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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

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

For the quarterly period ended September 30, 2024

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 0-11487

**LAKELAND FINANCIAL CORPORATION**

(Exact name of registrant as specified in its charter)

**Indiana**

(State or Other Jurisdiction  
of Incorporation or Organization)

**35-1559596**

(IRS Employer  
Identification No.)

**202 East Center Street,**

**Warsaw , Indiana**

(Address of principal executive offices)

**46580**

(Zip Code)

**(574) 267-6144**

**(Registrant's Telephone Number, Including Area Code)**

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

| <u>Title of each class</u> | <u>Trading Symbol(s)</u> | <u>Name of each exchange on which registered</u>             |
|----------------------------|--------------------------|--|
| Common stock, No par value | LKFN                     | The NASDAQ Stock Market LLC<br>(Nasdaq Global Select Market) |

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, 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

Number of shares of common stock outstanding at October 23, 2024: 25,506,084

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**TABLE OF CONTENTS**

|   | <b>Page</b> |
|---|-------------|
| <b><u>PART I. FINANCIAL INFORMATION</u></b>   |             |
| <b><u>Item 1. Financial Statements</u></b>  |             |
| <u>Consolidated Balance Sheets — September 30, 2024 and December 31, 2023</u>   | 1           |
| <u>Consolidated Statements of Income — three and nine months ended September 30, 2024 and 2023</u>                          | 2           |
| <u>Consolidated Statements of Comprehensive Income (Loss) — three and nine months ended September 30, 2024 and 2023</u>     | 3           |
| <u>Consolidated Statements of Changes in Stockholders' Equity — three and nine months ended September 30, 2024 and 2023</u> | 4           |
| <u>Consolidated Statements of Cash Flows — nine months ended September 30, 2024 and 2023</u>                                | 6           |
| <u>Notes to the Consolidated Financial Statements</u>   | 7           |
| <b><u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u></b>                 | 40          |
| <b><u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u></b>  | 58          |
| <b><u>Item 4. Controls and Procedures</u></b>   | 59          |
| <b><u>PART II. OTHER INFORMATION</u></b>  |             |
| <b><u>Item 1. Legal Proceedings</u></b>   | 60          |
| <b><u>Item 1A. Risk Factors</u></b>   | 60          |
| <b><u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u></b>   | 60          |
| <b><u>Item 3. Defaults Upon Senior Securities</u></b>   | 60          |
| <b><u>Item 4. Mine Safety Disclosures</u></b>   | 60          |
| <b><u>Item 5. Other Information</u></b>   | 60          |
| <b><u>Item 6. Exhibits</u></b>  | 61          |
| <b><u>SIGNATURES</u></b>  | 62          |

**ITEM 1. FINANCIAL STATEMENTS**  
**CONSOLIDATED BALANCE SHEETS (dollars in thousands, except share data)**

|  | September 30,<br>2024 | December 31,<br>2023 |
|--|-----------------------|----------------------|
|  | (Unaudited)           |                      |
| <b>ASSETS</b>  |                       |                      |
| Cash and due from banks  | \$ 86,785             | \$ 70,451            |
| Short-term investments   | 73,405                | 81,373               |
| Total cash and cash equivalents  | 160,190               | 151,824              |
| Securities available-for-sale, at fair value   | 1,016,649             | 1,051,728            |
| Securities held-to-maturity, at amortized cost (fair value of \$118,861 and \$119,215, respectively)     | 131,157               | 129,918              |
| Real estate mortgage loans held-for-sale   | 3,148                 | 1,158                |
| Loans, net of allowance for credit losses of \$83,627 and \$71,972                                       | 4,998,363             | 4,844,562            |
| Land, premises and equipment, net  | 59,987                | 57,899               |
| Bank owned life insurance  | 112,075               | 109,114              |
| Federal Reserve and Federal Home Loan Bank stock   | 21,420                | 21,420               |
| Accrued interest receivable  | 28,471                | 30,011               |
| Goodwill   | 4,970                 | 4,970                |
| Other assets   | 108,941               | 121,425              |
| Total assets   | <u>\$ 6,645,371</u>   | <u>\$ 6,524,029</u>  |
| <b>LIABILITIES</b>   |                       |                      |
| Noninterest bearing deposits   | \$ 1,284,527          | \$ 1,353,477         |
| Interest bearing deposits  | 4,552,786             | 4,367,048            |
| Total deposits   | 5,837,313             | 5,720,525            |
| Federal Funds purchased  | 30,000                | 0                    |
| Federal Home Loan Bank advances  | 0                     | 50,000               |
| Total borrowings   | 30,000                | 50,000               |
| Accrued interest payable   | 14,784                | 20,893               |
| Other liabilities  | 64,093                | 82,818               |
| Total liabilities  | 5,946,190             | 5,874,236            |
| <b>STOCKHOLDERS' EQUITY</b>  |                       |                      |
| Common stock: 90,000,000 shares authorized, no par value   |                       |                      |
| 25,974,017 shares issued and 25,506,084 outstanding as of September 30, 2024                             |                       |                      |
| 25,903,686 shares issued and 25,430,566 outstanding as of December 31, 2023                              | 128,346               | 127,692              |
| Retained earnings  | 724,550               | 692,760              |
| Accumulated other comprehensive income (loss)  | (138,136)             | (155,195)            |
| Treasury stock at cost (467,933 shares as of September 30, 2024, 473,120 shares as of December 31, 2023) | (15,668)              | (15,553)             |
| Total stockholders' equity   | 699,092               | 649,704              |
| Noncontrolling interest  | 89                    | 89                   |
| Total equity   | 699,181               | 649,793              |
| Total liabilities and equity   | <u>\$ 6,645,371</u>   | <u>\$ 6,524,029</u>  |

The accompanying notes are an integral part of these consolidated financial statements.

**CONSOLIDATED STATEMENTS OF INCOME (unaudited - dollars in thousands, except share and per share data)**

|  | Three Months Ended<br>September 30, |                   | Nine Months Ended<br>September 30, |                   |
|--|-------------------------------------|-------------------|------------------------------------|-------------------|
|  | 2024                                | 2023              | 2024                               | 2023              |
| <b>NET INTEREST INCOME</b>                                   |                                     |                   |                                    |                   |
| Interest and fees on loans                                   |                                     |                   |                                    |                   |
| Taxable  | \$ 86,118                           | \$ 78,910         | \$ 252,386                         | \$ 223,499        |
| Tax exempt   | 298                                 | 1,008             | 1,830                              | 2,869             |
| Interest and dividends on securities                         |                                     |                   |                                    |                   |
| Taxable  | 2,908                               | 3,077             | 9,051                              | 9,966             |
| Tax exempt   | 3,921                               | 4,023             | 11,800                             | 12,387            |
| Other interest income  | 1,773                               | 1,605             | 4,721                              | 3,604             |
| Total interest income  | 95,018                              | 88,623            | 279,788                            | 252,325           |
| Interest on deposits   | 45,556                              | 37,108            | 131,083                            | 95,637            |
| Interest on short-term borrowings                            | 189                                 | 3,122             | 3,720                              | 8,252             |
| Total interest expense                                       | 45,745                              | 40,230            | 134,803                            | 103,889           |
| <b>NET INTEREST INCOME</b>                                   | <b>49,273</b>                       | <b>48,393</b>     | <b>144,985</b>                     | <b>148,436</b>    |
| Provision for credit losses                                  | 3,059                               | 400               | 13,059                             | 5,550             |
| <b>NET INTEREST INCOME AFTER PROVISION FOR CREDIT LOSSES</b> | <b>46,214</b>                       | <b>47,993</b>     | <b>131,926</b>                     | <b>142,886</b>    |
| <b>NONINTEREST INCOME</b>                                    |                                     |                   |                                    |                   |
| Wealth advisory fees   | 2,718                               | 2,298             | 7,770                              | 6,769             |
| Investment brokerage fees                                    | 438                                 | 408               | 1,438                              | 1,370             |
| Service charges on deposit accounts                          | 2,835                               | 2,735             | 8,332                              | 8,091             |
| Loan and service fees  | 2,955                               | 2,934             | 8,855                              | 8,782             |
| Merchant and interchange fee income                          | 898                                 | 938               | 2,653                              | 2,744             |
| Bank owned life insurance income                             | 1,068                               | 1,009             | 2,994                              | 2,393             |
| Interest rate swap fee income                                | 0                                   | 0                 | 0                                  | 794               |
| Mortgage banking income (loss)                               | (7)                                 | (50)              | 68                                 | (184)             |
| Net securities gains (losses)                                | 0                                   | (35)              | (46)                               | (16)              |
| Net gain (loss) on Visa shares                               | (15)                                | 0                 | 8,996                              | 0                 |
| Other income   | 1,027                               | 598               | 3,908                              | 1,907             |
| Total noninterest income                                     | 11,917                              | 10,835            | 44,968                             | 32,650            |
| <b>NONINTEREST EXPENSE</b>                                   |                                     |                   |                                    |                   |
| Salaries and employee benefits                               | 16,476                              | 15,977            | 49,467                             | 43,414            |
| Net occupancy expense  | 1,721                               | 1,621             | 5,159                              | 4,874             |
| Equipment costs  | 1,452                               | 1,325             | 4,207                              | 4,189             |
| Data processing fees and supplies                            | 3,768                               | 3,379             | 11,419                             | 10,305            |
| Corporate and business development                           | 1,369                               | 1,201             | 4,015                              | 3,930             |
| FDIC insurance and other regulatory fees                     | 966                                 | 871               | 2,571                              | 2,469             |
| Professional fees  | 2,089                               | 2,114             | 6,675                              | 6,284             |
| Wire fraud loss  | 0                                   | 0                 | 0                                  | 18,058            |
| Other expense  | 2,552                               | 2,609             | 10,918                             | 7,742             |
| Total noninterest expense                                    | 30,393                              | 29,097            | 94,431                             | 101,265           |
| <b>INCOME BEFORE INCOME TAX EXPENSE</b>                      | <b>27,738</b>                       | <b>29,731</b>     | <b>82,463</b>                      | <b>74,271</b>     |
| Income tax expense   | 4,400                               | 4,479             | 13,175                             | 10,130            |
| <b>NET INCOME</b>  | <b>\$ 23,338</b>                    | <b>\$ 25,252</b>  | <b>\$ 69,288</b>                   | <b>\$ 64,141</b>  |
| <b>BASIC WEIGHTED AVERAGE COMMON SHARES</b>                  | <b>25,684,407</b>                   | <b>25,613,456</b> | <b>25,673,275</b>                  | <b>25,601,493</b> |
| <b>BASIC EARNINGS PER COMMON SHARE</b>                       | <b>\$ 0.91</b>                      | <b>\$ 0.99</b>    | <b>\$ 2.70</b>                     | <b>\$ 2.51</b>    |
| <b>DILUTED WEIGHTED AVERAGE COMMON SHARES</b>                | <b>25,767,739</b>                   | <b>25,693,535</b> | <b>25,754,357</b>                  | <b>25,709,841</b> |
| <b>DILUTED EARNINGS PER COMMON SHARE</b>                     | <b>\$ 0.91</b>                      | <b>\$ 0.98</b>    | <b>\$ 2.69</b>                     | <b>\$ 2.49</b>    |

The accompanying notes are an integral part of these consolidated financial statements.

