoveries	6,159	—	6,159
Net charge-offs	(56,925)	—	(56,925)
Provision	23,000	(2,000)	21,000
Balance, end of period	$ 247,762	$ 27,571	$ 275,333

	Three Months Ended June 30, 2023		
	Allowance for Loan and Lease Losses	Reserve for Unfunded Loan Commitments	Total Allowance for Credit Losses
	(In thousands)		
Balance, beginning of period	$ 210,055	$ 75,571	$ 285,626
Charge-offs	(31,708)	—	(31,708)
Recoveries	887	—	887
Net charge-offs	(30,821)	—	(30,821)
Provision	40,000	(38,000)	2,000
Balance, end of period	$ 219,234	$ 37,571	$ 256,805

	Six Months Ended June 30, 2023		
	Allowance for Loan and Lease Losses	Reserve for Unfunded Loan Commitments	Total Allowance for Credit Losses
	(In thousands)		
Balance, beginning of period	$ 200,732	$ 91,071	$ 291,803
Charge-offs	(42,105)	—	(42,105)
Recoveries	2,107	—	2,107
Net charge-offs	(39,998)	—	(39,998)
Provision	58,500	(53,500)	5,000
Balance, end of period	$ 219,234	$ 37,571	$ 256,805

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. In the second quarter of 2024, the Company recorded adjustments related to the Merger resulting in an increase to goodwill of $17.3 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
	(In thousands)
Balance, December 31, 2023	$ 198,627
Purchase accounting adjustments	17,298
Balance, June 30, 2024	$ 215,925

Our other intangible assets with definite lives are CDI and CRI. CDI and CRI are amortized 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 June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
	(In thousands)			
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	(79,038)	(61,830)	(70,787)	(60,169)
Amortization expense	(8,332)	(2,389)	(16,583)	(4,800)
Fully amortized portion	—	—	—	750
Balance, end of period	(87,370)	(64,219)	(87,370)	(64,219)
Net CDI and CRI, end of period	$ 148,894	$ 26,581	$ 148,894	$ 26,581

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

		June 30, 2024
		(In thousands)
Period ending December 31,		
2024	$	15,950
2025		27,657
2026		24,412
2027		21,166
2028		17,920
Thereafter		41,789
Net CDI and CRI	$	148,894

NOTE 7. OTHER ASSETS

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

Other Assets		June 30, 2024		December 31, 2023
		(In thousands)		
LIHTC investments	$	322,397	$	347,478
Interest receivable		134,362		138,522
Operating lease ROU assets, net [(1)]		113,858		133,126
SBIC investments		110,005		105,433
Equity investments without readily determinable fair values		72,074		71,332
Prepaid expenses		42,287		43,498
Taxes receivable		24,714		34,268
HLBV investments		17,423		18,442
Foreclosed assets, net		13,302		7,394
Equity warrants		3,557		3,689
Equity investments with readily determinable fair values		1		1
Other receivables/assets		174,494		228,066
Total other assets	$	1,028,474	$	1,131,249

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

NOTE 8. LEASES

Operating Leases as a Lessee

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
	(In thousands)			
Operating lease expense:				
Fixed costs	$ 8,927	$ 8,421	$ 18,362	$ 16,169
Variable costs	100	30	148	65
Short-term lease costs	74	265	140	622
Sublease income	(1,321)	(533)	(2,517)	(1,245)
Net lease expense	$ 7,780	$ 8,183	$ 16,133	$ 15,611

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

	Six Months Ended June 30,	
	2024	2023
	(In thousands)	
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$ 16,926	$ 18,247
ROU assets obtained in exchange for lease obligations:		
Operating leases	$ 2,527	$ 9,706

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

	June 30, 2024	December 31, 2023
	(Dollars in thousands)	
Operating leases:		
Operating lease right-of-use assets, net	$ 113,858	$ 133,126
Operating lease liabilities	$ 144,908	$ 161,308
Weighted average remaining lease term (in years)	6.0	6.1
Weighted average discount rate	3.48 %	3.40 %

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

	June 30, 2024
	(In thousands)
Period ending December 31,	
2024	$ 19,478
2025	34,815
2026	28,412
2027	20,690
2028	16,541
Thereafter	41,537
Total operating lease liabilities	161,473
Less: Imputed interest	(16,565)
Present value of operating lease liabilities	$ 144,908

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, 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 six months ended June 30, 2024 and 2023.

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

	June 30, 2024
	(In thousands)
Year Ending December 31,	
2024	$ 21,049
2025	40,606
2026	36,111
2027	29,145
2028	25,020
Thereafter	68,751
Total undiscounted cash flows	$ 220,682

NOTE 9. BORROWINGS AND SUBORDINATED DEBT

Borrowings

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

	June 30, 2024		December 31, 2023	
	Balance	Weighted Average Rate	Balance	Weighted Average Rate
	(Dollars in thousands)			
FHLB secured advances	$ 600,000	4.56 %	$ —	— %
Bank Term Funding Program	545,000	5.40 %	2,618,300	4.37 %
Senior notes	174,000	5.25 %	174,000	5.25 %
Credit-linked notes	124,434	16.05 %	123,116	16.02 %
Total borrowings	1,443,434	5.95 %	2,915,416	4.92 %
Acquisition discount on senior notes	(2,559)		(4,094)	
Total borrowings, net	$ 1,440,875		$ 2,911,322	

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 June 30, 2024 of $6.7 billion, collateralized by a blanket lien on $10.6 billion of qualifying loans and $20.2 million of securities. As of June 30, 2024, there were $372.9 million in letters of credit pledged and $600.0 million 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:

	June 30, 2024		
	Balance	Rate	Maturity Date
	(Dollars in thousands)		
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
Total FHLB secured advances	$ 600,000	4.56 %	

FRBSF Secured Line of Credit. The Bank has a secured line of credit with the FRBSF. As of June 30, 2024, the Bank had secured borrowing capacity of $6.6 billion collateralized by liens covering $7.1 billion of qualifying loans and $1.1 billion of securities. As of June 30, 2024 and December 31, 2023, there were no balances outstanding.

FRBSF Bank Term Funding Program. In March of 2023, the Bank participated in the FRBSF Bank Term Funding Program. As of June 30, 2024, the Bank had secured borrowing capacity of $545.0 million collateralized by the par value of pledged securities totaling $584.4 million. As of June 30, 2024, the balance outstanding was $545.0 million consisting of one term advance maturing in March 2025. As of December 31, 2023, the balance outstanding was $2.6 billion consisting of two term advances maturing in March 2024.

Federal Funds Arrangements with Commercial Banks. As of June 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 June 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 June 30, 2024 and 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). 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.

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 10.71% at June 30, 2024. The notes are linked to the credit risk of an approximately $2.41 billion reference pool of previously purchased single-family residential mortgage loans at June 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 $124.4 million at June 30, 2024. See Note 12. *Fair Value Option* for additional information.

Subordinated Debt

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

	June 30, 2024		December 31, 2023		Date	Maturity	Rate Index
Series	Balance	Rate [1]	Balance	Rate [1]	Issued	Date	(Quarterly Reset)
	(Dollars in thousands)						
Subordinated notes, net [2]	$ 380,916	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	8.70 %	10,310	8.74 %	8/15/2003	9/17/2033	3-month Term SOFR + 3.10
Trust VI	10,310	8.65 %	10,310	8.70 %	9/3/2003	9/15/2033	3-month Term SOFR + 3.05
Trust CII	5,155	8.54 %	5,155	8.59 %	9/17/2003	9/17/2033	3-month Term SOFR + 2.95
Trust VII	61,856	8.34 %	61,856	8.40 %	2/5/2004	4/23/2034	3-month Term SOFR + 2.75
Trust CIII	20,619	7.29 %	20,619	7.34 %	8/15/2005	9/15/2035	3-month Term SOFR + 1.69
Trust FCCI	16,495	7.20 %	16,495	7.25 %	1/25/2007	3/15/2037	3-month Term SOFR + 1.60
Trust FCBI	10,310	7.15 %	10,310	7.20 %	9/30/2005	12/15/2035	3-month Term SOFR + 1.55
Trust CS 2005-1	82,475	7.55 %	82,475	7.60 %	11/21/2005	12/15/2035	3-month Term SOFR + 1.95
Trust CS 2005-2	128,866	7.54 %	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	7.54 %	51,550	7.60 %	9/27/2006	10/30/2036	3-month Term SOFR + 1.95
Trust CS 2006-3 [4]	27,613	5.92 %	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	7.54 %	6,650	7.60 %	12/19/2006	1/30/2037	3-month Term SOFR + 1.95
Trust CS 2007-2	39,177	7.54 %	39,177	7.60 %	6/13/2007	7/30/2037	3-month Term SOFR + 1.95
PMB Statutory Trust III	7,217	9.00 %	7,217	9.02 %	9/16/2002	9/26/2032	3-month Term SOFR + 3.40
PMB Capital Trust III	10,310	7.59 %	10,310	7.66 %	10/4/2004	10/8/2034	3-month Term SOFR + 2.00
Total subordinated debt	1,012,844	5.91 %	1,013,419	5.93 %			
Acquisition discount [5]	(73,557)		(76,820)				
Net subordinated debt	$ 939,287		$ 936,599				

(1) Rates do not include the effects of discounts and issuance costs.
(2) Net of unamortized issuance costs of $4.1 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.

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 $165.1 million at June 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 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 six months ended June 30, 2024, changes in fair value and fees recorded in noninterest income in the condensed consolidated statements of earnings (loss) were immaterial.

Included in the interest rate contracts in the table below are pay-fixed, receive-floating interest rate swap contracts classified as cash flow hedges with notional amounts aggregating $300.0 million, five year terms, and varying maturity dates throughout 2028. Also included in the interest rate contracts in the table below are pay-fixed, receive-floating interest rate swap contracts classified as cash flow hedges with notional amounts aggregating $355.0 million, with various forward-starting dates in 2024 and varying maturity dates throughout 2024 and 2025. All of 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 variable rate deposits and borrowings. 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 "Accumulated other comprehensive loss, net" on the consolidated balance sheets until the related cash flows from the hedged items are recognized in earnings. As of June 30, 2024, the fair value of the cash flow hedges represented a net asset of $2.4 million, related to which a gain of $0.7 million (net of tax) was included in "Accumulated other comprehensive loss, net."

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:

	June 30, 2024		December 31, 2023	
	Notional Amount	Fair Value	Notional Amount	Fair Value
	(In thousands)			
Derivative Assets:				
Interest rate contracts	$ 820,127	$ 10,053	$ 168,850	$ 6,426
Foreign exchange contracts	47,646	674	45,742	1,883
Interest rate and economic contracts	867,773	10,727	214,592	8,309
Equity warrant assets	16,816	3,557	17,008	3,689
Total	$ 884,589	$ 14,284	$ 231,600	$ 11,998
Derivative Liabilities:				
Interest rate contracts	$ 165,127	$ 7,510	$ 468,850	$ 10,421
Foreign exchange contracts	47,646	99	45,742	128
Total	$ 212,773	$ 7,609	$ 514,592	$ 10,549

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.

NOTE 11. COMMITMENTS AND CONTINGENCIES

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

	June 30, 2024	December 31, 2023
	(In thousands)	
Loan commitments to extend credit	$ 5,256,473	$ 5,578,907
Standby letters of credit	209,866	252,572
Total	$ 5,466,339	$ 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 June 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 June 30, 2024 and December 31, 2023, we had commitments to contribute capital to these entities totaling $70.0 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:

	June 30, 2024
	(In thousands)
Period ending December 31,	
2024	$ 34,990
2025	34,989
Total	$ 69,979

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.

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 $2.41 billion reference pool of previously purchased single-family residential mortgage loans. The principal balance of the credit-linked notes was $122.5 million at June 30, 2024. The carrying value of the credit-linked notes at June 30, 2024 was the estimated fair value of $124.4 million.

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:

Credit-Linked Notes	Three Months Ended June 30, 2024	Three Months Ended June 30, 2023	Six Months Ended June 30, 2024	Six Months Ended June 30, 2023
	(In thousands)			
Changes in fair value - losses (gains) included in earnings	$ 2,427	$ 472	$ 2,775	$ (1,526)
Changes in fair value - other comprehensive (income) loss	$ (636)	$ (4,057)	$ 615	$ (4,057)

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

Credit-Linked Notes	June 30, 2024	December 31, 2023
	(In thousands)	
Carrying value reported on the consolidated balance sheets	$ 124,434	$ 123,116
Aggregate unpaid principal balance (less than) in excess of fair value	$ (1,911)	$ 1,479

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 June 30, 2024, the fair value of these investments was $110.0 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:

	Fair Value Measurements as of June 30, 2024			
Measured on a Recurring Basis	**Total**	**Level 1**	**Level 2**	**Level 3**
	(In thousands)			
Securities available-for-sale:				
Agency residential MBS	$ 1,101,861	$ —	$ 1,101,861	$ —
Agency commercial MBS	241,343	—	241,343	—
Agency residential CMOs	278,260	—	278,260	—
Municipal securities	33,057	—	33,057	—
Corporate debt securities	281,962	—	267,843	14,119
Private label residential CMOs	150,286	—	150,286	—
Collateralized loan obligations	109,354	—	109,354	—
Private label commercial MBS	18,076	—	18,076	—
Asset-backed securities	17,444	—	17,444	—
SBA securities	12,388	—	12,388	—
Total securities available-for-sale	$ 2,244,031	$ —	$ 2,229,912	$ 14,119
Equity investments with readily determinable fair values	$ 1	$ 1	$ —	$ —
Derivatives [1]:				
Equity warrants	3,557	—	—	3,557
Interest rate and economic contracts	10,727	—	10,727	—
Derivative liabilities	7,609	—	7,609	—
Credit-linked notes	124,434	—	—	124,434

Measured on a Recurring Basis	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 six months ended June 30, 2024, there was a $2,000 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 $33.9 million transfer of corporate debt securities from Level 3 to Level 2 during the six months ended June 30, 2024 and an $8.8 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:

Unobservable Inputs	June 30, 2024 Corporate Debt Securities	
	Input or Range of Inputs	Weighted Average Input [1]
Spread to 10 Year Treasury	4.4% - 9.1%	6.2%
Discount rates	8.8% - 13.5%	10.6%

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

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:

	June 30, 2024 Equity Warrants	
Unobservable Inputs	**Range of Inputs**	**Weighted Average Input [(1)]**
Volatility	16.1% - 171.0%	25.3%
Risk-free interest rate	4.3% - 5.5%	4.6%
Remaining life assumption (in years)	0.08 - 5.00	3.27

(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
		(In thousands)	
Balance, December 31, 2023	$ 40,249	$ 3,689	$ 123,116
Total included in earnings	—	(146)	2,775
Total included in other comprehensive income	(1,021)	—	615
Issuances	—	296	—
Principal payments	—	—	(2,072)
Transfer from Level 2	8,750	—	—
Transfer to Level 2	(33,859)	—	—
Exercises and settlements	—	(280)	—
Transfers to Level 1 (equity investments with readily determinable fair values)	—	(2)	—
Balance, June 30, 2024	$ 14,119	$ 3,557	$ 124,434
Unrealized net gains (losses) for the period included in other comprehensive income for securities held at quarter-end	$ (3,131)		

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

	Fair Value Measurement as of June 30, 2024			
Measured on a Non-Recurring Basis	**Total**	**Level 1**	**Level 2**	**Level 3**
		(In thousands)		
Individually evaluated loans and leases	$ 29,027	$ —	$ 23,373	$ 5,654
OREO	2,800	—	2,800	—
Total non-recurring	$ 31,827	$ —	$ 26,173	$ 5,654

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

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 June 30, 2024	Three Months Ended June 30, 2023	Six Months Ended June 30, 2024	Six Months Ended June 30, 2023
	(In thousands)			
Individually evaluated loans and leases	$ 2,680	$ 925	$ 11,232	$ 4,946
OREO	340	158	579	158
Total losses	$ 3,020	$ 1,083	$ 11,811	$ 5,104

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	June 30, 2024 Fair Value	Valuation Technique	Unobservable Inputs	Input or Range	Weighted Average
	(In thousands)				
Individually evaluated loans and leases	5,654	Third-party appraisals	No discounts		
Total non-recurring Level 3	$ 5,654				

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

	June 30, 2024 Carrying Amount	Estimated Fair Value Total	Level 1	Level 2	Level 3
	(In thousands)				
Financial Assets:					
Cash and due from banks	$ 203,467	$ 203,467	$ 203,467	$ —	$ —
Interest-earning deposits in financial institutions	2,495,343	2,495,343	2,495,343	—	—
Securities available-for-sale	2,244,031	2,244,031	—	2,229,912	14,119
Securities held-to-maturity	2,296,708	2,145,929	171,929	1,970,633	3,367
Investment in FRB and FHLB stock	132,380	132,380	—	132,380	—
Loans held for sale	1,935,455	1,936,118	—	1,936,118	—
Loans and leases held for investment, net	22,981,147	21,809,106	—	23,373	21,785,733
Equity investments with readily determinable fair values	1	1	1	—	—
Equity warrants	3,557	3,557	—	—	3,557
Interest rate and economic contracts	10,727	10,727	—	10,727	—
Servicing rights	20,783	21,988	—	—	21,988
Financial Liabilities:					
Demand, checking, money market, and savings deposits	22,012,326	22,012,326	—	22,012,326	—
Time deposits	6,792,124	6,847,891	—	6,847,891	—
Borrowings	1,440,875	1,441,407	—	1,316,973	124,434
Subordinated debt	939,287	873,446	—	873,446	—
Derivative liabilities	7,609	7,609	—	7,609	—

	December 31, 2023				
	Carrying	Estimated Fair Value			
	Amount	Total	Level 1	Level 2	Level 3
	(*In thousands*)				
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 June 30, 2024, the amounts that will actually be realized or paid at settlement or maturity of the instruments could be significantly different.

NOTE 14. EARNINGS (LOSS) PER SHARE

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

	Three Months Ended June 30,				
	2024				2023
	(In thousands, except per share amounts)				
	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	$ 19,100	$ 58	$ 1,228	$ 20,386	$ (207,361)
Less: Earnings allocated to unvested restricted stock (1)	2	—	—	2	82
Net earnings (loss) allocated to common and equivalent shares	$ 19,102	$ 58	$ 1,228	$ 20,388	$ (207,279)
Weighted average basic shares and unvested restricted stock outstanding	158,381	477	10,147	169,005	79,009
Less: weighted average unvested restricted stock outstanding	(573)	—	—	(573)	(1,327)
Weighted average basic shares outstanding	157,808	477	10,147	168,432	77,682
Basic earnings (loss) per share	$ 0.12	$ 0.12	$ 0.12	$ 0.12	$ (2.67)
Diluted Earnings (Loss) Per Share:					
Net earnings (loss) allocated to common and equivalent shares	$ 19,102	$ 58	$ 1,228	$ 20,388	$ (207,279)
Weighted average diluted shares outstanding	157,808	477	10,147	168,432	77,682
Diluted earnings (loss) per share	$ 0.12	$ 0.12	$ 0.12	$ 0.12	$ (2.67)

(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 June 30, 2023 have been restated by multiplying historical amounts by the Merger exchange ratio of 0.6569.