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) (unaudited - dollars in thousands)**

|   | Three Months Ended September 30, |             | Nine Months Ended September 30, |           |
|---|----------------------------------|-------------|---------------------------------|-----------|
|   | 2024                             | 2023        | 2024                            | 2023      |
| Net income  | \$ 23,338                        | \$ 25,252   | \$ 69,288                       | \$ 64,141 |
| Other comprehensive income (loss)   |                                  |             |                                 |           |
| Change in available-for-sale and transferred securities:  |                                  |             |                                 |           |
| Unrealized holding gain (loss) on securities available-for-sale arising during the period                   | 40,411                           | (64,432)    | 20,031                          | (51,150)  |
| Reclassification adjust for amortization of unrealized losses on securities transferred to held-to-maturity | 488                              | 501         | 1,473                           | 1,486     |
| Reclassification adjustment for (gains) losses included in net income                                       | 0                                | 35          | 46                              | 16        |
| Net securities gain (loss) activity during the period   | 40,899                           | (63,896)    | 21,550                          | (49,648)  |
| Tax effect  | (8,589)                          | 13,419      | (4,526)                         | 10,427    |
| Net of tax amount   | 32,310                           | (50,477)    | 17,024                          | (39,221)  |
| Defined benefit pension plans:  |                                  |             |                                 |           |
| Amortization of net actuarial loss  | 16                               | 15          | 47                              | 45        |
| Net gain activity during the period   | 16                               | 15          | 47                              | 45        |
| Tax effect  | (4)                              | (4)         | (12)                            | (12)      |
| Net of tax amount   | 12                               | 11          | 35                              | 33        |
| Total other comprehensive income (loss), net of tax   | 32,322                           | (50,466)    | 17,059                          | (39,188)  |
| Comprehensive income (loss)   | \$ 55,660                        | \$ (25,214) | \$ 86,347                       | \$ 24,953 |

The accompanying notes are an integral part of these consolidated financial statements.

**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (unaudited - dollars in thousands, except share and per share data)**

|  | Three Months Ended |                   |                      |  |                    |                        |              | Total<br>Equity   | Noncontrolling<br>Interest | Total<br>Equity |
|--|--------------------|-------------------|----------------------|--|--------------------|------------------------|--------------|-------------------|----------------------------|-----------------|
|  | Common Stock       |                   | Retained<br>Earnings | Accumulated<br>Other<br>Comprehensive<br>Income (Loss) | Treasury<br>Stock  | Total<br>Stockholders' | Total        |                   |                            |                 |
|  | Shares             | Stock             |                      |  |                    |                        |              |                   |                            |                 |
| Balance at July 1, 2023                                  | 25,429,216         | \$ 123,367        | \$ 661,447           | \$ (177,645)   | \$ (15,263)        | \$ 591,906             | \$ 89        | \$ 591,995        |                            |                 |
| Comprehensive loss:                                      |                    |                   |                      |  |                    |                        |              |                   |                            |                 |
| Net income   |                    |                   | 25,252               |  |                    | 25,252                 |              | 25,252            |                            |                 |
| Other comprehensive income (loss), net of tax            |                    |                   |                      | (50,466)   |                    | (50,466)               |              | (50,466)          |                            |                 |
| Cash dividends declared and paid, \$0.46 per share       |                    |                   | (11,782)             |  |                    | (11,782)               |              | (11,782)          |                            |                 |
| Treasury shares purchased under deferred directors' plan | (3,992)            | 206               |                      |  | (206)              | 0                      |              | 0                 |                            |                 |
| Stock activity under equity compensation plans           | 6,500              | 0                 |                      |  |                    | 0                      |              | 0                 |                            |                 |
| Stock based compensation expense                         |                    | 2,185             |                      |  |                    | 2,185                  |              | 2,185             |                            |                 |
| Balance at September 30, 2023                            | <u>25,431,724</u>  | <u>\$ 125,758</u> | <u>\$ 674,917</u>    | <u>\$ (228,111)</u>                                    | <u>\$ (15,469)</u> | <u>\$ 557,095</u>      | <u>\$ 89</u> | <u>\$ 557,184</u> |                            |                 |
| Balance at July 1, 2024                                  | 25,503,744         | \$ 126,871        | \$ 713,541           | \$ (170,458)   | \$ (15,453)        | \$ 654,501             | \$ 89        | \$ 654,590        |                            |                 |
| Comprehensive income:                                    |                    |                   |                      |  |                    |                        |              |                   |                            |                 |
| Net income   |                    |                   | 23,338               |  |                    | 23,338                 |              | 23,338            |                            |                 |
| Other comprehensive income (loss), net of tax            |                    |                   |                      | 32,322   |                    | 32,322                 |              | 32,322            |                            |                 |
| Cash dividends declared and paid, \$0.48 per share       |                    |                   | (12,329)             |  |                    | (12,329)               |              | (12,329)          |                            |                 |
| Treasury shares purchased under deferred directors' plan | (3,510)            | 215               |                      |  | (215)              | 0                      |              | 0                 |                            |                 |
| Stock activity under equity compensation plans           | 5,850              | 0                 |                      |  |                    | 0                      |              | 0                 |                            |                 |
| Stock based compensation expense                         |                    | 1,260             |                      |  |                    | 1,260                  |              | 1,260             |                            |                 |
| Balance at September 30, 2024                            | <u>25,506,084</u>  | <u>\$ 128,346</u> | <u>\$ 724,550</u>    | <u>\$ (138,136)</u>                                    | <u>\$ (15,668)</u> | <u>\$ 699,092</u>      | <u>\$ 89</u> | <u>\$ 699,181</u> |                            |                 |

The accompanying notes are an integral part of these consolidated financial statements.

[Table of Contents](#)

|   | Nine Months Ended |                   |                   |   |                    |                            |                         |                   |
|---|-------------------|-------------------|-------------------|---|--------------------|----------------------------|-------------------------|-------------------|
|   | Common Stock      |                   | Retained Earnings | Accumulated Other Comprehensive Income (Loss) | Treasury Stock     | Total Stockholders' Equity | Noncontrolling Interest | Total Equity      |
|   | Shares            | Stock             |                   |   |                    |                            |                         |                   |
| Balance at January 1, 2023  | 25,349,225        | \$ 127,004        | \$ 646,100        | \$ (188,923)                                  | \$ (15,383)        | \$ 568,798                 | \$ 89                   | \$ 568,887        |
| Comprehensive income:   |                   |                   |                   |   |                    |                            |                         |                   |
| Net income  |                   |                   | 64,141            |   |                    | 64,141                     |                         | 64,141            |
| Other comprehensive income (loss), net of tax                       |                   |                   |                   | (39,188)                                      |                    | (39,188)                   |                         | (39,188)          |
| Cash dividends declared and paid, \$1.38 per share                  |                   |                   | (35,324)          |   |                    | (35,324)                   |                         | (35,324)          |
| Treasury shares purchased under deferred directors' plan            | (8,493)           | 491               |                   |   | (491)              | 0                          |                         | 0                 |
| Treasury shares sold and distributed under deferred directors' plan | 12,855            | (405)             |                   |   | 405                | 0                          |                         | 0                 |
| Stock activity under equity compensation plans                      | 78,137            | (3,124)           |                   |   |                    | (3,124)                    |                         | (3,124)           |
| Stock based compensation expense                                    |                   | 1,792             |                   |   |                    | 1,792                      |                         | 1,792             |
| Balance at September 30, 2023                                       | <u>25,431,724</u> | <u>\$ 125,758</u> | <u>\$ 674,917</u> | <u>\$ (228,111)</u>                           | <u>\$ (15,469)</u> | <u>\$ 557,095</u>          | <u>\$ 89</u>            | <u>\$ 557,184</u> |
| Balance at January 1, 2024  | <b>25,430,566</b> | <b>\$ 127,692</b> | <b>\$ 692,760</b> | <b>\$ (155,195)</b>                           | <b>\$ (15,553)</b> | <b>\$ 649,704</b>          | <b>\$ 89</b>            | <b>\$ 649,793</b> |
| Impact of adoption ASU 2023-02, net of tax                          |                   |                   | (532)             |   |                    | (532)                      |                         | (532)             |
| Adjusted Balance at January 1, 2024                                 | <u>25,430,566</u> | <u>127,692</u>    | <u>692,228</u>    | <u>(155,195)</u>                              | <u>(15,553)</u>    | <u>649,172</u>             | <u>89</u>               | <u>649,261</u>    |
| Comprehensive income:   |                   |                   |                   |   |                    |                            |                         |                   |
| Net income  |                   |                   | 69,288            |   |                    | 69,288                     |                         | 69,288            |
| Other comprehensive income (loss), net of tax                       |                   |                   |                   | 17,059  |                    | 17,059                     |                         | 17,059            |
| Cash dividends declared and paid, \$1.44 per share                  |                   |                   | (36,966)          |   |                    | (36,966)                   |                         | (36,966)          |
| Treasury shares purchased under deferred directors' plan            | (8,088)           | 506               |                   |   | (506)              | 0                          |                         | 0                 |
| Treasury shares sold and distributed under deferred directors' plan | 13,275            | (391)             |                   |   | 391                | 0                          |                         | 0                 |
| Stock activity under equity compensation plans                      | 70,331            | (2,596)           |                   |   |                    | (2,596)                    |                         | (2,596)           |
| Stock based compensation expense                                    |                   | 3,135             |                   |   |                    | 3,135                      |                         | 3,135             |
| Balance at September 30, 2024                                       | <u>25,506,084</u> | <u>\$ 128,346</u> | <u>\$ 724,550</u> | <u>\$ (138,136)</u>                           | <u>\$ (15,668)</u> | <u>\$ 699,092</u>          | <u>\$ 89</u>            | <u>\$ 699,181</u> |

The accompanying notes are an integral part of these consolidated financial statements.

**CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited - in thousands)**

| <b>Nine Months Ended September 30,</b>  | <b>2024</b>      | <b>2023</b>     |
|---|------------------|-----------------|
| <b>Cash flows from operating activities:</b>  |                  |                 |
| Net income  | \$ 69,288        | \$ 64,141       |
| <b>Adjustments to reconcile net income to net cash from operating activities:</b>       |                  |                 |
| Depreciation  | 4,475            | 4,579           |
| Provision for credit losses   | 13,059           | 5,550           |
| Amortization of loan servicing rights   | 373              | 431             |
| Loans originated for sale, including participations                                     | (14,399)         | (6,120)         |
| Net gain on sales of loans  | (342)            | (224)           |
| Proceeds from sale of loans, including participations                                   | 12,657           | 6,075           |
| Net (gain) loss on Visa shares  | (8,996)          | 0               |
| Net (gain) loss on sales of premises and equipment                                      | 74               | 3               |
| Net (gain) loss on sales and calls of securities available-for-sale                     | 46               | 16              |
| Net securities amortization   | 3,638            | 3,732           |
| Stock based compensation expense  | 3,135            | 1,792           |
| Earnings on life insurance  | (2,994)          | (2,393)         |
| Gain on life insurance  | (243)            | 0               |
| Tax benefit of stock award issuances  | (208)            | (720)           |
| <b>Net change:</b>  |                  |                 |
| Interest receivable and other assets  | 4,749            | (3,386)         |
| Interest payable and other liabilities  | (20,515)         | 14,000          |
| <b>Total adjustments</b>  | <b>(5,491)</b>   | <b>23,335</b>   |
| <b>Net cash from operating activities</b>   | <b>63,797</b>    | <b>87,476</b>   |
| <b>Cash flows from investing activities:</b>  |                  |                 |
| Proceeds from sale of securities available-for-sale                                     | 7,136            | 102,827         |
| Proceeds from sale of Visa shares   | 8,996            | 0               |
| Proceeds from maturities, calls and principal paydowns of securities available-for-sale | 44,569           | 56,830          |
| Proceeds from maturities, calls and principal paydowns of securities held-to-maturity   | 0                | 6               |
| Purchases of securities available-for-sale  | 0                | (4,314)         |
| Purchase of life insurance  | (282)            | (222)           |
| Net (increase) decrease in total loans  | (166,860)        | (166,904)       |
| Proceeds from sales of land, premises and equipment                                     | 8                | 13              |
| Purchases of land, premises and equipment   | (6,645)          | (5,010)         |
| Purchase of Federal Home Loan Bank stock  | 0                | (5,625)         |
| Proceeds from life insurance  | 536              | 0               |
| <b>Net cash from investing activities</b>   | <b>(112,542)</b> | <b>(22,399)</b> |
| <b>Cash flows from financing activities:</b>  |                  |                 |
| Net increase (decrease) in total deposits   | 116,788          | 196,455         |
| Net increase (decrease) in short-term borrowings  | 30,000           | (22,000)        |
| Net payments on short-term FHLB borrowings  | (50,000)         | (185,000)       |
| Common dividends paid   | (36,953)         | (35,311)        |
| Preferred dividends paid  | (13)             | (13)            |
| Payments related to equity incentive plans  | (2,596)          | (3,124)         |
| Purchase of treasury stock  | (506)            | (491)           |
| Sale of treasury stock  | 391              | 405             |
| <b>Net cash from financing activities</b>   | <b>57,111</b>    | <b>(49,079)</b> |
| <b>Net change in cash and cash equivalents</b>  | <b>8,366</b>     | <b>15,998</b>   |
| <b>Cash and cash equivalents at beginning of the period</b>                             | <b>151,824</b>   | <b>130,282</b>  |
| <b>Cash and cash equivalents at end of the period</b>                                   | <b>160,190</b>   | <b>146,280</b>  |
| <b>Cash paid during the period for:</b>   |                  |                 |
| Interest  | \$ 140,912       | 90,897          |
| Income taxes  | 17,100           | 9,275           |
| <b>Supplemental non-cash disclosures:</b>   |                  |                 |
| Loans transferred to other real estate owned  | 0                | 284             |
| Right-of-use assets obtained in exchange for lease liabilities, net                     | 2,699            | 0               |

The accompanying notes are an integral part of these consolidated financial statements.



## NOTE 1. BASIS OF PRESENTATION

This report is filed for Lakeland Financial Corporation (the "Company"), which has one wholly owned subsidiary, Lake City Bank (the "Bank"). Also included in this report are results for the Bank's wholly owned subsidiary, LCB Investments II, Inc. ("LCB Investments"), which manages the Bank's investment securities portfolio. LCB Investments owns LCB Funding, Inc. ("LCB Funding"), a real estate investment trust. All significant inter-company balances and transactions have been eliminated in consolidation.

The unaudited consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") for interim financial information and with the instructions for Form 10-Q. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements and are unaudited. In the opinion of management, all adjustments (all of which are normal and recurring in nature) considered necessary for a fair presentation have been included. Operating results for the three and nine months ended September 30, 2024 are not necessarily indicative of the results that may be expected for any subsequent reporting periods, including the year ending December 31, 2024. The Company's 2023 Annual Report on Form 10-K should be read in conjunction with these statements.

### Adoption of New Accounting Standards

On March 28, 2023, the FASB issued ASU 2023-02, "Investments - Equity Method and Joint Ventures (ASC 323): Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method." ASU 2014-01, "Investments - Equity method and Joint Ventures (ASC 323): Accounting for Investments in Qualified Affordable Housing Projects", previously introduced the option to apply the proportional amortization method to account for investments made primarily for the purpose of receiving income tax credits and other income tax benefits when certain requirements are met; however, this guidance limited the proportional amortization method to investments in low-income-housing tax credit (LIHTC) structures. The proportional amortization method results in the cost of the investment being amortized in proportion to the income tax credits and other income tax benefits received, with the amortization of the investment and the income tax credits being presented net in the income statement as a component of net income tax expense (benefit). Equity investments in other tax credit structures are typically accounted for using the equity method, which results in investment income, gains and losses, and tax credits being presented gross on the income statement in their respective line items.

The amendments in this update permit reporting entities to elect to account for certain tax equity investments, regardless of the tax credit program from which the income tax credits are received, using the proportional amortization method if certain conditions are met. Under the proportional amortization method, an entity amortizes the initial cost of the investment in proportion to the income tax benefits in the income statement as a component of income tax expense (benefit). To qualify for the proportional amortization method, all of the following conditions must be met: (1) it is probable that the income tax credits allocated to the tax equity investor will be available; (2) the tax equity investor does not have the ability to exercise significant influence over the operating and financial policies of the underlying project; (3) substantially all of the projected benefits are from income tax credits and other income tax benefits (projected benefits included income tax credits, other income tax benefits, and other non-income tax -related benefits and are determined on a discounted basis, using a discount rate that is consistent with the cash flow assumptions used by the tax equity investor in making its decision to invest in the project); (4) the tax equity investor's projected yield based solely on the cash flows from the income tax credits and other income tax benefits is positive; and (5) the tax equity investor is a limited liability investor in the limited liability entity for both legal and tax purposes, and the tax equity investor's liability is limited to its capital investment. An accounting policy election is allowed to apply the proportional amortization method on a tax-credit-program-by-tax-credit-program basis rather than electing to apply the proportional amortization method at the reporting entity level or to individual investments. The amendments in this update require specific disclosures that must be applied to all investments that generate income tax credits and other income tax benefits from a tax credit program for which the entity has elected to apply the proportional amortization method. The amendments require that a reporting entity disclose certain information in annual and interim reporting periods that enable investors to understand the following information about its investments that generate income tax credits and other income tax benefits from a tax credit program including: (1) the nature of its tax equity investments; and (2) the effect of its tax equity investments and related income tax credits and other income tax benefits on its financial position and results of operations.

For public business entities, the amendments in this update were effective for fiscal years beginning after December 31, 2023, including interim periods within those fiscal years. The amendments in this update must be applied on either a modified retrospective or a retrospective basis. The Company chose the modified retrospective approach and recorded a day one adjustment of (\$532,000), net of tax, to beginning retained earnings on January 1, 2024, which did not have a material impact on the consolidated financial statements.

## Newly Issued But Not Yet Effective Accounting Standards

On October 9, 2023, the FASB issued ASU 2023-06, *"Disclosure Improvements: Codification Amendments in Response to the SEC's Disclosure Update and Simplification Initiative"*, which modified the disclosure or presentation requirements of a variety of Topics in the Codification and was intended to both clarify or improve such requirements and align the requirements with the SEC's regulations. The amendments to Topics of Codification provided in this update apply to all reporting entities within the scope of the affected Topics unless otherwise indicated by the update. Given the variety of Topics amended, a broad range of entities may be affected by one or more of the amendments provided in the update. The Company evaluated the amendments provided in the update and believes certain of the disclosure improvements are applicable to the Company's interim or annual disclosures. Subtopic 230-10, as amended, requires disclosure within the accounting policy in annual periods of where cash flows associated with derivative instruments and their related gains and losses are presented within the statement of cash flows. Subtopic 260-10, as amended, requires disclosure of the methods used in the diluted earnings-per-share computation for each dilutive security and clarifies that certain disclosures should be made during interim periods. Subtopic 470-10, as amended, requires disclosure of amounts and terms of unused lines of credit and unfunded commitments and the weighted-average interest rate on short-term borrowings outstanding as of the date of each balance sheet presented.

The effective date for each amendment for entities subject to the SEC's existing disclosure requirements is the effective date of the removal of the related disclosure from Regulation S-X or Regulation S-K, with early adoption prohibited. The amendments in the update are to be applied prospectively. The Company will apply prospectively the provisions provided in the amendments as such provisions become effective, and does not believe the application of these modified disclosure requirements will have a material impact on the consolidated financial statements. If by June 30, 2027, the SEC has not removed the applicable requirement from Regulation S-X or Regulation S-K, the pending content of the related amendment in the update will be removed from the Codification and will not become effective.

On November 27, 2023, the FASB issued ASU 2023-07, *"Segment Reporting (ASC 280): Improvements to Reportable Segment Disclosures"*, intended to improve reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses. Provisions in the amendment include: (1) requirement that a public entity disclose, on an annual and interim basis, significant segment expenses that are regularly provided to the chief operating decision maker ("CODM") and included within each reported measure of segment profit or loss (collectively referred to as the "significant expense principle"); (2) requirement that a public entity disclose, on an annual and interim basis, an amount for other segment items by reportable segment and a description of its composition (the other segment items category is the difference between segment revenue less the segment expenses disclosed under the significant expense principle and each reported measure of segment profit or loss); (3) requirement that a public entity provide all annual disclosures about a reportable segment's profit or loss and assets currently required by ASC 280 in interim periods; (4) clarification that if the CODM uses more than one measure of a segment's profit or loss in assessing segment performance and deciding how to allocate resources, a public entity may report one or more of those additional measures of segment profit (at least one of the reported segment profit or loss measures, or the single reported measure if only one is disclosed, should be the measure that is the most consistent with the measurement principles used in measuring the corresponding amounts in the public entity's consolidated financial statements); (5) requirement that a public entity disclose the title and position of the CODM and explanation of how the CODM uses the reported measure(s) of segment profit or loss in assessing segment performance and deciding how to allocate resources; and (6) requirement that a public entity that has a single reportable segment provide all the disclosures by the amendments in the update and all existing segment disclosures in ASC 280.

The amendments in the update are effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024, with early adoption permitted. For public business entities, amendments in the update should be applied retrospectively to all periods presented in the financial statements, and upon transition to the segment expense categories and amounts disclosed in the prior periods should be based on the significant segment expense categories identified and disclosed in the period of adoption. The Company is currently evaluating the impact of this standard on its disclosures, however does not expect adoption of the update to have a material impact of the consolidated financial statements.

On December 13, 2023, the FASB issued ASU 2023-08, *"Intangibles—Goodwill and Other—Crypto Assets (Subtopic 350-60): Accounting for and Disclosure of Crypto Assets"*, to provide improved accounting and disclosure guidance for crypto assets. Stakeholders stated that current accounting guidance, except as provided in GAAP for certain specialized industries, surrounding crypto asset holdings as indefinite-lived intangible assets fails to provide financial statement users with decision-useful information. To remedy these shortcomings, the amendments in this update require an entity present (1) crypto assets measured at fair value separately from other intangible assets reported in the balance sheet and (2) changes from the remeasurement of crypto assets separately from changes in the carrying amounts of other intangible assets in the income

statement. While the amendments in the update do not otherwise change the presentation requirements for the statement of cash flows, they do require specific presentation of cash receipts arising from crypto assets that are received as noncash consideration in the ordinary course of business and are converted nearly immediately into cash.

The amendments in the update also provide for several enhancements related to disclosure of an entity's crypto asset holdings. For annual and interim reporting periods, the amendments in the update require an entity disclose the following information: (1) the name, cost basis, fair value, and number of units for each significant crypto asset holding and aggregate fair values and costs bases of the crypto asset holdings that are not individually significant; and (2) for crypto assets that are subject to contractual sale restrictions, the fair value of those crypto assets, the nature and remaining duration of the restriction(s), and the circumstances that could cause the restriction(s) to lapse. For annual reporting periods, the amendments in the update require an entity disclose the following information: (1) a rollforward, in the aggregate, of activity in the reporting period for crypto asset holdings, including additions (with a description of the activities that resulted in the additions), dispositions, gains, and losses; (2) for any dispositions for crypto assets in the reporting period, the difference between the disposal price and the cost basis and a description of the activities that resulted in the dispositions; (3) if gains and losses are not presented separately, the income statement line item in which those gains and losses are recognized; and (4) the method for determining the cost basis of crypto assets.

The amendments in this update are effective for public business entities for annual periods beginning after December 15, 2024, including interim periods within those fiscal years. Early adoption is permitted for both interim and annual financial statements that have not yet been issued (or made available for issuance). If an entity adopts the amendments in an interim period, it must adopt them as of the beginning of the fiscal year that includes that interim period. The amendments in this update require a cumulative-effect adjustment to the opening balance of retained earnings (or other appropriate components of equity or net assets) as of the beginning of the annual reporting period in which an entity adopts the amendments. The Company is currently evaluating the impact of this update on its disclosures, however does not expect the adoption of this update to have a material impact on the consolidated financial statements based upon the nature of the Company's current operations.