	Six Months Ended June 30, 2024				2023
	(In thousands, except per share amounts)				
	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	$ 38,622	$ 117	$ 2,552	$ 41,291	$ (1,412,732)
Less: Earnings allocated to unvested restricted stock (1)	(51)	—	—	(51)	(238)
Net earnings (loss) allocated to common and equivalent shares	$ 38,571	$ 117	$ 2,552	$ 41,240	$ (1,412,970)
Weighted average basic shares and unvested restricted stock outstanding	158,110	477	10,402	168,989	78,997
Less: weighted average unvested restricted stock outstanding	(702)	—	—	(702)	(1,421)
Weighted average basic shares outstanding	157,408	477	10,402	168,287	77,576
Basic earnings (loss) per share	$ 0.25	$ 0.25	$ 0.25	$ 0.25	$ (18.21)
Diluted Earnings (Loss) Per Share:					
Net earnings (loss) allocated to common and equivalent shares	$ 38,571	$ 117	$ 2,552	$ 41,240	$ (1,412,970)
Weighted average diluted shares outstanding	157,408	477	10,402	168,287	77,576
Diluted earnings (loss) per share	$ 0.25	$ 0.25	$ 0.25	$ 0.25	$ (18.21)

(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 six months ended June 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 six months ended June 30, 2024 and 2023:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
	(In thousands)			
Restricted stock awards and units [1]	573	1,327	702	1,421
Warrants	18,902	—	18,902	—

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

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 June 30,			
	2024		2023	
	Total Recorded Revenue	Revenue from Contracts with Customers	Total Recorded Revenue	Revenue from Contracts with Customers
	(In thousands)			
Total Interest Income	$ 462,589	$ —	$ 539,888	$ —
Noninterest Income:				
Service charges on deposit accounts	4,540	4,540	4,315	4,315
Other commissions and fees	8,629	4,403	11,241	4,124
Leased equipment income	11,487	—	22,387	—
Gain (loss) on sale of loans	1,135	—	(158,881)	—
Dividends and gains on equity investments	1,166	—	2,658	—
Warrant loss	(324)	—	(124)	—
LOCOM HFS adjustment	(38)	—	(11,943)	—
Other income	3,197	133	2,265	240
Total noninterest income	29,792	9,076	(128,082)	8,679
Total Revenue	$ 492,381	$ 9,076	$ 411,806	$ 8,679

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

	Three Months Ended June 30,	
	2024	2023
	(In thousands)	
Products and services transferred at a point in time	$ 4,203	$ 3,849
Products and services transferred over time	4,873	4,830
Total revenue from contracts with customers	$ 9,076	$ 8,679

	Six Months Ended June 30,			
	2024		2023	
	Total Recorded Revenue	Revenue from Contracts with Customers	Total Recorded Revenue	Revenue from Contracts with Customers
	(In thousands)			
Total Interest Income	$ 941,293	$ —	$ 1,057,676	$ —
Noninterest Income:				
Service charges on deposit accounts	9,245	9,245	7,888	7,888
Other commissions and fees	16,771	9,386	21,585	8,555
Leased equipment income	23,203	—	36,244	—
Gain (loss) on sale of loans	687	—	(155,919)	—
Dividends and gains on equity investments	4,234	—	3,756	—
Warrant loss	(146)	—	(457)	—
LOCOM HFS adjustment	292	—	(11,943)	—
Other income	9,322	226	7,155	510
Total noninterest income	63,608	18,857	(91,691)	16,953
Total Revenue	$ 1,004,901	$ 18,857	$ 965,985	$ 16,953

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

	Six Months Ended June 30,	
	2024	2023
	(In thousands)	
Products and services transferred at a point in time	$ 9,081	$ 8,201
Products and services transferred over time	9,776	8,752
Total revenue from contracts with customers	$ 18,857	$ 16,953

Contract Balances

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

	June 30, 2024	December 31, 2023
	(In thousands)	
Receivables, which are included in "Other assets"	$ 1,297	$ 1,615
Contract liabilities, which are included in "Accrued interest payable and other liabilities"	$ 383	$ 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 six months ended June 30, 2024 due to revenue recognized that was included in the contract liability balance at the beginning of the period was $35,000.

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 8,789,197 shares. As of June 30, 2024, there were 4,659,072 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 $3.7 million and $7.7 million for the three months ended June 30, 2024 and 2023 and $8.1 million and $12.7 million six months ended June 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 June 30, 2024 totaled $56.9 million.

Time-Based Restricted Stock Awards

At June 30, 2024, there were 1,861,956 shares of unvested RSUs outstanding pursuant to the Amended and Restated 2018 Plan. At June 30, 2024, there were 310,973 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 June 30, 2024, there were 2,532,921 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 June 30, 2024 and December 31, 2023.

Common Stock

Our voting common stock is listed on the NYSE under the symbol “BANC” and there were 446,863,844 shares authorized at June 30, 2024 and December 31, 2023 and 157,941,818 shares outstanding at June 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 June 30, 2024 and December 31, 2023 and 477,321 shares outstanding at June 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 June 30, 2024 and December 31, 2023 and 10,145,600 shares outstanding at June 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 June 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.

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 December 1, 2023, based on information reported on a Schedule 13D filed with the SEC on December 1, 2023. For the three and six months ended June 30, 2024, the amounts paid to IntraFi for certain insured cash sweep services were $1.9 million and $4.2 million and were $2.4 million and $4.0 million for the three and six months ended June 30, 2023.

NOTE 18. SUBSEQUENT 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 is expected to increase our CET 1 capital ratio by more than 30 basis points. We intend to use the proceeds primarily to pay down higher-cost brokered deposits and borrowings.

NOTE 19. RECENTLY ISSUED ACCOUNTING STANDARDS

Standard	Description	Effective Date	Effect on the Financial Statements or Other Significant Matters
ASU 2023-06, *Disclosure Improvements - Codification Amendments in Response to the SEC's Disclosure Update and Simplification Initiative*	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 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 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*	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.

Standard	**Description**	**Effective Date**	**Effect on the Financial Statements or Other Significant Matters**
ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*	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, *Codification Improvements: Amendments to Remove References to the Concepts Statements*	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 six months ended June 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 full-service branches throughout California and in Durham, North Carolina and Denver, Colorado, and loan production offices around the country.

At June 30, 2024, the Company had total assets of $35.2 billion, including $25.2 billion of total loans and leases, net of deferred fees, $2.2 billion of securities available-for-sale, $2.3 billion of securities held-to-maturity, and $2.5 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 $3.3 billion decrease in total assets since year-end was due primarily to a $2.7 billion decrease in interest-earning deposits in financial institutions.

At June 30, 2024, the Company had total liabilities of $31.8 billion, including total deposits of $28.8 billion and borrowings of $1.4 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 $3.3 billion decrease in total liabilities since year-end was due mainly to a $1.6 billion decrease in deposits and a $1.5 billion decrease in borrowings.

The Company had total stockholders' equity of $3.4 billion at June 30, 2024 and at December 31, 2023. Net earnings for the six months ended June 30, 2024 were mostly offset by dividends declared and paid. Our consolidated common equity Tier 1 (CET1), Tier 1 capital and Total capital ratios were 10.27%, 12.62%, and 16.57% at June 30, 2024.

Recent Events

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 $215.9 million. The Bank is headquartered in Los Angeles, California, and operates more than 80 branches in California, as well as branches 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.

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 and occupancy expense. 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. 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 for the periods indicated:

Noninterest Expense to Average Total Assets	Three Months Ended June 30, 2024	Three Months Ended March 31, 2024	Six Months Ended June 30, 2024	Six Months Ended June 30, 2023
	(Dollars in thousands)			
Noninterest expense	$ 203,643	$ 210,518	$ 414,161	$ 1,893,440
Average total assets	$ 35,834,467	$ 37,540,707	$ 36,687,587	$ 42,905,272
Noninterest expense to average total assets (1)	2.29 %	2.26 %	2.27 %	8.90 %

(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, 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.

Return on Average Tangible Common Equity	Three Months Ended June 30, 2024	Three Months Ended March 31, 2024	Six Months Ended June 30, 2024	Six Months Ended June 30, 2023
	(Dollars in thousands)			
Net earnings (loss)	$ 30,333	$ 30,852	$ 61,185	$ (1,392,838)
Earnings (loss) before income taxes	$ 44,637	$ 42,400	$ 87,037	$ (1,524,783)
Add: Intangible asset amortization	8,484	8,404	16,888	4,800
Add: Goodwill impairment	—	—	—	1,376,736
Adjusted earnings (loss) before income taxes	53,121	50,804	103,925	(143,247)
Adjusted income tax expense (benefit) (1)	16,999	13,819	30,866	(45,839)
Adjusted net earnings (loss)	36,122	36,985	73,059	(97,408)
Less: Preferred stock dividends	9,947	9,947	19,894	19,894
Adjusted net earnings (loss) available to common and equivalent stockholders	$ 26,175	$ 27,038	$ 53,165	$ (117,302)
Average stockholders' equity	$ 3,395,350	$ 3,390,532	$ 3,392,941	$ 3,355,495
Less: Average intangible assets	352,934	360,680	356,807	706,072
Less: Average preferred stock	498,516	498,516	498,516	498,516
Average tangible common equity	$ 2,543,900	$ 2,531,336	$ 2,537,618	$ 2,150,907
Return on average equity (2)	3.59 %	3.66 %	3.63 %	(83.71)%
Return on average tangible common equity (3)	4.14 %	4.30 %	4.21 %	(11.00)%

(1) Effective tax rates of 32.0% and 27.2% used for the three months ended June 30, 2024 and March 31, 2024. Effective tax rate of 29.7% used for the six months ended June 30, 2024. Adjusted effective tax rate of 32.0% used to normalize the effect of goodwill impairment for the six months ended June 30, 2023.
(2) Annualized net earnings (loss) divided by average stockholders' equity.
(3) Annualized adjusted net earnings available to common and equivalent stockholders divided by average tangible common equity.

Tangible Common Equity to Tangible Assets and **<u>Tangible Book Value Per Common Share</u>**	**June 30, 2024**	**December 31, 2023**
	(Dollars in thousands, except per share data)	
Stockholders’ equity	$ 3,407,848	$ 3,390,765
Less: Preferred stock	498,516	498,516
Total common equity	2,909,332	2,892,249
Less: Intangible assets	364,819	364,104
Tangible common equity	$ 2,544,513	$ 2,528,145
Total assets	$ 35,243,839	$ 38,534,064
Less: Intangible assets	364,819	364,104
Tangible assets	$ 34,879,020	$ 38,169,960
Total stockholders' equity to total assets ratio	9.67 %	8.80 %
Tangible common equity to tangible assets ratio	7.30 %	6.62 %
Book value per common share [1]	$ 17.23	$ 17.12
Tangible book value per common share [2]	$ 15.07	$ 14.96
Common and equivalent shares outstanding [3]	168,875,712	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.