On December 14, 2023, the FASB issued ASU 2023-09, "*Income Taxes (Topic 740): Improvements to Income Tax Disclosures*", to address investor requests for greater transparency in regards to income tax information through improvements to income tax disclosures primarily related to the rate reconciliation and income taxes paid information. The amendments are designed to enhance transparency surrounding income tax disclosures by requiring (1) consistent categories and greater disaggregation of information in the rate reconciliation; and (2) income taxes paid disaggregation by taxing jurisdiction, which will allow investors to better assess, in their capital allocation decisions, how an entity's operations and related tax risks and tax planning and operational opportunities affect its income tax rate and prospects for future cash flows. Other amendments in this update are designed to improve the effectiveness and comparability of disclosures by (1) adding disclosures of pretax income (loss) and income tax expense (benefit) to be consistent with the SEC's Regulation S-X 210.4-08(h), *Rules of General Application-General Notes to Financial Statements: Income Tax Expense*; and (2) removing disclosures that are no longer considered cost beneficial or relevant.

The amendments in this update are effective for public business entities for annual periods beginning after December 31, 2024. Early adoption is permitted for annual financial statements that have not yet been issued or made available for issuance. The amendments in this update should be applied on a prospective basis, however retrospective application is permitted. The Company is currently evaluating the impact of this update on its disclosures, however does not expect the adoption of this update to have a material impact on the consolidated financial statements.

## **Reclassification**

Certain amounts appearing in the consolidated financial statements and notes thereto for prior periods have been reclassified to conform with the current presentation. The reclassifications had no effect on net income or stockholders' equity as previously reported.

## NOTE 2. SECURITIES

Debt securities purchased with the intent and ability to hold to their maturity are classified as held-to-maturity securities. All other investment securities are classified as available-for-sale securities.

### Available-for-Sale Securities

Information related to the amortized cost, fair value and allowance for credit losses of securities available-for-sale and the related gross unrealized gains and losses recognized in accumulated other comprehensive income (loss) is provided in the table below.

| (dollars in thousands)                  | Amortized<br>Cost   | Gross<br>Unrealized<br>Gain | Gross<br>Unrealized<br>Losses | Allowance for<br>Credit Losses | Fair Value          |
|---|---------------------|-----------------------------|-------------------------------|--------------------------------|---------------------|
| <b>September 30, 2024</b>               |                     |                             |                               |                                |                     |
| U.S. government sponsored agencies      | \$ 139,998          | \$ 0                        | \$ (23,330)                   | \$ 0                           | \$ 116,668          |
| Mortgage-backed securities: residential | 485,128             | 158                         | (62,219)                      | 0                              | 423,067             |
| State and municipal securities          | 546,037             | 55                          | (69,178)                      | 0                              | 476,914             |
| Total                                   | <u>\$ 1,171,163</u> | <u>\$ 213</u>               | <u>\$ (154,727)</u>           | <u>\$ 0</u>                    | <u>\$ 1,016,649</u> |
| <b>December 31, 2023</b>                |                     |                             |                               |                                |                     |
| U.S. government sponsored agencies      | \$ 146,692          | \$ 0                        | \$ (27,213)                   | \$ 0                           | \$ 119,479          |
| Mortgage-backed securities: residential | 522,275             | 118                         | (74,551)                      | 0                              | 447,842             |
| State and municipal securities          | 557,352             | 65                          | (73,010)                      | 0                              | 484,407             |
| Total                                   | <u>\$ 1,226,319</u> | <u>\$ 183</u>               | <u>\$ (174,774)</u>           | <u>\$ 0</u>                    | <u>\$ 1,051,728</u> |

### Held-to-Maturity Securities

Information related to the amortized cost, fair value and allowance for credit losses of securities held-to-maturity and the related gross unrealized gains and losses is presented in the table below.

| (dollars in thousands)         | Amortized<br>Cost | Gross<br>Unrealized<br>Gain | Gross<br>Unrealized<br>Losses | Allowance for<br>Credit Losses | Fair Value        |
|--------------------------------|-------------------|-----------------------------|-------------------------------|--------------------------------|-------------------|
| <b>September 30, 2024</b>      |                   |                             |                               |                                |                   |
| State and municipal securities | <u>\$ 131,157</u> | <u>\$ 0</u>                 | <u>\$ (12,296)</u>            | <u>\$ 0</u>                    | <u>\$ 118,861</u> |
| <b>December 31, 2023</b>       |                   |                             |                               |                                |                   |
| State and municipal securities | <u>\$ 129,918</u> | <u>\$ 0</u>                 | <u>\$ (10,703)</u>            | <u>\$ 0</u>                    | <u>\$ 119,215</u> |

The Company has the current intent and ability to hold held-to-maturity securities until maturity. All of the Company's securities designated as held-to-maturity were transferred from the available-for-sale classification. The net unrealized gain or loss on the transferred securities was recorded as a component of accumulated other comprehensive income (loss) at the time of the transfer and is amortized over the remaining life of the underlying securities as an adjustment to the yield on those securities. The net amount of the unamortized unrealized loss on the transferred securities included in accumulated other comprehensive income (loss) was \$19.5 million (\$15.4 million, net of tax) at September 30, 2024.

Information regarding the amortized cost and fair value of available-for-sale and held-to-maturity debt securities by maturity as of September 30, 2024 is presented below. Maturity information is based on contractual maturity for all securities other than mortgage-backed securities. Actual maturities of securities may differ from contractual maturities because borrowers may have the right to prepay the obligation without a prepayment penalty.

| (dollars in thousands)                 | Available-for-Sale  |                     | Held-to-Maturity  |                   |
|--|---------------------|---------------------|-------------------|-------------------|
|  | Amortized Cost      | Fair Value          | Amortized Cost    | Fair Value        |
| Due in one year or less                | \$ 440              | \$ 439              | \$ 0              | \$ 0              |
| Due after one year through five years  | 8,366               | 7,907               | 0                 | 0                 |
| Due after five years through ten years | 54,524              | 50,804              | 0                 | 0                 |
| Due after ten years                    | 622,705             | 534,432             | 131,157           | 118,861           |
|  | <b>686,035</b>      | <b>593,582</b>      | <b>131,157</b>    | <b>118,861</b>    |
| Mortgage-backed securities             | 485,128             | 423,067             | 0                 | 0                 |
| Total debt securities                  | <b>\$ 1,171,163</b> | <b>\$ 1,016,649</b> | <b>\$ 131,157</b> | <b>\$ 118,861</b> |

Available-for-sale securities proceeds, gross gains and gross losses are presented below.

| (dollars in thousands)                 | Three Months Ended September 30, |          | Nine Months Ended September 30, |            |
|--|----------------------------------|----------|---------------------------------|------------|
|  | 2024                             | 2023     | 2024                            | 2023       |
| Sales of securities available-for-sale |                                  |          |                                 |            |
| Proceeds                               | \$ 0                             | \$ 2,876 | \$ 7,136                        | \$ 102,827 |
| Gross gains                            | 0                                | 0        | 0                               | 439        |
| Gross losses                           | 0                                | (35)     | (46)                            | (455)      |
| Number of securities                   | 0                                | 6        | 15                              | 109        |

In accordance with ASU No. 2017-8, purchase premiums for callable securities are amortized to the earliest call date and premiums on non-callable securities as well as discounts are recognized in interest income using the interest method over the terms of the securities or over the estimated lives of mortgage-backed securities. Gains and losses on sales are based on the amortized cost of the security sold and recorded on the trade date.

Securities with fair values of \$592.6 million and \$792.0 million were pledged as of September 30, 2024 and December 31, 2023, respectively, as collateral for borrowings from the Federal Home Loan Bank ("FHLB") and Federal Reserve Bank and for other purposes as permitted or required by law.

### Unrealized Loss Analysis on Available-for-Sale and Held-to-Maturity Securities

Information regarding available-for-sale securities with unrealized losses as of September 30, 2024 and December 31, 2023 is presented on the following page. The tables divide the securities between those with unrealized losses for less than twelve months and those with unrealized losses for twelve months or more.

| (dollars in thousands)                  | Less than 12 months |                   | 12 months or more  |                   | Total              |                   |
|---|---------------------|-------------------|--------------------|-------------------|--------------------|-------------------|
|   | Fair Value          | Unrealized Losses | Fair Value         | Unrealized Losses | Fair Value         | Unrealized Losses |
| <b>September 30, 2024</b>               |                     |                   |                    |                   |                    |                   |
| U.S. government sponsored agencies      | \$ 0                | \$ 0              | \$ 116,668         | \$ 23,330         | \$ 116,668         | \$ 23,330         |
| Mortgage-backed securities: residential | 35                  | 1                 | 418,148            | 62,218            | 418,183            | 62,219            |
| State and municipal securities          | 19,621              | 395               | 450,442            | 68,783            | 470,063            | 69,178            |
| Total available-for-sale                | <u>\$ 19,656</u>    | <u>\$ 396</u>     | <u>\$ 985,258</u>  | <u>\$ 154,331</u> | <u>\$1,004,914</u> | <u>\$ 154,727</u> |
| <b>December 31, 2023</b>                |                     |                   |                    |                   |                    |                   |
| U.S. government sponsored agencies      | \$ 0                | \$ 0              | \$ 119,479         | \$ 27,213         | \$ 119,479         | \$ 27,213         |
| Mortgage-backed securities: residential | 52                  | 0                 | 442,765            | 74,551            | 442,817            | 74,551            |
| State and municipal securities          | 31,345              | 440               | 440,446            | 72,570            | 471,791            | 73,010            |
| Total available-for-sale                | <u>\$ 31,397</u>    | <u>\$ 440</u>     | <u>\$1,002,690</u> | <u>\$ 174,334</u> | <u>\$1,034,087</u> | <u>\$ 174,774</u> |

Information regarding held-to-maturity securities with unrealized losses as of September 30, 2024 and December 31, 2023 is presented below. The table divides the securities between those with unrealized losses for less than twelve months and those with unrealized losses for twelve months or more.

| (dollars in thousands)         | Less than 12 months |                   | 12 months or more |                   | Total             |                   |
|--------------------------------|---------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
|                                | Fair Value          | Unrealized Losses | Fair Value        | Unrealized Losses | Fair Value        | Unrealized Losses |
| <b>September 30, 2024</b>      |                     |                   |                   |                   |                   |                   |
| State and municipal securities | <u>\$ 0</u>         | <u>\$ 0</u>       | <u>\$ 118,861</u> | <u>\$ 12,296</u>  | <u>\$ 118,861</u> | <u>\$ 12,296</u>  |
| <b>December 31, 2023</b>       |                     |                   |                   |                   |                   |                   |
| State and municipal securities | <u>\$ 0</u>         | <u>\$ 0</u>       | <u>\$ 119,215</u> | <u>\$ 10,703</u>  | <u>\$ 119,215</u> | <u>\$ 10,703</u>  |

The total number of securities with unrealized losses as of September 30, 2024 and December 31, 2023 is presented below.

|   | Available-for-Sale  |                   |            | Held-to-Maturity    |                   |           |
|---|---------------------|-------------------|------------|---------------------|-------------------|-----------|
|   | Less than 12 months | 12 months or more | Total      | Less than 12 months | 12 months or more | Total     |
| <b>September 30, 2024</b>               |                     |                   |            |                     |                   |           |
| U.S. government sponsored agencies      | 0                   | 17                | 17         | 0                   | 0                 | 0         |
| Mortgage-backed securities: residential | 1                   | 124               | 125        | 0                   | 0                 | 0         |
| State and municipal securities          | 27                  | 382               | 409        | 0                   | 41                | 41        |
| Total temporarily impaired              | <u>28</u>           | <u>523</u>        | <u>551</u> | <u>0</u>            | <u>41</u>         | <u>41</u> |
| <b>December 31, 2023</b>                |                     |                   |            |                     |                   |           |
| U.S. government sponsored agencies      | 0                   | 17                | 17         | 0                   | 0                 | 0         |
| Mortgage-backed securities: residential | 1                   | 126               | 127        | 0                   | 0                 | 0         |
| State and municipal securities          | 40                  | 370               | 410        | 0                   | 41                | 41        |
| Total temporarily impaired              | <u>41</u>           | <u>513</u>        | <u>554</u> | <u>0</u>            | <u>41</u>         | <u>41</u> |

Available-for-sale debt securities in unrealized loss positions are evaluated for impairment related to credit losses at least quarterly. For available-for-sale debt securities in an unrealized loss position, management first assesses whether it intends to sell, or it is more likely than not that the Company will be required to sell, the security before recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the security's amortized cost basis is written down to fair value through the consolidated income statement. For available-for-sale debt securities that do not meet the above criteria and for held-to-maturity securities, management evaluates whether the decline in fair value has resulted from credit losses or other factors. In making this assessment, management considers the extent to which fair value is

less than amortized cost, any changes to the rating of the security by a rating agency, and adverse conditions specifically related to the security and the issuer, among other factors. If this assessment indicates that a credit loss exists, management compares the present value of cash flows expected to be collected from the security with the amortized cost basis of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis for the security, a credit loss exists and an allowance for credit losses is recorded, limited to the amount that the fair value of the security is less than its amortized cost basis. For available-for-sale debt securities, any impairment that has not been recorded through an allowance for credit losses is recognized in other comprehensive income (loss), net of applicable taxes.

No allowance for credit losses for available-for-sale or held-to-maturity debt securities was recorded at September 30, 2024 or December 31, 2023. Accrued interest receivable on securities totaled \$7.0 million and \$7.6 million at September 30, 2024 and December 31, 2023, respectively, and is excluded from the estimate of credit losses.

The U.S. government sponsored agencies and mortgage-backed securities are either explicitly or implicitly guaranteed by the U.S. government, are highly rated by major credit rating agencies, and have a long history of no credit losses. Therefore, for those securities, we do not record expected credit losses. State and municipal securities credit losses are benchmarked against highly rated municipal securities of similar duration, as published by Moody's, resulting in an immaterial allowance for credit losses.

**NOTE 3. LOANS**

| (dollars in thousands)  | September 30,<br>2024 |                | December 31,<br>2023 |                |
|---|-----------------------|----------------|----------------------|----------------|
| <b>Commercial and industrial loans:</b>                           |                       |                |                      |                |
| Working capital lines of credit loans                             | \$ 678,079            | 13.3 %         | \$ 604,893           | 12.3 %         |
| Non-working capital loans   | 814,804               | 16.0           | 815,871              | 16.6           |
| Total commercial and industrial loans                             | <u>1,492,883</u>      | <u>29.3</u>    | <u>1,420,764</u>     | <u>28.9</u>    |
| <b>Commercial real estate and multi-family residential loans:</b> |                       |                |                      |                |
| Construction and land development loans                           | 729,293               | 14.3           | 634,435              | 12.9           |
| Owner occupied loans  | 810,453               | 15.9           | 825,464              | 16.8           |
| Nonowner occupied loans   | 766,821               | 15.1           | 724,101              | 14.7           |
| Multifamily loans   | 243,283               | 4.8            | 253,534              | 5.1            |
| Total commercial real estate and multi-family residential loans   | <u>2,549,850</u>      | <u>50.1</u>    | <u>2,437,534</u>     | <u>49.5</u>    |
| <b>Agri-business and agricultural loans:</b>                      |                       |                |                      |                |
| Loans secured by farmland   | 157,413               | 3.1            | 162,890              | 3.3            |
| Loans for agricultural production                                 | 200,971               | 4.0            | 225,874              | 4.6            |
| Total agri-business and agricultural loans                        | <u>358,384</u>        | <u>7.1</u>     | <u>388,764</u>       | <u>7.9</u>     |
| <b>Other commercial loans:</b>                                    |                       |                |                      |                |
|   | 94,309                | 1.9            | 120,726              | 2.5            |
| Total commercial loans  | <u>4,495,426</u>      | <u>88.4</u>    | <u>4,367,788</u>     | <u>88.8</u>    |
| <b>Consumer 1-4 family mortgage loans:</b>                        |                       |                |                      |                |
| Closed end first mortgage loans                                   | 261,462               | 5.1            | 258,103              | 5.2            |
| Open end and junior lien loans                                    | 210,275               | 4.1            | 189,663              | 3.9            |
| Residential construction and land development loans               | 14,200                | 0.3            | 8,421                | 0.2            |
| Total consumer 1-4 family mortgage loans                          | <u>485,937</u>        | <u>9.5</u>     | <u>456,187</u>       | <u>9.3</u>     |
| Other consumer loans  | 103,547               | 2.1            | 96,022               | 1.9            |
| Total consumer loans  | <u>589,484</u>        | <u>11.6</u>    | <u>552,209</u>       | <u>11.2</u>    |
| Subtotal  | <u>5,084,910</u>      | <u>100.0 %</u> | <u>4,919,997</u>     | <u>100.0 %</u> |
| Less: Allowance for credit losses                                 | (83,627)              |                | (71,972)             |                |
| Net deferred loan fees  | (2,920)               |                | (3,463)              |                |
| Loans, net  | <u>\$ 4,998,363</u>   |                | <u>\$ 4,844,562</u>  |                |

The recorded investment in loans does not include accrued interest, which totaled \$20.7 million and \$21.5 million as of September 30, 2024 and December 31, 2023, respectively.

The Company had \$432,000 and \$238,000 in residential real estate loans in the process of foreclosure as of September 30, 2024 and December 31, 2023, respectively.

**NOTE 4. ALLOWANCE FOR CREDIT LOSSES AND CREDIT QUALITY**

The Company maintains an allowance for credit losses to provide for expected credit losses. Losses are charged against the allowance when management believes that the principal is uncollectable. Subsequent recoveries, if any, are credited to the allowance. Allocations of the allowance are made for specific loans and for pools of similar types of loans, although the entire allowance is available for any loan that, in management's judgment, should be charged against the allowance. A provision for credit losses is taken based on management's ongoing evaluation of the appropriate allowance balance. A formal evaluation of the adequacy of the credit loss allowance is conducted monthly. The ultimate recovery of all loans is susceptible to future market factors beyond the Company's control.

The level of credit loss provision is influenced by growth in the overall loan portfolio, emerging market risk, emerging concentration risk, commercial loan focus and large credit concentration, new industry lending activity, general economic conditions and historical loss analysis. In addition, management gives consideration to changes in the facts and circumstances



of watch list credits, which includes the security position of the borrower, in determining the appropriate level of the credit loss provision. Furthermore, management's overall view on credit quality is a factor in the determination of the provision.

The determination of the appropriate allowance is inherently subjective, as it requires significant estimates by management. The Company has an established process to determine the adequacy of the allowance for credit losses that generally includes consideration of changes in the nature and volume of the loan portfolio and overall portfolio quality, along with current and forecasted economic conditions that may affect borrowers' ability to repay. Consideration is not limited to these factors although they represent the most commonly cited factors. To determine the specific allocation levels for individual credits, management considers the current valuation of collateral and the amounts and timing of expected future cash flows as the primary measures. Management also considers trends in adversely classified loans based upon an ongoing review of those credits. With respect to pools of similar loans, an appropriate level of general allowance is determined by portfolio segment using a probability of default-loss given default ("PD/LGD") model, subject to a floor. A default can be triggered by one of several different asset quality factors, including past due status, nonaccrual status, material modification status or if the loan has had a charge-off. This PD is then combined with a LGD derived from historical charge-off data to construct a default rate. This loss rate is then supplemented with adjustments for reasonable and supportable forecasts of relevant economic indicators, particularly the unemployment rate forecast from the Federal Open Market Committee's Summary of Economic Projections, and other environmental factors based on the risks present for each portfolio segment. These environmental factors include consideration of the following: levels of, and trends in, delinquencies and nonperforming loans; trends in volume and terms of loans; effects of any changes in risk selection and underwriting standards; other changes in lending policies, procedure, and practices; experience, ability, and depth of lending management and other relevant staff; national and local economic trends and conditions; industry conditions; and effects of changes in credit concentrations. It is also possible that these factors could include social, political, economic, and terrorist events or activities. All of these factors are susceptible to change, which may be significant. As a result of this detailed process, the allowance results in two forms of allocations, specific and general. These two components represent the total allowance for credit losses deemed adequate to cover probable losses inherent in the loan portfolio.

Commercial loans are subject to a dual standardized grading process administered by the credit administration function. These grade assignments are performed independent of each other and a consensus is reached by credit administration and the loan review officer. Specific allowances are established in cases where management has identified significant conditions or circumstances related to an individual credit that indicate it should be evaluated on an individual basis. Considerations with respect to specific allocations for these individual credits include, but are not limited to, the following: (a) the sufficiency of the customer's cash flow or net worth to repay the loan; (b) the adequacy of the discounted value of collateral relative to the loan balance; (c) whether the loan has been criticized in a regulatory examination; (d) whether the loan is nonperforming; (e) any other reasons the ultimate collectability of the loan may be in question; or (f) any unique loan characteristics that require special monitoring.

Allocations are also applied to categories of loans considered not to be individually analyzed, but for which the rate of loss is expected to be consistent with or greater than historical averages. Such allocations are based on past loss experience and information about specific borrower situations and estimated collateral values. These general pooled loan allocations are performed for portfolio segments of commercial and industrial; commercial real estate, multi-family, and construction; agribusiness and agricultural; other commercial loans; and consumer 1-4 family mortgage and other consumer loans. General allocations of the allowance are determined by a historical loss rate based on the calculation of each pool's probability of default-loss given default, subject to a floor. The length of the historical period for each pool is based on the average life of the pool, which is updated at least annually. The historical loss rates are supplemented with consideration of economic conditions and portfolio trends.

Due to the imprecise nature of estimating the allowance for credit losses, the Company's allowance for credit losses includes an immaterial unallocated component. The unallocated component of the allowance for credit losses incorporates the Company's judgmental determination of potential expected losses that may not be fully reflected in other allocations. As a practical expedient, the Company has elected to disclose accrued interest separately from loan principal balances on the consolidated balance sheet. Additionally, when a loan is placed on non-accrual, interest payments are reversed through interest income.

For off balance sheet credit exposures outlined in the ASU at 326-20-30-11, it is the Company's position that nearly all of the unfunded amounts on lines of credit are unconditionally cancellable, and therefore not subject to having a liability recorded.