Results of Operations

Earnings Performance

The following table presents performance metrics for the periods indicated:

	Three Months Ended		Six Months Ended	
	June 30,	March 31,	June 30,	
	2024	2024	2024	2023
	(Dollars in thousands, except per share data)			
Earnings Summary:				
Interest income	$ 462,589	$ 478,704	$ 941,293	$ 1,057,676
Interest expense	(233,101)	(249,602)	(482,703)	(592,328)
Net interest income	229,488	229,102	458,590	465,348
Provision for credit losses	(11,000)	(10,000)	(21,000)	(5,000)
Noninterest income (loss)	29,792	33,816	63,608	(91,691)
Operating expense	(216,293)	(210,518)	(426,811)	(495,796)
Acquisition, integration and reorganization costs	12,650	—	12,650	(20,908)
Goodwill impairment	—	—	—	(1,376,736)
Earnings (loss) before income taxes	44,637	42,400	87,037	(1,524,783)
Income tax (expense) benefit	(14,304)	(11,548)	(25,852)	131,945
Net earnings (loss)	30,333	30,852	61,185	(1,392,838)
Preferred stock dividends	(9,947)	(9,947)	(19,894)	(19,894)
Net earnings (loss) available to common and equivalent stockholders	$ 20,386	$ 20,905	$ 41,291	$ (1,412,732)
Per Common Share Data:				
Diluted earnings (loss) per share [(1)]	$ 0.12	$ 0.12	$ 0.25	$ (18.21)
Book value per share[(1)]	$ 17.23	$ 17.13		
Tangible book value per share [(1)(2)]	$ 15.07	$ 15.03		
Performance Ratios:				
Return on average assets	0.34 %	0.33 %	0.34 %	(6.55)%
Return on average tangible common equity [(1)(2)]	4.14 %	4.30 %	4.21 %	(11.00)%
Net interest margin (tax equivalent)	2.80 %	2.66 %	2.73 %	2.34 %
Yield on average loans and leases (tax equivalent)	6.18 %	6.08 %	6.13 %	6.11 %
Cost of average total deposits	2.60 %	2.66 %	2.63 %	2.27 %
Noninterest expense to average total assets	2.29 %	2.26 %	2.27 %	8.90 %
Capital Ratios (consolidated):				
Common equity tier 1 capital ratio	10.27 %	10.09 %		
Tier 1 capital ratio	12.62 %	12.38 %		
Total capital ratio	16.57 %	16.40 %		
Tier 1 leverage capital ratio	9.51 %	9.12 %		
Risk-weighted assets	$ 26,888,980	$ 27,513,936		

(1) Shares include non-voting common stock equivalents that are participating securities.
(2) See "- Non-GAAP Financial Measurements."

Second Quarter of 2024 Compared to First Quarter of 2024

Net earnings available to common and equivalent stockholders for the second quarter of 2024 was $20.4 million, or $0.12 per diluted share, compared to a net earnings available to common and equivalent stockholders for the first quarter of 2024 of $20.9 million, or $0.12 per diluted share. The $0.5 million decrease in net earnings available to common and equivalent stockholders from the first quarter of 2024 was due mainly to lower noninterest income of $4.0 million, higher provision for credit losses of $1.0 million, and higher income tax expense of $2.8 million, offset partially by higher net interest income of $0.4 million and lower noninterest expense of $6.9 million. The decrease in noninterest income was due mainly to a decrease of $2.9 million in other income and a decrease of $1.9 million in dividends and gains on equity investments. The increase in income tax expense was due to higher pre-tax income for the second quarter compared to the first quarter and a higher effective tax rate of 32.0% for the second quarter compared to 27.2% for the first quarter. Net interest income was higher in the second quarter compared to the first 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 $12.7 million in acquisition, integration and reorganization costs and $6.3 million in compensation expense, offset partially by increases of $6.0 million in insurance and assessments expense and $5.1 million in other expense.

Six Months Ended June 30, 2024 Compared to Six Months Ended June 30, 2023

Net earnings available to common and equivalent stockholders for the six months ended June 30, 2024 was $41.3 million, or $0.25 per diluted share, compared to a net loss available to common and equivalent stockholders for the six months ended June 30, 2023 of $1.4 billion, or a loss of $18.21 per diluted share. The $1.5 billion increase in net earnings available to common and equivalent stockholders was due mainly to a $1.5 billion decrease in noninterest expense and a $155.3 million increase in noninterest income, offset partially by a $6.8 million decrease in net interest income, a $16.0 million increase in the provision for credit losses, and a $157.8 million increase in income tax expense. 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 almost entirely to a decrease in the loss on sale of loans and leases of $156.6 million. The decrease in net interest income was due primarily to lower interest income on lower interest-earning assets and higher interest expense on deposits, offset partially by lower interest expense on borrowings. The increase in income tax expense was due to the income tax expense recorded on earnings before taxes in the six months ended June 30, 2024, compared to an income tax benefit recorded on a net loss before income taxes in the six months ended June 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					
	June 30, 2024			March 31, 2024		
	Average Balance	Interest Income/ Expense	Yields and Rates	Average Balance	Interest Income/ Expense	Yields and Rates
	(Dollars in thousands)					
ASSETS:						
Loans and leases [(1)]	$ 25,325,578	$ 388,853	6.18 %	$ 25,518,590	$ 385,465	6.08 %
Investment securities	4,658,690	33,836	2.92 %	4,721,556	34,303	2.92 %
Deposits in financial institutions	2,960,292	39,900	5.42 %	4,374,968	58,936	5.42 %
Total interest-earning assets	32,944,560	462,589	5.65 %	34,615,114	478,704	5.56 %
Other assets	2,889,907			2,925,593		
Total assets	$ 35,834,467			$ 37,540,707		
LIABILITIES AND STOCKHOLDERS' EQUITY:						
Interest checking	$ 7,673,902	61,076	3.20 %	$ 7,883,177	61,549	3.14 %
Money market	4,962,567	32,776	2.66 %	5,737,837	41,351	2.90 %
Savings	2,002,670	16,996	3.41 %	2,036,129	18,030	3.56 %
Time	6,274,242	75,258	4.82 %	6,108,321	73,877	4.86 %
Total interest-bearing deposits	20,913,381	186,106	3.58 %	21,765,464	194,807	3.60 %
Borrowings	2,013,600	30,311	6.05 %	2,892,406	38,124	5.30 %
Subordinated debt	938,367	16,684	7.15 %	937,005	16,671	7.16 %
Total interest-bearing liabilities	23,865,348	233,101	3.93 %	25,594,875	249,602	3.92 %
Noninterest-bearing demand deposits	7,881,620			7,685,027		
Other liabilities	692,149			870,273		
Total liabilities	32,439,117			34,150,175		
Stockholders' equity	3,395,350			3,390,532		
Total liabilities and stockholders' equity	$ 35,834,467			$ 37,540,707		
Net interest income		$ 229,488			$ 229,102	
Net interest rate spread			1.72 %			1.64 %
Net interest margin			2.80 %			2.66 %
Total deposits [(2)]	$ 28,795,001	$ 186,106	2.60 %	$ 29,450,491	$ 194,807	2.66 %
Total funds [(3)]	$ 31,746,968	$ 233,101	2.95 %	$ 33,279,902	$ 249,602	3.02 %

(1) Includes net loan discount accretion of $21.8 million and $22.4 million for the three months ended June 30, 2024 and March 31, 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.

	Six Months Ended					
	June 30, 2024			June 30, 2023		
	Average Balance	Interest Income/ Expense	Yields and Rates	Average Balance	Interest Income/ Expense	Yields and Rates
	(Dollars in thousands)					
ASSETS:						
Loans and leases [1][2][3]	$ 25,422,084	$ 774,318	6.13 %	$ 27,783,379	$ 842,001	6.11 %
Investment securities	4,690,123	68,139	2.92 %	7,187,654	88,390	2.48 %
Deposits in financial institutions	3,667,630	98,836	5.42 %	5,267,361	129,629	4.96 %
Total interest-earning assets [1]	33,779,837	941,293	5.60 %	40,238,394	1,060,020	5.31 %
Other assets	2,907,750			2,666,878		
Total assets	$ 36,687,587			$ 42,905,272		
LIABILITIES AND STOCKHOLDERS' EQUITY:						
Interest checking	$ 7,778,540	122,625	3.17 %	$ 6,843,720	102,755	3.03 %
Money market	5,350,202	74,127	2.79 %	7,754,868	103,232	2.68 %
Savings	2,019,399	35,026	3.49 %	665,929	4,277	1.30 %
Time	6,191,281	149,135	4.84 %	6,314,566	124,417	3.97 %
Total interest-bearing deposits	21,339,422	380,913	3.59 %	21,579,083	334,681	3.13 %
Borrowings	2,453,003	68,435	5.61 %	8,381,575	230,036	5.53 %
Subordinated debt	937,686	33,355	7.15 %	868,533	27,611	6.41 %
Total interest-bearing liabilities	24,730,111	482,703	3.93 %	30,829,191	592,328	3.87 %
Noninterest-bearing demand deposits	7,783,324			8,089,248		
Other liabilities	781,211			631,338		
Total liabilities	33,294,646			39,549,777		
Stockholders' equity	3,392,941			3,355,495		
Total liabilities and stockholders' equity	$ 36,687,587			$ 42,905,272		
Net interest income [1]		$ 458,590			$ 467,692	
Net interest rate spread [1]			1.67 %			1.44 %
Net interest margin [1]			2.73 %			2.34 %
Total deposits [4]	$ 29,122,746	$ 380,913	2.63 %	$ 29,668,331	$ 334,681	2.27 %
Total funds [5]	$ 32,513,435	$ 482,703	2.99 %	$ 38,918,439	$ 592,328	3.07 %

(1) Tax equivalent.
(2) Includes net loan discount accretion of $44.3 million for the six months ended June 30, 2024 and net loan premium amortization of $4.4 million for the six months ended June 30, 2023.
(3) Includes tax-equivalent adjustments of $0.0 million and $2.3 million for the six months ended June 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.

Second Quarter of 2024 Compared to First Quarter of 2024

Net interest income increased by $0.4 million to $229.5 million for the second quarter of 2024 compared to $229.1 million for the first 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 $1.7 billion to $32.9 billion for the second quarter of 2024 due mainly to the $1.4 billion decrease in average deposits in financial institutions which was attributable to a $1.0 billion paydown of BTFP in the second quarter of 2024. The NIM was 2.80% for the second quarter of 2024 compared to 2.66% for the first quarter of 2024 due to the average yield on interest-earning assets increasing by 9 basis points, while the average total cost of funds decreased by 7 basis points, which was positively impacted by an increase in average noninterest-bearing deposits. The average yield on interest-earning assets increased by 9 basis points to 5.65% for the second quarter from 5.56% in the first quarter due mainly to the increase in the average yield on loans and leases.