The following tables present the activity in the allowance for credit losses by portfolio segment for the periods ended:

| (dollars in thousands)                       | Commercial and Industrial | Commercial Real Estate and Multifamily Residential | Agri-business and Agricultural | Other Commercial | Consumer 1-4 Family Mortgage | Other Consumer  | Unallocated   | Total            |
|--|---------------------------|--|--------------------------------|------------------|------------------------------|-----------------|---------------|------------------|
| <b>Three Months Ended September 30, 2024</b> |                           |  |                                |                  |                              |                 |               |                  |
| Beginning balance, July 1                    | \$ 39,161                 | \$ 31,687  | \$ 3,668                       | \$ 820           | \$ 3,586                     | \$ 1,390        | \$ 399        | \$ 80,711        |
| Provision for credit losses                  | 3,498                     | (355)  | (254)                          | (86)             | (16)                         | 308             | (36)          | 3,059            |
| Loans charged-off                            | (72)                      | 0  | 0                              | 0                | (3)                          | (156)           | 0             | (231)            |
| Recoveries                                   | 18                        | 26   | 0                              | 0                | 4                            | 40              | 0             | 88               |
| Net loans (charged-off) recovered            | (54)                      | 26   | 0                              | 0                | 1                            | (116)           | 0             | (143)            |
| Ending balance                               | <u>\$ 42,605</u>          | <u>\$ 31,358</u>                                   | <u>\$ 3,414</u>                | <u>\$ 734</u>    | <u>\$ 3,571</u>              | <u>\$ 1,582</u> | <u>\$ 363</u> | <u>\$ 83,627</u> |

| (dollars in thousands)                       | Commercial and Industrial | Commercial Real Estate and Multifamily Residential | Agri-business and Agricultural | Other Commercial | Consumer 1-4 Family Mortgage | Other Consumer  | Unallocated   | Total            |
|--|---------------------------|--|--------------------------------|------------------|------------------------------|-----------------|---------------|------------------|
| <b>Three Months Ended September 30, 2023</b> |                           |  |                                |                  |                              |                 |               |                  |
| Beginning balance, July 1                    | \$ 30,978                 | \$ 30,913  | \$ 4,402                       | \$ 1,120         | \$ 3,448                     | \$ 846          | \$ 351        | \$ 72,058        |
| Provision for credit losses                  | (167)                     | 230  | (139)                          | (102)            | 197                          | 283             | 98            | 400              |
| Loans charged-off                            | (193)                     | 0  | 0                              | 0                | (149)                        | (138)           | 0             | (480)            |
| Recoveries                                   | 21                        | 12   | 0                              | 0                | 3                            | 91              | 0             | 127              |
| Net loans (charged-off) recovered            | (172)                     | 12   | 0                              | 0                | (146)                        | (47)            | 0             | (353)            |
| Ending balance                               | <u>\$ 30,639</u>          | <u>\$ 31,155</u>                                   | <u>\$ 4,263</u>                | <u>\$ 1,018</u>  | <u>\$ 3,499</u>              | <u>\$ 1,082</u> | <u>\$ 449</u> | <u>\$ 72,105</u> |

| (dollars in thousands)                      | Commercial and Industrial | Commercial Real Estate and Multifamily Residential | Agri-business and Agricultural | Other Commercial | Consumer 1-4 Family Mortgage | Other Consumer  | Unallocated   | Total            |
|---|---------------------------|--|--------------------------------|------------------|------------------------------|-----------------|---------------|------------------|
| <b>Nine Months Ended September 30, 2024</b> |                           |  |                                |                  |                              |                 |               |                  |
| Beginning balance, January 1                | \$ 30,338                 | \$ 31,335  | \$ 4,150                       | \$ 1,129         | \$ 3,474                     | \$ 1,174        | \$ 372        | \$ 71,972        |
| Provision for credit losses                 | 12,452                    | 784  | (736)                          | (395)            | 73                           | 890             | (9)           | 13,059           |
| Loans charged-off                           | (278)                     | (840)  | 0                              | 0                | (25)                         | (668)           | 0             | (1,811)          |
| Recoveries                                  | 93                        | 79   | 0                              | 0                | 49                           | 186             | 0             | 407              |
| Net loans (charged-off) recovered           | (185)                     | (761)  | 0                              | 0                | 24                           | (482)           | 0             | (1,404)          |
| Ending balance                              | <u>\$ 42,605</u>          | <u>\$ 31,358</u>                                   | <u>\$ 3,414</u>                | <u>\$ 734</u>    | <u>\$ 3,571</u>              | <u>\$ 1,582</u> | <u>\$ 363</u> | <u>\$ 83,627</u> |

| (dollars in thousands)                      | Commercial and Industrial | Commercial Real Estate and Multifamily Residential | Agri-business and Agricultural | Other Commercial | Consumer 1-4 Family Mortgage | Other Consumer  | Unallocated   | Total            |
|---|---------------------------|--|--------------------------------|------------------|------------------------------|-----------------|---------------|------------------|
| <b>Nine Months Ended September 30, 2023</b> |                           |  |                                |                  |                              |                 |               |                  |
| Beginning balance, January 1                | \$ 35,290                 | \$ 27,394  | \$ 4,429                       | \$ 917           | \$ 3,001                     | \$ 1,021        | \$ 554        | \$ 72,606        |
| Provision for credit losses                 | 1,065                     | 3,465  | (166)                          | 101              | 642                          | 548             | (105)         | 5,550            |
| Loans charged-off                           | (5,844)                   | 0  | 0                              | 0                | (163)                        | (759)           | 0             | (6,766)          |
| Recoveries                                  | 128                       | 296  | 0                              | 0                | 19                           | 272             | 0             | 715              |
| Net loans (charged-off) recovered           | (5,716)                   | 296  | 0                              | 0                | (144)                        | (487)           | 0             | (6,051)          |
| Ending balance                              | <u>\$ 30,639</u>          | <u>\$ 31,155</u>                                   | <u>\$ 4,263</u>                | <u>\$ 1,018</u>  | <u>\$ 3,499</u>              | <u>\$ 1,082</u> | <u>\$ 449</u> | <u>\$ 72,105</u> |

## Credit Quality Indicators

The Company categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt such as: current financial information, historical payment experience, credit documentation, public information and current economic trends, among other factors. The Company analyzes commercial loans individually by classifying the loans as to credit risk. This analysis is performed on a quarterly basis for Special Mention, Substandard and Doubtful grade loans and annually on Pass grade loans over \$250,000.

The Company uses the following definitions for risk ratings:

**Special Mention.** Loans classified as Special Mention have a potential weakness that deserves management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or of the Company's credit position at some future date.

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

**Doubtful.** Loans classified as Doubtful have all the weaknesses inherent in those classified as Substandard, with the added characteristics that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable.

Loans are considered to be "Pass" rated when they are reviewed as part of the previously described process and do not meet the criteria above, which are evaluated and listed with Substandard commercial grade loans and consumer nonaccrual loans, which are evaluated individually and listed with "Not Rated" loans. Loans listed as Not Rated are consumer loans or commercial loans with consumer characteristics included in groups of homogenous loans which are analyzed for credit quality indicators utilizing delinquency status.

[Table of Contents](#)

The following table summarizes the risk category of loans by loan segment and year of origination as of September 30, 2024:

| (dollars in thousands)                                     | 2024    | 2023    | 2022     | 2021     | 2020    | Prior   | Term Total | Revolving  | Total      |
|--|---------|---------|----------|----------|---------|---------|------------|------------|------------|
| Commercial and industrial loans:                           |         |         |          |          |         |         |            |            |            |
| Working capital lines of credit loans:                     |         |         |          |          |         |         |            |            |            |
| Pass   | \$ 0    | \$ 141  | \$ 1,730 | \$ 1,824 | \$ 773  | \$ 0    | \$ 4,468   | \$ 556,307 | \$ 560,775 |
| Special Mention  | 0       | 0       | 0        | 0        | 0       | 0       | 0          | 49,662     | 49,662     |
| Substandard  | 0       | 0       | 1,011    | 0        | 245     | 269     | 1,525      | 22,855     | 24,380     |
| Doubtful   | 0       | 3,090   | 39,994   | 0        | 0       | 0       | 43,084     | 0          | 43,084     |
| Total  | 0       | 3,231   | 42,735   | 1,824    | 1,018   | 269     | 49,077     | 628,824    | 677,901    |
| Working capital lines of credit loans:                     |         |         |          |          |         |         |            |            |            |
| Current period gross write offs                            | 0       | 0       | 94       | 0        | 0       | 0       | 94         | 136        | 230        |
| Non-working capital loans:                                 |         |         |          |          |         |         |            |            |            |
| Pass   | 111,883 | 164,110 | 173,692  | 67,117   | 38,804  | 32,074  | 587,680    | 182,203    | 769,883    |
| Special Mention  | 2,998   | 2,783   | 9,670    | 1,892    | 441     | 3,014   | 20,798     | 6,753      | 27,551     |
| Substandard  | 0       | 3,269   | 1,608    | 134      | 4,400   | 673     | 10,084     | 467        | 10,551     |
| Doubtful   | 0       | 227     | 0        | 540      | 416     | 0       | 1,183      | 0          | 1,183      |
| Not Rated  | 1,101   | 1,809   | 1,265    | 506      | 455     | 46      | 5,182      | 0          | 5,182      |
| Total  | 115,982 | 172,198 | 186,235  | 70,189   | 44,516  | 35,807  | 624,927    | 189,423    | 814,350    |
| Non-working capital loans:                                 |         |         |          |          |         |         |            |            |            |
| Current period gross write offs                            | 0       | 0       | 0        | 0        | 0       | 0       | 0          | 48         | 48         |
| Commercial real estate and multi-family residential loans: |         |         |          |          |         |         |            |            |            |
| Construction and land development loans:                   |         |         |          |          |         |         |            |            |            |
| Pass   | 26,122  | 78,524  | 6,339    | 46,776   | 0       | 153     | 157,914    | 566,886    | 724,800    |
| Special Mention  | 603     | 0       | 0        | 0        | 0       | 0       | 603        | 1,832      | 2,435      |
| Total  | 26,725  | 78,524  | 6,339    | 46,776   | 0       | 153     | 158,517    | 568,718    | 727,235    |
| Construction and land development loans:                   |         |         |          |          |         |         |            |            |            |
| Current period gross write offs                            | 0       | 0       | 0        | 0        | 0       | 0       | 0          | 0          | 0          |
| Owner occupied loans:                                      |         |         |          |          |         |         |            |            |            |
| Pass   | 48,999  | 138,425 | 124,911  | 144,352  | 119,933 | 138,956 | 715,576    | 58,462     | 774,038    |
| Special Mention  | 6,404   | 1,501   | 14,942   | 3,330    | 626     | 3,436   | 30,239     | 0          | 30,239     |
| Substandard  | 0       | 329     | 0        | 3,545    | 1,462   | 323     | 5,659      | 0          | 5,659      |
| Total  | 55,403  | 140,255 | 139,853  | 151,227  | 122,021 | 142,715 | 751,474    | 58,462     | 809,936    |
| Owner occupied loans:                                      |         |         |          |          |         |         |            |            |            |
| Current period gross write offs                            | 0       | 0       | 0        | 0        | 0       | 840     | 840        | 0          | 840        |
| Nonowner occupied loans:                                   |         |         |          |          |         |         |            |            |            |

[Table of Contents](#)

|                                       |         |         |         |         |         |        |         |        |         |
|---------------------------------------|---------|---------|---------|---------|---------|--------|---------|--------|---------|
| Pass (continued)                      | 108,277 | 123,755 | 152,690 | 107,647 | 121,272 | 80,108 | 693,749 | 50,584 | 744,333 |
| Special Mention                       | 0       | 15,790  | 109     | 5,967   | 0       | 0      | 21,866  | 0      | 21,866  |
| Nonowner occupied loans:              |         |         |         |         |         |        |         |        |         |
| Total                                 | 108,277 | 139,545 | 152,799 | 113,614 | 121,272 | 80,108 | 715,615 | 50,584 | 766,199 |
| Nonowner occupied loans:              |         |         |         |         |         |        |         |        |         |
| Current period gross write offs       | 0       | 0       | 0       | 0       | 0       | 0      | 0       | 0      | 0       |
| Multifamily loans:                    |         |         |         |         |         |        |         |        |         |
| Pass                                  | 39,959  | 61,825  | 21,799  | 8,868   | 29,457  | 7,714  | 169,622 | 28,061 | 197,683 |
| Special Mention                       | 42,750  | 0       | 311     | 0       | 0       | 2,193  | 45,254  | 0      | 45,254  |
| Total                                 | 82,709  | 61,825  | 22,110  | 8,868   | 29,457  | 9,907  | 214,876 | 28,061 | 242,937 |
| Multifamily loans:                    |         |         |         |         |         |        |         |        |         |
| Current period gross write offs       | 0       | 0       | 0       | 0       | 0       | 0      | 0       | 0      | 0       |
| Agri-business and agricultural loans: |         |         |         |         |         |        |         |        |         |
| Loans secured by farmland:            |         |         |         |         |         |        |         |        |         |
| Pass                                  | 8,437   | 22,063  | 30,104  | 23,670  | 25,940  | 21,147 | 131,361 | 25,973 | 157,334 |
| Substandard                           | 0       | 0       | 0       | 0       | 0       | 80     | 80      | 0      | 80      |
| Total                                 | 8,437   | 22,063  | 30,104  | 23,670  | 25,940  | 21,227 | 131,441 | 25,973 | 157,414 |
| Loans secured by farmland:            |         |         |         |         |         |        |         |        |         |
| Current period gross write offs       | 0       | 0       | 0       | 0       | 0       | 0      | 0       | 0      | 0       |
| Loans for agricultural production:    |         |         |         |         |         |        |         |        |         |
| Pass                                  | 14,238  | 28,084  | 21,946  | 24,986  | 22,259  | 3,807  | 115,320 | 85,084 | 200,404 |
| Special Mention                       | 0       | 0       | 0       | 171     | 0       | 0      | 171     | 500    | 671     |
| Total                                 | 14,238  | 28,084  | 21,946  | 25,157  | 22,259  | 3,807  | 115,491 | 85,584 | 201,075 |
| Loans for agricultural production:    |         |         |         |         |         |        |         |        |         |
| Current period gross write offs       | 0       | 0       | 0       | 0       | 0       | 0      | 0       | 0      | 0       |
| Other commercial loans:               |         |         |         |         |         |        |         |        |         |
| Pass                                  | 6,715   | 10,648  | 30,858  | 3,661   | 11,851  | 5,711  | 69,444  | 22,872 | 92,316  |
| Special Mention                       | 0       | 0       | 0       | 0       | 0       | 1,900  | 1,900   | 0      | 1,900   |
| Total                                 | 6,715   | 10,648  | 30,858  | 3,661   | 11,851  | 7,611  | 71,344  | 22,872 | 94,216  |
| Other commercial loans:               |         |         |         |         |         |        |         |        |         |
| Current period gross write offs       | 0       | 0       | 0       | 0       | 0       | 0      | 0       | 0      | 0       |
| Consumer 1-4 family mortgage loans:   |         |         |         |         |         |        |         |        |         |
| Closed end first mortgage loans:      |         |         |         |         |         |        |         |        |         |
| Pass                                  | 9,358   | 10,486  | 9,391   | 11,531  | 6,485   | 5,381  | 52,632  | 6,217  | 58,849  |
| Special Mention                       | 124     | 228     | 167     | 66      | 0       | 0      | 585     | 0      | 585     |
| Substandard                           | 0       | 86      | 322     | 90      | 0       | 219    | 717     | 0      | 717     |