The average yield on loans and leases increased by 10 basis points to 6.18% for the second quarter of 2024 from 6.08% for the first quarter of 2024 as a result of new originations being at rates higher than the existing portfolio and the change in the mix of loan product balances.

The average total cost of funds decreased by 7 basis points to 2.95% for the second quarter from 3.02% in the first quarter due mainly to decreases in average interest-bearing deposits combined with an increase in average noninterest-bearing deposits. The average cost of interest-bearing liabilities increased by 1 basis point to 3.93% for the second quarter from 3.92% for the first quarter. The average total cost of deposits decreased by 6 basis points to 2.60% for the second quarter compared to 2.66% in the first quarter. Average noninterest-bearing deposits increased by $196.6 million for the second quarter compared to the first quarter and average total deposits decreased by $655.5 million.

Six Months Ended June 30, 2024 Compared to Six Months Ended June 30, 2023

Net interest income decreased by $6.8 million to $458.6 million for the six months ended June 30, 2024 compared to $465.3 million for the six months ended June 30, 2023 due to lower interest income on lower interest-earning assets and higher interest expense on deposits, offset partially by lower interest expense on borrowings.

Average interest-earning assets decreased by $6.5 billion to $33.8 billion for the first six months of 2024 due to sales of non-core loan portfolios in the second quarter of 2023, fourth quarter of 2023 securities sales, and lower cash balances due to the pay down of higher-cost borrowings in 2024 offset partially by the fourth quarter of 2023 acquisition of legacy Banc of California loans. The NIM increased by 39 basis points to 2.73% for the six months ended June 30, 2024 compared to 2.34% for the same period in 2023 due to the average yield on interest-earning assets increasing by 29 basis points, while the average total cost of funds decreased by 8 basis points.

The average yield on interest-earning assets increased by 29 basis points to 5.60% for the first six months of 2024 from 5.31% 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 six months ended June 30, 2024 from 69% for the six months ended June 30, 2023, the decrease in the balance of average investment securities as a percentage of average interest-earning assets to 14% for the first six months of 2024 from 18% for comparable period in 2023, and the decrease in the balance of average deposits in financial institutions as a percentage of average interest-earning assets to 11% for the six months ended June 30, 2024 from 13% for the same period in 2023.

The average yield on loans and leases increased by 2 basis points to 6.13% for the first six months of 2024 from 6.11% for the same period in 2023 as a result of changes in portfolio mix and higher net accretion of loan discounts/premiums.

The average total cost of funds decreased by 8 basis points to 2.99% for the six months ended June 30, 2024 from 3.07% for the six months ended June 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 90% for the first six months of 2024 from 76% for the comparable period in 2023, and the decrease in the balance of higher cost average borrowings as a percentage of average total funds to 8% for the six months ended June 30, 2024 from 22% for the same period in 2023. The average cost of interest-bearing liabilities increased by 6 basis points to 3.93% for the first six months of 2024 from 3.87% for the comparable period in 2023. The average total cost of deposits increased by 36 basis points to 2.63% for the six months ended June 30, 2024 compared to 2.27% for the six months ended June 30, 2023. Average noninterest-bearing deposits decreased by $305.9 million for the first six months of 2024 compared to the same period in 2023 and average total deposits decreased by $545.6 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		Six Months Ended	
	June 30, 2024	March 31, 2024	June 30, 2024	June 30, 2023
	(Dollars in thousands)			
Provision For Credit Losses:				
Addition to allowance for loan and lease losses	$ 12,000	$ 11,000	$ 23,000	$ 58,500
Reduction in reserve for unfunded loan commitments	(1,000)	(1,000)	(2,000)	(53,500)
Total loan-related provision	$ 11,000	$ 10,000	$ 21,000	$ 5,000
Addition to allowances for held-to-maturity and available-for-sale securities	—	—	—	—
Total provision for credit losses	$ 11,000	$ 10,000	$ 21,000	$ 5,000
Credit Quality Metrics:				
Net charge-offs on loans and leases held for investment (1)	$ 55,741	$ 1,184	$ 56,925	$ 39,998
Annualized net charge-offs to average loans and leases	0.89 %	0.02 %	0.45 %	0.29 %
At quarter-end:				
Allowance for credit losses	$ 275,333	$ 320,074		
Allowance for credit losses to loans and leases held for investment	1.19 %	1.26 %		
Allowance for credit losses to nonaccrual loans and leases held for investment	235.2 %	219.6 %		
Nonaccrual loans and leases held for investment	$ 117,070	$ 145,785		
Nonaccrual loans and leases held for investment to loans and leases held for investment	0.50 %	0.57 %		
Classified loans and leases held for investment	$ 415,498	$ 366,729		
Special mention loans and leases held for investment	$ 680,663	$ 556,509		

(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.

Second Quarter of 2024 Compared to First Quarter of 2024

The provision for credit losses was $11.0 million for the second quarter compared to $10.0 million for the first quarter. The $11.0 million second quarter provision was driven mainly by higher net charge-offs, higher qualitative reserves for office loans and other concentrations of credit, and an increase in special mention and classified loans and leases, offset partially by the reserves released for the Civic loans transferred to held for sale. The $10.0 million first quarter provision was driven by an increase in qualitative reserves related to loans secured by office properties and an increase in quantitative reserves due to an increase in nonaccrual and classified loans and leases.

Six Months Ended June 30, 2024 Compared to Six Months Ended June 30, 2023

The provision for credit losses increased by $16.0 million to $21.0 million for the six months ended June 30, 2024 compared to $5.0 million for the six months ended June 30, 2023. The higher provision in the 2024 period was generally due to higher net charge-offs, higher qualitative reserves, and higher levels of special mention and classified loans and leases, offset partially by the reserves released for the Civic loans transferred to held for sale.

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:

	Three Months Ended		Six Months Ended	
	June 30,	March 31,	June 30,	
Noninterest Income	2024	2024	2024	2023
	(In thousands)			
Leased equipment income	$ 11,487	$ 11,716	$ 23,203	$ 36,244
Other commissions and fees	8,629	8,142	16,771	21,585
Service charges on deposit accounts	4,540	4,705	9,245	7,888
Gain (loss) gain on sale of loans and leases	1,135	(448)	687	(155,919)
Dividends and gains on equity investments	1,166	3,068	4,234	3,756
Warrant (loss) income	(324)	178	(146)	(457)
LOCOM HFS adjustment	(38)	330	292	(11,943)
Other	3,197	6,125	9,322	7,155
Total noninterest income (loss)	$ 29,792	$ 33,816	$ 63,608	$ (91,691)

Second Quarter of 2024 Compared to First Quarter of 2024

Noninterest income decreased by $4.0 million to $29.8 million for the second quarter of 2024 due mainly to a decrease of $2.9 million in other income (negative fair value mark on credit-linked notes) and a decrease of $1.9 million in dividends and gains on equity investments (negative fair value mark on Small Business Investment Company ("SBIC") investments partially offset by higher income distributions from SBIC investments), offset partially by an increase of $1.6 million in gain on sale of loans.

Six Months Ended June 30, 2024 Compared to Six Months Ended June 30, 2023

Noninterest income increased by $155.3 million to $63.6 million for the six months ended June 30, 2024 compared to a loss of $91.7 million for the six months ended June 30, 2023 due almost entirely to a decrease in the loss on sale of loans and leases of $156.6 million. The Company sold $529.6 million of loans for a net gain of $0.7 million in the six months ended June 30, 2024 and $5.4 billion of loans for a net loss of $155.9 million in the six months ended June 30, 2023.

Noninterest Expense

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

Noninterest Expense	Three Months Ended June 30, 2024	Three Months Ended March 31, 2024	Six Months Ended June 30, 2024	Six Months Ended June 30, 2023
	(In thousands)			
Compensation	$ 85,914	$ 92,236	$ 178,150	$ 171,357
Customer related expense	32,405	30,919	63,324	51,307
Insurance and assessments	26,431	20,461	46,892	37,352
Occupancy	17,455	17,968	35,423	30,450
Information technology and data processing	15,459	15,418	30,877	25,866
Intangible asset amortization	8,484	8,404	16,888	4,800
Leased equipment depreciation	7,511	7,520	15,031	18,463
Other professional services	5,183	5,075	10,258	16,046
Loan expense	4,332	4,491	8,823	11,769
Other	13,119	8,026	21,145	128,386
Total operating expense	216,293	210,518	426,811	495,796
Acquisition, integration and reorganization costs	(12,650)	—	(12,650)	20,908
Goodwill impairment	—	—	—	1,376,736
Total noninterest expense	$ 203,643	$ 210,518	$ 414,161	$ 1,893,440

Second Quarter of 2024 Compared to First Quarter of 2024

Noninterest expense decreased by $6.9 million to $203.6 million for the second quarter of 2024 compared to the first quarter of 2024 due mainly to decreases of $12.7 million in acquisition, integration and reorganization costs and $6.3 million in compensation expense, offset partially by increases of $6.0 million in insurance and assessments expense and $5.1 million in other expense. The decrease in acquisition, integration and reorganization costs was due to actual amounts for certain expenses being lower than the estimated amounts accrued at merger close. The decrease in compensation expense was mostly due to a lower headcount. The increase in insurance and assessments expense was due to higher assessment rates for both the regular FDIC assessment and the special assessment. The increase in other expense was mostly due to a repurchase reserve recorded for standard representations and warranties associated with the Civic loan sale.

Six Months Ended June 30, 2024 Compared to Six Months Ended June 30, 2023

Noninterest expense decreased by $1.5 billion to $414.2 million for the six months ended June 30, 2024 compared to $1.9 billion for the six months ended June 30, 2023 due mainly to a $1.4 billion goodwill impairment recorded in the 2023 period and a $107.2 million decrease in other expense as the 2023 period included $106.8 million of fair value loss adjustments related to sold unfunded loan commitments.

Income Taxes

Second Quarter of 2024 Compared to First Quarter of 2024

Income tax expense of $14.3 million was recorded for the second quarter resulting in an effective tax rate of 32.0% compared to tax expense of $11.5 million for the first quarter and an effective tax rate of 27.2%. The increase is due primarily to an increase in disallowed executive compensation expense and a higher shortfall on equity compensation expense from second quarter restricted stock vesting.