[Table of Contents](#)

|                                  |                   |                   |                   |                   |                   |                   |                     |                     |                     |
|----------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|---------------------|---------------------|---------------------|
| Not Rated (continued)            | 18,866            | 58,659            | 47,720            | 34,711            | 16,226            | 24,767            | 200,949             | 0                   | 200,949             |
| Total                            | 28,348            | 69,459            | 57,600            | 46,398            | 22,711            | 30,367            | 254,883             | 6,217               | 261,100             |
| Closed end first mortgage loans: |                   |                   |                   |                   |                   |                   |                     |                     |                     |
| Current period gross write offs  | 0                 | 0                 | 0                 | 0                 | 0                 | 0                 | 0                   | 0                   | 0                   |
| Open end and junior lien loans:  |                   |                   |                   |                   |                   |                   |                     |                     |                     |
| Pass                             | 47                | 751               | 0                 | 451               | 0                 | 5                 | 1,254               | 11,476              | 12,730              |
| Special Mention                  | 0                 | 0                 | 0                 | 0                 | 315               | 0                 | 315                 | 0                   | 315                 |
| Substandard                      | 0                 | 105               | 0                 | 18                | 0                 | 81                | 204                 | 180                 | 384                 |
| Not Rated                        | 17,554            | 18,349            | 20,546            | 5,571             | 822               | 3,043             | 65,885              | 132,942             | 198,827             |
| Total                            | 17,601            | 19,205            | 20,546            | 6,040             | 1,137             | 3,129             | 67,658              | 144,598             | 212,256             |
| Open end and junior lien loans:  |                   |                   |                   |                   |                   |                   |                     |                     |                     |
| Current period gross write offs  | 0                 | 0                 | 22                | 0                 | 0                 | 0                 | 22                  | 3                   | 25                  |
| Residential construction loans:  |                   |                   |                   |                   |                   |                   |                     |                     |                     |
| Not Rated                        | 5,602             | 2,790             | 2,097             | 1,410             | 777               | 1,432             | 14,108              | 0                   | 14,108              |
| Total                            | 5,602             | 2,790             | 2,097             | 1,410             | 777               | 1,432             | 14,108              | 0                   | 14,108              |
| Residential construction loans:  |                   |                   |                   |                   |                   |                   |                     |                     |                     |
| Current period gross write offs  | 0                 | 0                 | 0                 | 0                 | 0                 | 0                 | 0                   | 0                   | 0                   |
| Other consumer loans:            |                   |                   |                   |                   |                   |                   |                     |                     |                     |
| Pass                             | 78                | 979               | 254               | 1,011             | 40                | 0                 | 2,362               | 18,308              | 20,670              |
| Special Mention                  | 0                 | 0                 | 475               | 0                 | 184               | 0                 | 659                 | 0                   | 659                 |
| Substandard                      | 0                 | 181               | 44                | 86                | 17                | 0                 | 328                 | 0                   | 328                 |
| Not Rated                        | 19,849            | 24,849            | 13,148            | 7,327             | 4,145             | 2,063             | 71,381              | 10,225              | 81,606              |
| Total                            | 19,927            | 26,009            | 13,921            | 8,424             | 4,386             | 2,063             | 74,730              | 28,533              | 103,263             |
| Other consumer loans:            |                   |                   |                   |                   |                   |                   |                     |                     |                     |
| Current period gross write offs  | 4                 | 229               | 158               | 28                | 0                 | 26                | 445                 | 223                 | 668                 |
| Total Loans                      | <u>\$ 489,964</u> | <u>\$ 773,836</u> | <u>\$ 727,143</u> | <u>\$ 507,258</u> | <u>\$ 407,345</u> | <u>\$ 338,595</u> | <u>\$ 3,244,141</u> | <u>\$ 1,837,849</u> | <u>\$ 5,081,990</u> |
| Total period gross write offs    | <u>\$ 4</u>       | <u>\$ 229</u>     | <u>\$ 274</u>     | <u>\$ 28</u>      | <u>\$ 0</u>       | <u>\$ 866</u>     | <u>\$ 1,401</u>     | <u>\$ 410</u>       | <u>\$ 1,811</u>     |

As of September 30, 2024, \$1.2 million in PPP loans were included in the "Pass" category of non-working capital commercial and industrial loans. These loans were included in this risk rating category because they are fully guaranteed by the Small Business Administration ("SBA").

The following table summarizes the risk category of loans by loan segment and year of origination as of December 31, 2023:

| (dollars in thousands)                                     | 2023    | 2022     | 2021     | 2020     | 2019   | Prior   | Term Total | Revolving  | Total      |
|--|---------|----------|----------|----------|--------|---------|------------|------------|------------|
| Commercial and industrial loans:                           |         |          |          |          |        |         |            |            |            |
| Working capital lines of credit loans:                     |         |          |          |          |        |         |            |            |            |
| Pass   | \$ 193  | \$ 1,876 | \$ 2,214 | \$ 1,132 | \$ 0   | \$ 50   | \$ 5,465   | \$ 532,086 | \$ 537,551 |
| Special Mention  | 0       | 0        | 0        | 0        | 0      | 0       | 0          | 46,498     | 46,498     |
| Substandard  | 0       | 200      | 0        | 0        | 125    | 0       | 325        | 20,516     | 20,841     |
| Total  | 193     | 2,076    | 2,214    | 1,132    | 125    | 50      | 5,790      | 599,100    | 604,890    |
| Working capital lines of credit loans:                     |         |          |          |          |        |         |            |            |            |
| Current period gross write offs                            | 0       | 0        | 75       | 0        | 139    | 0       | 214        | 327        | 541        |
| Non-working capital loans:                                 |         |          |          |          |        |         |            |            |            |
| Pass   | 199,071 | 224,333  | 85,273   | 49,999   | 28,773 | 10,501  | 597,950    | 171,264    | 769,214    |
| Special Mention  | 4,038   | 9,577    | 1,051    | 2,498    | 2,306  | 4,298   | 23,768     | 5,477      | 29,245     |
| Substandard  | 3,754   | 1,612    | 683      | 3,892    | 51     | 218     | 10,210     | 397        | 10,607     |
| Not Rated  | 2,585   | 1,999    | 881      | 707      | 162    | 18      | 6,352      | 0          | 6,352      |
| Total  | 209,448 | 237,521  | 87,888   | 57,096   | 31,292 | 15,035  | 638,280    | 177,138    | 815,418    |
| Non-working capital loans:                                 |         |          |          |          |        |         |            |            |            |
| Current period gross write offs                            | 0       | 5,445    | 0        | 178      | 129    | 0       | 5,752      | 48         | 5,800      |
| Commercial real estate and multi-family residential loans: |         |          |          |          |        |         |            |            |            |
| Construction and land development loans:                   |         |          |          |          |        |         |            |            |            |
| Pass   | 50,693  | 15,558   | 17,655   | 0        | 177    | 0       | 84,083     | 547,570    | 631,653    |
| Total  | 50,693  | 15,558   | 17,655   | 0        | 177    | 0       | 84,083     | 547,570    | 631,653    |
| Construction and land development loans:                   |         |          |          |          |        |         |            |            |            |
| Current period gross write offs                            | 0       | 0        | 0        | 0        | 0      | 0       | 0          | 0          | 0          |
| Owner occupied loans:                                      |         |          |          |          |        |         |            |            |            |
| Pass   | 144,411 | 132,850  | 156,680  | 132,407  | 61,415 | 118,406 | 746,169    | 40,288     | 786,457    |
| Special Mention  | 7,597   | 686      | 4,913    | 0        | 1,394  | 2,245   | 16,835     | 14,739     | 31,574     |
| Substandard  | 362     | 250      | 3,325    | 1,474    | 345    | 1,161   | 6,917      | 0          | 6,917      |
| Total  | 152,370 | 133,786  | 164,918  | 133,881  | 63,154 | 121,812 | 769,921    | 55,027     | 824,948    |
| Owner occupied loans:                                      |         |          |          |          |        |         |            |            |            |
| Current period gross write offs                            | 0       | 0        | 0        | 0        | 0      | 0       | 0          | 0          | 0          |
| Nonowner occupied loans:                                   |         |          |          |          |        |         |            |            |            |
| Pass   | 123,633 | 158,415  | 112,582  | 134,050  | 87,288 | 66,755  | 682,723    | 27,860     | 710,583    |