Six Months Ended June 30, 2024 Compared to Six Months Ended June 30, 2023

Income tax expense of $25.9 million was recorded for the six months ended June 30, 2024 resulting in an effective tax rate of 29.7% compared to a benefit of $131.9 million for the same period in 2023 and an effective tax rate of 8.7%. Excluding goodwill impairment, the effective tax rate for the six months ended June 30, 2023 was 22.7%. The increase is primarily due to a higher shortfall on equity compensation expense from restricted stock vesting in the second quarter of 2024.

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:

Security Type	June 30, 2024 Fair Value	June 30, 2024 % of Total	June 30, 2024 Duration (in years)	December 31, 2023 Fair Value	December 31, 2023 % of Total	December 31, 2023 Duration (in years)
	(Dollars in thousands)					
Agency residential MBS	$ 1,101,861	49 %	8.4	$ 1,187,609	51 %	8.2
Agency residential CMOs	278,260	12 %	4.2	284,334	12 %	4.4
Corporate debt securities	281,962	13 %	1.6	267,232	11 %	1.9
Agency commercial MBS	241,343	11 %	3.1	253,306	11 %	3.4
Private label residential CMOs	150,286	7 %	7.0	158,412	7 %	7.7
Collateralized loan obligations	109,354	5 %	0.2	108,416	5 %	0.1
Municipal securities	33,057	1 %	4.1	28,083	1 %	4.5
Private label commercial MBS	18,076	1 %	2.0	20,813	1 %	2.1
Asset-backed securities	17,444	1 %	—	19,952	1 %	—
SBA securities	12,388	— %	3.0	13,739	— %	3.2
U.S. Treasury securities	—	— %	—	4,968	— %	0.1
Total securities available-for-sale	$ 2,244,031	100 %	5.8	$ 2,346,864	100 %	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:

Security Type	June 30, 2024 Amortized Cost	June 30, 2024 % of Total	June 30, 2024 Duration (in years)	December 31, 2023 Amortized Cost	December 31, 2023 % of Total	December 31, 2023 Duration (in years)
	(Dollars in thousands)					
Municipal securities	$ 1,249,421	55 %	7.8	$ 1,247,310	55 %	8.1
Agency commercial MBS	437,110	19 %	6.4	433,827	19 %	6.8
Private label commercial MBS	352,880	15 %	5.9	350,493	15 %	6.3
U.S. Treasury securities	188,495	8 %	6.2	187,033	8 %	6.7
Corporate debt securities	70,302	3 %	4.3	70,128	3 %	4.4
Total securities held-to-maturity	$ 2,298,208	100 %	7.1	$ 2,288,791	100 %	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	June 30, 2024	
	Amortized Cost	% of Total
	(Dollars in thousands)	
California	$ 312,083	25 %
Texas	276,885	22 %
Washington	189,046	15 %
Oregon	79,458	6 %
Maryland	64,509	5 %
Georgia	55,343	4 %
Colorado	48,802	4 %
Minnesota	34,900	3 %
Tennessee	30,992	3 %
Florida	21,962	2 %
Total of ten largest states	1,113,980	89 %
All other states	135,441	11 %
Total municipal securities held-to-maturity	$ 1,249,421	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	June 30, 2024 Balance	June 30, 2024 % of Total	December 31, 2023 Balance	December 31, 2023 % of Total
	(Dollars in thousands)			
Real Estate Mortgage:				
Commercial real estate	$ 3,638,575	15 %	$ 3,874,804	15 %
SBA program	631,023	3 %	632,110	3 %
Hotel	452,987	2 %	519,583	2 %
Total commercial real estate mortgage	4,722,585	20 %	5,026,497	20 %
Multi-family	5,984,930	26 %	6,025,179	23 %
Residential mortgage	2,679,111	11 %	2,754,176	11 %
Investor-owned residential	140,588	1 %	2,234,531	9 %
Residential renovation	46,386	— %	71,602	— %
Total other residential real estate	2,866,085	12 %	5,060,309	20 %
Total real estate mortgage	13,573,600	58 %	16,111,985	63 %
Real Estate Construction and Land:				
Commercial	784,166	4 %	759,585	3 %
Residential	2,573,431	11 %	2,399,684	9 %
Total real estate construction and land (1)	3,357,597	15 %	3,159,269	12 %
Total real estate	16,931,197	73 %	19,271,254	75 %
Commercial:				
Lender finance	469,796	2 %	486,966	2 %
Equipment finance	692,777	3 %	736,275	3 %
Premium finance	601,695	2 %	732,162	3 %
Other asset-based	204,445	1 %	233,682	1 %
Total asset-based	1,968,713	8 %	2,189,085	9 %
Equity fund loans	644,800	3 %	662,732	3 %
Venture lending	811,322	3 %	783,630	3 %
Total venture capital	1,456,122	6 %	1,446,362	6 %
Secured business loans	645,323	3 %	614,120	2 %
Warehouse lending	781,898	3 %	554,940	2 %
Other lending	1,019,753	5 %	960,800	4 %
Total other commercial	2,446,974	11 %	2,129,860	8 %
Total commercial	5,871,809	25 %	5,765,307	23 %
Consumer	425,903	2 %	453,126	2 %
Total loans and leases held for investment, net of deferred fees	$ 23,228,909	100 %	$ 25,489,687	100 %
Total unfunded loan commitments	$ 5,256,473		$ 5,578,907	

(1) Includes land and acquisition and development loans of $213.6 million at June 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:

Real Estate Loans by State	June 30, 2024 Balance	June 30, 2024 % of Total	December 31, 2023 Balance	December 31, 2023 % of Total
	(Dollars in thousands)			
California	$ 11,629,557	69 %	$ 12,262,311	64 %
Colorado	1,259,818	7 %	1,167,659	6 %
Arizona	663,894	4 %	719,299	4 %
Texas	581,226	3 %	878,538	4 %
Florida	462,592	3 %	837,467	4 %
Washington	434,934	3 %	533,931	3 %
Nevada	391,546	2 %	411,020	2 %
Oregon	322,026	2 %	348,166	2 %
Utah	163,140	1 %	168,080	1 %
Tennessee	121,264	1 %	225,166	1 %
Total of 10 largest states	16,029,997	95 %	17,551,637	91 %
All other states	901,200	5 %	1,719,617	9 %
Total real estate loans held for investment, net of deferred fees	$ 16,931,197	100 %	$ 19,271,254	100 %

Due to hybrid and remote working policies adopted by most companies during the COVID-19 pandemic 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 have presented a new emerging risk for the variable rate and hybrid loans in our portfolio. 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 June 30, 2024, mortgage loans secured by office properties represent 3.9% 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:

Roll Forward of Loans and Leases Held for Investment, Net of Deferred Fees	Six Months Ended June 30, 2024
	(In thousands)
Balance, beginning of period	$ 25,489,687
Additions:	
Production	524,140
Disbursements	2,675,738
Total production and disbursements	3,199,878
Reductions:	
Payoffs	(1,948,553)
Paydowns	(1,493,667)
Total payoffs and paydowns	(3,442,220)
Sales	(27,516)
Transfers to foreclosed assets	(13,835)
Charge-offs	(63,084)
Transfers to loans held for sale	(1,915,180)
Total reductions	(5,461,835)
Transfers from loans held for sale	1,179
Net decrease	(2,260,778)
Balance, end of period	$ 23,228,909

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 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 second quarter of 2024, we used the Moody’s June 30, 2024 Baseline, S2 Downside 75th Percentile, and S7 Next-Cycle Recession forecast scenarios 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 first quarter of 2024, the economic forecasts were relatively consistent, resulting in an immaterial impact to the allowance for credit losses.

The primary driver behind lower quantitative reserves compared to the prior quarter were lower loan balances in the held for investment portfolio driven by the reclassification of approximately $1.9 billion of Civic loans to held for sale and payoffs/lower balances on existing loans along with charge-off activity associated with individually evaluated loans that had a specific reserve at the prior quarter-end. The decrease in quantitative reserves was partially offset by higher reserves due to risk rating migration.

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 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 second 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, excluding owner occupied real estate 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 lower reserves by 3.12% to higher reserves by 3.88%. 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:

Allowance for Credit Losses Data	**June 30, 2024**	**December 31, 2023**
	(Dollars in thousands)	
Allowance for loan and lease losses	$ 247,762	$ 281,687
Reserve for unfunded loan commitments	27,571	29,571
Total allowance for credit losses	$ 275,333	$ 311,258
Allowance for loan and lease losses to loans and leases held for investment	1.07 %	1.11 %
Allowance for credit losses to loans and leases held for investment	1.19 %	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:

	Three Months Ended		Six Months Ended	
	June 30,	March 31,	June 30,	
Allowance for Credit Losses Roll Forward	2024	2024	2024	2023
	(Dollars in thousands)			
Balance, beginning of period	$ 320,074	$ 311,258	$ 311,258	$ 291,803
Provision for credit losses:				
Addition to allowance for loan and lease losses	12,000	11,000	23,000	58,500
Reduction in reserve for unfunded loan commitments	(1,000)	(1,000)	(2,000)	(53,500)
Total provision for credit losses	11,000	10,000	21,000	5,000
Loans and leases charged off:				
Real estate mortgage	(53,881)	(2,477)	(56,358)	(33,710)
Real estate construction and land	—	—	—	—
Commercial	(3,148)	(704)	(3,852)	(7,484)
Consumer	(1,041)	(1,833)	(2,874)	(911)
Total loans and leases charged off	(58,070)	(5,014)	(63,084)	(42,105)
Recoveries on loans charged off:				
Real estate mortgage	1,429	891	2,320	262
Real estate construction and land	—	—	—	—
Commercial	834	2,869	3,703	1,717
Consumer	66	70	136	128
Total recoveries on loans charged off	2,329	3,830	6,159	2,107
Net charge-offs	(55,741)	(1,184)	(56,925)	(39,998)
Balance, end of period	$ 275,333	$ 320,074	$ 275,333	$ 256,805
Annualized net charge-offs to average loans and leases	0.89 %	0.02 %	0.45 %	0.29 %

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 June 30, 2024	Three Months Ended March 31, 2024	Six Months Ended June 30, 2024	Six Months Ended June 30, 2023
	(In thousands)			
Real Estate Mortgage:				
Commercial real estate	$ 20,183	$ —	$ 20,183	$ 6,964
SBA program	663	37	700	73
Hotel	—	—	—	—
Total commercial real estate mortgage	20,846	37	20,883	7,037
Multi-family	—	—	—	—
Residential mortgage	—	—	—	—
Investor-owned residential	32,904	1,520	34,424	16,654
Residential renovation	131	920	1,051	**10,019**
Total other residential real estate	33,035	2,440	35,475	26,673
Total real estate mortgage	53,881	2,477	56,358	33,710
Real Estate Construction and Land:				
Commercial	—	—	—	—
Residential	—	—	—	—
Total real estate construction and land	—	—	—	—
Total real estate	53,881	2,477	56,358	33,710
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	141	2,414	—
Total venture capital	2,273	141	2,414	—
Secured business loans	—	211	211	477
Warehouse lending	—	—	—	—
Other lending	783	352	1,135	6,857
Total other commercial	783	563	1,346	7,334
Total commercial	3,148	704	3,852	7,484
Consumer	1,041	1,833	2,874	911
Total charge-offs	$ 58,070	$ 5,014	$ 63,084	$ 42,105

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

Allowance for Credit Losses Recoveries	Three Months Ended June 30, 2024	Three Months Ended March 31, 2024	Six Months Ended June 30, 2024	Six Months Ended June 30, 2023
	(In thousands)			
Real Estate Mortgage:				
Commercial real estate	$ 85	$ 243	$ 328	$ —
SBA program	124	101	225	223
Hotel	—	—	—	—
Total commercial real estate mortgage	209	344	553	223
Multi-family	500	—	500	—
Residential mortgage	1	1	2	3
Investor-owned residential	299	301	600	13
Residential renovation	420	245	665	23
Total other residential real estate	720	547	1,267	39
Total real estate mortgage	1,429	891	2,320	262
Real Estate Construction and Land:				
Commercial	—	—	—	—
Residential	—	—	—	—
Total real estate construction and land	—	—	—	—
Total real estate	1,429	891	2,320	262
Commercial:				
Lender finance	—	—	—	—
Equipment finance	—	—	—	—
Premium finance	—	—	—	—
Other asset-based	50	—	50	279
Total asset-based	50	—	50	279
Equity fund loans	—	—	—	—
Venture lending	104	357	461	522
Total venture capital	104	357	461	522
Secured business loans	56	263	319	28
Warehouse lending	—	—	—	—
Other lending	624	2,249	2,873	888
Total other commercial	680	2,512	3,192	916
Total commercial	834	2,869	3,703	1,717
Consumer	66	70	136	128
Total recoveries	$ 2,329	$ 3,830	$ 6,159	$ 2,107

Deposits

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

	June 30, 2024		December 31, 2023		
Deposit Composition	**Balance**	**% of Total**	**Balance**	**% of Total**	**Increase (Decrease)**
			(Dollars in thousands)		
Noninterest-bearing checking	$ 7,825,007	27 %	$ 7,774,254	26 %	$ 50,753
Interest-bearing:					
Checking	7,309,833	25 %	7,808,764	26 %	(498,931)
Money market	4,837,025	17 %	6,187,889	20 %	(1,350,864)
Savings	2,040,461	7 %	1,997,989	6 %	42,472
Time:					
Non-brokered	2,758,067	10 %	3,139,270	10 %	(381,203)
Brokered	4,034,057	14 %	3,493,603	12 %	540,454
Total time deposits	6,792,124	24 %	6,632,873	22 %	159,251
Total interest-bearing	20,979,443	73 %	22,627,515	74 %	(1,648,072)
Total deposits	$ 28,804,450	100 %	$ 30,401,769	100 %	$ (1,597,319)

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

	June 30, 2024		December 31, 2023	
Time Deposits	**Balance**	**% of Total Deposits**	**Balance**	**% of Total Deposits**
		(Dollars in thousands)		
Time deposits $250,000 and under	$ 5,759,055	20 %	$ 5,526,396	18 %
Time deposits over $250,000	1,033,069	4 %	1,106,477	4 %
Total time deposits	$ 6,792,124	24 %	$ 6,632,873	22 %

During the six months ended June 30, 2024, total deposits decreased by $1.6 billion, or 5.3%, to $28.8 billion at June 30, 2024 due primarily to a decrease of $1.4 billion in money market accounts and a decrease of $0.5 billion in interest-bearing checking accounts. At June 30, 2024, noninterest-bearing deposits totaled $7.8 billion, or 27%, of total deposits and interest-bearing deposits totaled $21.0 billion, or 73%, of total deposits.

As of June 30, 2024, FDIC-insured deposits represented approximately 74% 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 $16.9 billion at June 30, 2024, which exceeded uninsured and uncollateralized deposits of $6.8 billion, with a coverage ratio of 247% as compared to a coverage ratio of 247% at December 31, 2023. Available liquidity also represented 59% of total deposits at June 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 June 30, 2024, the Bank had $8.0 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:

June 30, 2024	Time Deposits $250,000 and Under	Time Deposits Over $250,000	Total
	(In thousands)		
Maturities:			
Due in three months or less	$ 2,887,030	$ 453,597	$ 3,340,627
Due in over three months through six months	1,161,335	161,671	1,323,006
Due in over six months through 12 months	1,476,088	263,132	1,739,220
Total due within 12 months	5,524,453	878,400	6,402,853
Due in over 12 months through 24 months	227,681	149,775	377,456
Due in over 24 months	6,921	4,894	11,815
Total due over twelve months	234,602	154,669	389,271
Total	$ 5,759,055	$ 1,033,069	$ 6,792,124

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 June 30, 2024, total off-balance sheet client investment funds were $1.2 billion, of which $0.7 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

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:

	June 30, 2024	December 31, 2023
	(Dollars in thousands)	
Nonaccrual loans and leases held for investment	$ 117,070	$ 62,527
Accruing loans contractually past due 90 days or more	—	11,750
Total nonperforming loans and leases	117,070	74,277
Foreclosed assets, net	13,302	7,394
Total nonperforming assets	$ 130,372	$ 81,671
Classified loans and leases held for investment	$ 415,498	$ 228,417
Special mention loans and leases held for investment	$ 680,663	$ 513,312
Nonaccrual loans and leases held for investment to loans and leases held for investment	0.50 %	0.25 %
Nonperforming assets to loans and leases held for investment and foreclosed assets, net	0.56 %	0.32 %
Allowance for credit losses to nonaccrual loans and leases held for investment	235.2 %	497.8 %
Classified loans and leases held for investment to loans and leases held for investment	1.79 %	0.90 %
Special mention loans and leases held for investment to loans and leases held for investment	2.93 %	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:

	June 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
	(In thousands)					
Real estate mortgage:						
Commercial	$ 62,498	$ 163	$ 15,669	$ 10,577	$ 46,829	$ (10,414)
Multi-family	934	227	1,020	2,302	(86)	(2,075)
Other residential	31,832	17,911	31,041	83,747	791	(65,836)
Total real estate mortgage	95,264	18,301	47,730	96,626	47,534	(78,325)
Real estate construction and land:						
Commercial	—	—	—	—	—	—
Residential	—	—	—	—	—	—
Total real estate construction and land	—	—	—	—	—	—
Commercial:						
Asset-based	8,081	1,545	2,689	608	5,392	937
Venture capital	—	2,733	325	—	(325)	2,733
Other commercial	12,925	—	10,972	1,187	1,953	(1,187)
Total commercial	21,006	4,278	13,986	1,795	7,020	2,483
Consumer	800	2,548	811	3,461	(11)	(913)
Total held for investment	$ 117,070	$ 25,127	$ 62,527	$ 101,882	$ 54,543	$ (76,755)

During the six months ended June 30, 2024, nonperforming loan and leases held for investment increased by $42.8 million to $117.1 million at June 30, 2024 due mainly to additions of $119.0 million, offset partially by transfers to held for sale of $19.6 million, transfers to accrual status of $14.1 million, charge-offs of $13.6 million, and principal and other reductions of $29.0 million. As of June 30, 2024, the Company's three largest loan relationships on nonaccrual status had an aggregate carrying value of $35.9 million and represented 31% of total nonaccrual loans and leases.

Loans and leases accruing 30-89 days past due generally fluctuate from period to period. The $76.8 million decrease to $25.1 million as of June 30, 2024 was due mainly to decreases in other residential and commercial real estate delinquent loans.

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	June 30, 2024	December 31, 2023
	(In thousands)	
Single-family residential	$ 13,302	$ 7,394
Total OREO, net	13,302	7,394
Other foreclosed assets	—	—
Total foreclosed assets, net	$ 13,302	$ 7,394

During the six months ended June 30, 2024, foreclosed assets increased by $5.9 million to $13.3 million at June 30, 2024 due mainly to additions of $14.8 million, offset partially by sales of $8.1 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	June 30, 2024	December 31, 2023
	(In thousands)	
Pass	$ 22,132,748	$ 24,747,958
Special mention	680,663	513,312
Classified	415,498	228,417
Total loans and leases held for investment, net of deferred fees	$ 23,228,909	$ 25,489,687

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:

	June 30, 2024		December 31, 2023		Increase (Decrease)	
	Classified	Special Mention	Classified	Special Mention	Classified	Special Mention
			(In thousands)			
Real estate mortgage:						
Commercial	$ 188,537	$ 273,747	$ 75,739	$ 219,687	$ 112,798	$ 54,060
Multi-family	114,583	54,893	74,954	108,356	39,629	(53,463)
Other residential	51,965	21,412	38,155	54,197	13,810	(32,785)
Total real estate mortgage	355,085	350,052	188,848	382,240	166,237	(32,188)
Real estate construction and land:						
Commercial	—	107,424	—	—	—	107,424
Residential	—	3,350	—	2,757	—	593
Total real estate construction and land	—	110,774	—	2,757	—	108,017
Commercial:						
Asset-based	13,644	9,029	4,561	12,506	9,083	(3,477)
Venture capital	20,278	189,016	7,805	98,633	12,473	90,383
Other commercial	25,601	14,684	26,044	9,984	(443)	4,700
Total commercial	59,523	212,729	38,410	121,123	21,113	91,606
Consumer	890	7,108	1,159	7,192	(269)	(84)
Total	$ 415,498	$ 680,663	$ 228,417	$ 513,312	$ 187,081	$ 167,351

During the six months ended June 30, 2024, classified loans and leases increased by $187.1 million to $415.5 million at June 30, 2024 due mainly to increases of $112.8 million in commercial real estate mortgage classified loans, $39.6 million in multi-family real estate mortgage classified loans, $13.8 million in other residential real estate mortgage classified loans, and $12.5 million in venture capital classified loans.

During the six months ended June 30, 2024, special mention loans and leases increased by $167.4 million to $680.7 million at June 30, 2024 due mainly to increases of $107.4 million in commercial real estate construction and land special mention loans, $90.4 million in venture capital special mention loans, and $54.1 million in commercial real estate mortgage special mention loans, offset partially by decreases of $53.5 million in multi-family real estate mortgage special mention loans and $32.8 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 June 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 June 30, 2024, such disallowed amounts was $252.8 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 June 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 June 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 June 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:

		Minimum Required		
June 30, 2024	**Actual**	**For Capital Adequacy Purposes**	**For Capital Conservation Buffer**	**For Well Capitalized Classification**
Banc of California, Inc.:				
Tier 1 leverage capital ratio	9.51%	4.00%	N/A	N/A
CET1 capital ratio	10.27%	4.50%	7.00%	N/A
Tier 1 capital ratio	12.62%	6.00%	8.50%	N/A
Total capital ratio	16.57%	8.00%	10.50%	N/A
Banc of California:				
Tier 1 leverage capital ratio	10.38%	4.00%	N/A	5.00%
CET1 capital ratio	13.77%	4.50%	7.00%	6.50%
Tier 1 capital ratio	13.77%	6.00%	8.50%	8.00%
Total capital ratio	16.19%	8.00%	10.50%	10.00%

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

The Company's consolidated risk-based capital ratios increased during the six months ended June 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 six months ended June 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 June 30, 2024, the carrying value of subordinated debt totaled $939.3 million. At June 30, 2024, $131.0 million of the trust preferred securities were included in the Company's Tier I capital and $793.4 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 $6.7 billion at June 30, 2024, and $372.9 million pledged for letters of credit and a balance outstanding of $600.0 million as of that date. The FHLB secured credit line was collateralized by a blanket lien on $10.6 billion of certain qualifying loans and $20.2 million of securities. The Bank also had secured borrowing capacity with the FRBSF under the Discount Window program totaling $6.6 billion at June 30, 2024, all of which was available, and $545.0 million under the Bank Term Funding Program, which was fully borrowed as of that date. The FRBSF Discount Window secured credit line was collateralized by liens on $7.1 billion of qualifying loans and $1.1 billion of pledged securities, and the Bank Term Funding Program credit line was collateralized by pledged securities with a market value of $481.9 million and a par value of $584.4 million. The Bank Term Funding Program provides borrowing capacity on qualifying government and government agency guaranteed securities based on the collateral par value.

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 June 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 June 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	**June 30, 2024**	**December 31, 2023**
	(Dollars in thousands)	
Cash and due from banks	$ 203,467	$ 202,427
Interest-earning deposits in financial institutions	2,495,343	5,175,149
Less: Restricted cash	(183,927)	(185,147)
Securities available-for-sale, at fair value	2,244,031	2,346,864
Less: pledged securities, available-for-sale, at fair value	(4,597)	(2,063,754)
Total primary liquidity	$ 4,754,317	$ 5,475,539
Ratio of primary liquidity to total assets	13.5 %	14.2 %

Secondary Liquidity - Off-Balance Sheet **Available Secured Borrowing Capacity**	**June 30, 2024**	**December 31, 2023**
	(In thousands)	
Total secured borrowing capacity with the FHLB	$ 6,700,752	$ 5,302,210
Less: letters of credit	(372,895)	(243,801)
Less: secured advances outstanding	(600,000)	—
Available secured borrowing capacity with the FHLB	5,727,857	5,058,409
Available secured borrowing capacity with the FRBSF	6,592,647	6,916,235
Total secondary liquidity	$ 12,320,504	$ 11,974,644

During the six months ended June 30, 2024, the Company's primary liquidity decreased by $721.2 million to $4.8 billion at June 30, 2024 due mainly to a $2.7 billion decrease in interest-earning deposits in financial institutions, offset partially by a decrease of $2.1 billion in pledged AFS securities. During the six months ended June 30, 2024, the Company's secondary liquidity increased by $345.9 million to $12.3 billion at June 30, 2024 due mainly to an increase in available secured borrowing capacity with the FHLB of $669.4 million, offset partially by a decrease in available secured borrowing capacity with the FRB of $323.6 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 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 June 30, 2024, brokered deposits totaled $4.5 billion, consisting of $449.5 million of non-maturity brokered accounts and $4.0 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 to total deposits and borrowings). At June 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 June 30, 2024, Banc of California, Inc. had $189.0 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 June 30, 2024, our loan commitments and standby letters of credit were $5.3 billion and $209.9 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 June 30, 2024, the U.S. Dollar notional amounts of loans receivable and subordinated debt payable denominated in foreign currencies were $8.6 million and $27.6 million, and the U.S. Dollar notional amounts of derivatives outstanding to hedge these foreign currency exposures were $8.6 million and $28.5 million. We recognized a foreign currency translation net loss of $355,000 for the six months ended June 30, 2024 and a foreign currency translation net gain of $170,000 for the six months ended June 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, SOFR, and LIBOR.

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 March 31, 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 June 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 six months ended June 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 June 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		
June 30, 2024	Amount	Amount Change	Percentage Change	Amount	Amount Change	Percentage Change
	(Dollars in millions)					
+200 bps	$ 5,800	$ (344)	(5.6)%	$ 1,045	$ (18)	(1.7)%
+100 bps	$ 5,981	$ (163)	(2.7)%	$ 1,048	$ (15)	(1.4)%
0 bps	$ 6,144			$ 1,063		
-100 bps	$ 6,276	$ 132	2.1 %	$ 1,079	$ 16	1.5 %
-200 bps	$ 6,399	$ 255	4.2 %	$ 1,093	$ 30	2.8 %

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

ITEM 4. CONTROLS AND PROCEDURES

(a) Evaluation of disclosure controls and procedures. Our Chief Executive Officer and Chief Financial Officer have evaluated our disclosure controls and procedures as of June 30, 2024 and have concluded that these disclosure controls and procedures are effective to ensure that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. These disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports we file or submit is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

(b) Changes in Internal Control Over Financial Reporting. There were no changes in our internal control over financial reporting that occurred during the second quarter of 2024 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The information set forth in Note 11. *Commitments and Contingencies* of our unaudited condensed consolidated financial statements included in this Quarterly Report on Form 10-Q is incorporated herein by reference.

In addition, in the ordinary course of our business, we are 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 information currently available to us, any resulting liability, in addition to amounts already accrued, and taking into consideration insurance which may be applicable, would not have a material adverse effect on the Company's financial statements or operations.

ITEM 1A. RISK FACTORS

For information regarding factors that could affect the Company's results of operations, financial condition, and liquidity, see the risk factors disclosed in the "*Risk Factors*" section of our Annual Report on Form 10-K for the year ended December 31, 2023. See also "Forward-Looking Information" disclosed in Part I, Item 2 of this Quarterly Report on Form 10-Q.

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

The following table presents stock purchases made during the second quarter of 2024:

Purchase Dates	Total Number of Shares Purchased [1]	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Maximum Dollar Value of Shares That May Yet Be Purchased Under the Program
	(Dollars in thousands, except per share amounts)			
April 1 - April 30, 2024	2,972	$ 13.82	—	$ —
May 1 - May 31, 2024	63,571	$ 14.44	—	$ —
June 1 - June 30, 2024	15,106	$ 12.79	—	$ —
Total	81,649	$ 14.12	—	

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

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

Trading Arrangements

During the quarter ended June 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.)
10.1	Amended and Restated Employment Agreement, dated as of May 17, 2024, by and among Banc of California, Inc., Banc of California and Jared Wolff, (Exhibit 10.1 to the Registrant’s Current Report on Form 8-K filed on May 20, 2024 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 (Filed herewith).
32.2	Section 906 Certification of Chief Financial Officer (Filed 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 June 30, 2024 and December 31, 2023, (ii) the Condensed Consolidated Statements of Earnings (Loss) for the three months ended June 30, 2024, March 31, 2024 and June 30, 2023 and six months ended June 30, 2024 and 2023, (iii) the Condensed Consolidated Statements of Comprehensive Income (Loss) for the three months ended June 30, 2024, March 31, 2024 and June 30, 2023 and six months ended June 30, 2024 and 2023, (iv) the Condensed Consolidated Statement of Changes in Stockholders’ Equity for the six months ended June 30, 2024 and 2023, (v) the Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2024 and 2023, and (vi) the Notes to Condensed Consolidated Financial Statements. (Pursuant to Rule 406T of Regulation S-T, this information is deemed furnished and not filed for purposes of Sections 11 and 12 of the Securities Act of 1933 and Section 18 of the Securities Exchange Act of 1934.) (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.

Signatures

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

		BANC OF CALIFORNIA, INC.
Date:	August 9, 2024	/s/ Jared M. Wolff
		Jared M. Wolff *President and Chief Executive Officer* *(Principal Executive Officer)*
Date:	August 9, 2024	/s/ Joseph Kauder
		Joseph Kauder *Executive Vice President and Chief Financial Officer* *(Principal Financial Officer)*
Date:	August 9, 2024	/s/ Monica L. Sparks
		Monica L. Sparks *Executive Vice President and Chief Accounting Officer* *(Principal Accounting Officer)*

Exhibit 31.1

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 June 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: August 9, 2024

/s/ JARED M. WOLFF
Jared M. Wolff
President and Chief Executive Officer

Exhibit 31.2

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 June 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: August 9, 2024

/s/ JOSEPH KAUDER

Joseph Kauder
Executive Vice President and Chief Financial Officer

Exhibit 32.1

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

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 June 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: August 9, 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.

Exhibit 32.2

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

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 June 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:	August 9, 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.