[Table of Contents](#)

|                                       |         |         |         |         |        |        |         |         |         |
|---------------------------------------|---------|---------|---------|---------|--------|--------|---------|---------|---------|
| Nonowner occupied loans (continued):  |         |         |         |         |        |        |         |         |         |
| Special Mention                       | 4,503   | 0       | 6,257   | 0       | 0      | 2,246  | 13,006  | 0       | 13,006  |
| Total                                 | 128,136 | 158,415 | 118,839 | 134,050 | 87,288 | 69,001 | 695,729 | 27,860  | 723,589 |
| Nonowner occupied loans:              |         |         |         |         |        |        |         |         |         |
| Current period gross write offs       | 0       | 0       | 0       | 0       | 0      | 0      | 0       | 0       | 0       |
| Multifamily loans:                    |         |         |         |         |        |        |         |         |         |
| Pass                                  | 90,954  | 23,315  | 9,042   | 35,648  | 13,971 | 14,609 | 187,539 | 45,987  | 233,526 |
| Special Mention                       | 19,671  | 0       | 0       | 0       | 0      | 0      | 19,671  | 0       | 19,671  |
| Total                                 | 110,625 | 23,315  | 9,042   | 35,648  | 13,971 | 14,609 | 207,210 | 45,987  | 253,197 |
| Multifamily loans:                    |         |         |         |         |        |        |         |         |         |
| Current period gross write offs       | 0       | 0       | 0       | 0       | 0      | 0      | 0       | 0       | 0       |
| Agri-business and agricultural loans: |         |         |         |         |        |        |         |         |         |
| Loans secured by farmland:            |         |         |         |         |        |        |         |         |         |
| Pass                                  | 24,503  | 32,060  | 25,308  | 27,924  | 9,104  | 19,160 | 138,059 | 24,724  | 162,783 |
| Substandard                           | 0       | 0       | 0       | 0       | 0      | 100    | 100     | 0       | 100     |
| Total                                 | 24,503  | 32,060  | 25,308  | 27,924  | 9,104  | 19,260 | 138,159 | 24,724  | 162,883 |
| Loans secured by farmland:            |         |         |         |         |        |        |         |         |         |
| Current period gross write offs       | 0       | 0       | 0       | 0       | 0      | 0      | 0       | 0       | 0       |
| Loans for agricultural production:    |         |         |         |         |        |        |         |         |         |
| Pass                                  | 28,657  | 13,589  | 27,175  | 25,504  | 3,533  | 10,429 | 108,887 | 116,406 | 225,293 |
| Special Mention                       | 0       | 0       | 187     | 0       | 0      | 0      | 187     | 500     | 687     |
| Total                                 | 28,657  | 13,589  | 27,362  | 25,504  | 3,533  | 10,429 | 109,074 | 116,906 | 225,980 |
| Loans for agricultural production:    |         |         |         |         |        |        |         |         |         |
| Current period gross write offs       | 0       | 0       | 0       | 0       | 0      | 0      | 0       | 0       | 0       |
| Other commercial loans:               |         |         |         |         |        |        |         |         |         |
| Pass                                  | 7,058   | 26,918  | 33,247  | 13,684  | 90     | 7,332  | 88,329  | 29,819  | 118,148 |
| Special Mention                       | 0       | 0       | 0       | 0       | 0      | 2,419  | 2,419   | 0       | 2,419   |
| Total                                 | 7,058   | 26,918  | 33,247  | 13,684  | 90     | 9,751  | 90,748  | 29,819  | 120,567 |
| Other commercial loans:               |         |         |         |         |        |        |         |         |         |
| Current period gross write offs       | 0       | 0       | 0       | 0       | 0      | 0      | 0       | 0       | 0       |
| Consumer 1-4 family mortgage loans:   |         |         |         |         |        |        |         |         |         |
| Closed end first mortgage loans:      |         |         |         |         |        |        |         |         |         |
| Pass                                  | 9,910   | 10,541  | 12,486  | 8,614   | 3,924  | 4,625  | 50,100  | 8,330   | 58,430  |
| Special Mention                       | 0       | 0       | 0       | 519     | 0      | 0      | 519     | 0       | 519     |
| Substandard                           | 87      | 0       | 96      | 123     | 0      | 253    | 559     | 0       | 559     |
| Not Rated                             | 64,233  | 51,018  | 38,014  | 17,432  | 4,314  | 23,225 | 198,236 | 0       | 198,236 |



[Table of Contents](#)

|  |                   |                   |                   |                   |                   |                   |                     |                     |                     |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|---------------------|---------------------|---------------------|
| Closed end first mortgage loans (continued): |                   |                   |                   |                   |                   |                   |                     |                     |                     |
| Total  | 74,230            | 61,559            | 50,596            | 26,688            | 8,238             | 28,103            | 249,414             | 8,330               | 257,744             |
| Closed end first mortgage loans:             |                   |                   |                   |                   |                   |                   |                     |                     |                     |
| Current period gross write offs              | 0                 | 0                 | 0                 | 0                 | 0                 | 0                 | 0                   | 0                   | 0                   |
| Open end and junior lien loans:              |                   |                   |                   |                   |                   |                   |                     |                     |                     |
| Pass   | 557               | 137               | 491               | 335               | 0                 | 6                 | 1,526               | 8,689               | 10,215              |
| Substandard                                  | 108               | 0                 | 23                | 0                 | 26                | 48                | 205                 | 68                  | 273                 |
| Not Rated                                    | 24,792            | 29,648            | 8,471             | 1,554             | 2,286             | 1,962             | 68,713              | 112,371             | 181,084             |
| Total  | 25,457            | 29,785            | 8,985             | 1,889             | 2,312             | 2,016             | 70,444              | 121,128             | 191,572             |
| Open end and junior lien loans:              |                   |                   |                   |                   |                   |                   |                     |                     |                     |
| Current period gross write offs              | 0                 | 50                | 14                | 0                 | 0                 | 0                 | 64                  | 99                  | 163                 |
| Residential construction loans:              |                   |                   |                   |                   |                   |                   |                     |                     |                     |
| Not Rated                                    | 1,525             | 2,982             | 1,515             | 839               | 263               | 1,220             | 8,344               | 0                   | 8,344               |
| Total  | 1,525             | 2,982             | 1,515             | 839               | 263               | 1,220             | 8,344               | 0                   | 8,344               |
| Residential construction loans:              |                   |                   |                   |                   |                   |                   |                     |                     |                     |
| Current period gross write offs              | 0                 | 0                 | 0                 | 0                 | 0                 | 0                 | 0                   | 0                   | 0                   |
| Other consumer loans:                        |                   |                   |                   |                   |                   |                   |                     |                     |                     |
| Pass   | 1,082             | 789               | 1,391             | 301               | 0                 | 0                 | 3,563               | 11,894              | 15,457              |
| Substandard                                  | 40                | 34                | 35                | 0                 | 2                 | 0                 | 111                 | 0                   | 111                 |
| Not Rated                                    | 32,481            | 17,585            | 9,994             | 6,008             | 1,611             | 1,957             | 69,636              | 10,545              | 80,181              |
| Total  | 33,603            | 18,408            | 11,420            | 6,309             | 1,613             | 1,957             | 73,310              | 22,439              | 95,749              |
| Other consumer loans:                        |                   |                   |                   |                   |                   |                   |                     |                     |                     |
| Current period gross write offs              | 16                | 258               | 90                | 8                 | 212               | 1                 | 585                 | 243                 | 828                 |
| Total loans                                  | <u>\$ 846,498</u> | <u>\$ 755,972</u> | <u>\$ 558,989</u> | <u>\$ 464,644</u> | <u>\$ 221,160</u> | <u>\$ 293,243</u> | <u>\$ 3,140,506</u> | <u>\$ 1,776,028</u> | <u>\$ 4,916,534</u> |
| Total current period gross write offs        | <u>\$ 16</u>      | <u>\$ 5,753</u>   | <u>\$ 179</u>     | <u>\$ 186</u>     | <u>\$ 480</u>     | <u>\$ 1</u>       | <u>\$ 6,615</u>     | <u>\$ 717</u>       | <u>\$ 7,332</u>     |

As of December 31, 2023, \$1.3 million in PPP loans were included in the "Pass" category of non-working capital commercial and industrial loans. These loans were included in this risk rating category because they are fully guaranteed by the SBA.

**Nonaccrual and Past Due Loans:**

The Company does not record interest on nonaccrual loans until principal is recovered. For all loan classes, a loan is generally placed on nonaccrual status when principal or interest becomes 90 days past due unless it is well secured and in the process of collection, or earlier when concern exists as to the ultimate collectability of principal or interest. Interest accrued but not received is reversed against earnings. Cash interest received on these loans is applied to the principal balance until the principal is recovered or until the loan returns to accrual status. Loans may be returned to accrual status when all the principal and interest amounts contractually due are brought current, remain current for a prescribed period, and future payments are reasonably assured.

The following table presents the aging of the amortized cost basis in past due loans as of September 30, 2024 by class of loans and loans past due 90 days or more and still accruing by class of loan:

| (dollars in thousands)  | Loans Not Past Due  | 30-89 Days Past Due | Greater than 89 Days Past Due and Accruing | Total Accruing      | Total Nonaccrual | Nonaccrual With No Allowance For Credit Loss | Total               |
|---|---------------------|---------------------|--|---------------------|------------------|--|---------------------|
| <b>Commercial and industrial loans:</b>                           |                     |                     |  |                     |                  |  |                     |
| Working capital lines of credit loans                             | \$ 632,488          | \$ 0                | \$ 0                                       | \$ 632,488          | \$ 45,413        | \$ 596                                       | \$ 677,901          |
| Non-working capital loans   | 805,427             | 97                  | 0  | 805,524             | 8,826            | 86   | 814,350             |
| <b>Commercial real estate and multi-family residential loans:</b> |                     |                     |  |                     |                  |  |                     |
| Construction and land development loans                           | 727,235             | 0                   | 0  | 727,235             | 0                | 0  | 727,235             |
| Owner occupied loans  | 808,145             | 0                   | 0  | 808,145             | 1,791            | 329  | 809,936             |
| Nonowner occupied loans   | 766,199             | 0                   | 0  | 766,199             | 0                | 0  | 766,199             |
| Multifamily loans   | 242,937             | 0                   | 0  | 242,937             | 0                | 0  | 242,937             |
| <b>Agri-business and agricultural loans:</b>                      |                     |                     |  |                     |                  |  |                     |
| Loans secured by farmland   | 157,334             | 0                   | 0  | 157,334             | 80               | 0  | 157,414             |
| Loans for agricultural production                                 | 201,075             | 0                   | 0  | 201,075             | 0                | 0  | 201,075             |
| Other commercial loans  | 94,216              | 0                   | 0  | 94,216              | 0                | 0  | 94,216              |
| <b>Consumer 1-4 family mortgage loans:</b>                        |                     |                     |  |                     |                  |  |                     |
| Closed end first mortgage loans                                   | 260,271             | 86                  | 26   | 260,383             | 717              | 170  | 261,100             |
| Open end and junior lien loans                                    | 211,534             | 269                 | 69   | 211,872             | 384              | 384  | 212,256             |
| Residential construction loans                                    | 14,108              | 0                   | 0  | 14,108              | 0                | 0  | 14,108              |
| Other consumer loans  | 102,560             | 375                 | 0  | 102,935             | 328              | 17   | 103,263             |
| <b>Total</b>  | <b>\$ 5,023,529</b> | <b>\$ 827</b>       | <b>\$ 95</b>                               | <b>\$ 5,024,451</b> | <b>\$ 57,539</b> | <b>\$ 1,582</b>                              | <b>\$ 5,081,990</b> |

An insignificant amount of interest income was recognized on nonaccrual loans during the nine month period ended September 30, 2024.

[Table of Contents](#)

The following table presents the aging of the amortized cost basis in past due loans as of December 31, 2023 by class of loans and loans past due 90 days or more and still accruing by class of loan:

| (dollars in thousands)  | Loans Not Past Due  | 30-89 Days Past Due | Greater than 89 Days Past Due and Accruing | Total Accruing      | Total Nonaccrual | Nonaccrual With No Allowance For Credit Loss | Total               |
|---|---------------------|---------------------|--|---------------------|------------------|--|---------------------|
| <b>Commercial and industrial loans:</b>                           |                     |                     |  |                     |                  |  |                     |
| Working capital lines of credit loans                             | \$ 602,236          | \$ 0                | \$ 0                                       | \$ 602,236          | \$ 2,654         | \$ 0   | \$ 604,890          |
| Non-working capital loans   | 805,305             | 1,372               | 0  | 806,677             | 8,741            | 244  | 815,418             |
| <b>Commercial real estate and multi-family residential loans:</b> |                     |                     |  |                     |                  |  |                     |
| Construction and land development loans                           | 631,653             | 0                   | 0  | 631,653             | 0                | 0  | 631,653             |
| Owner occupied loans  | 821,701             | 0                   | 0  | 821,701             | 3,247            | 1,161  | 824,948             |
| Nonowner occupied loans   | 723,589             | 0                   | 0  | 723,589             | 0                | 0  | 723,589             |
| Multifamily loans   | 253,197             | 0                   | 0  | 253,197             | 0                | 0  | 253,197             |
| <b>Agri-business and agricultural loans:</b>                      |                     |                     |  |                     |                  |  |                     |
| Loans secured by farmland   | 162,783             | 0                   | 0  | 162,783             | 100              | 0  | 162,883             |
| Loans for agricultural production                                 | 225,980             | 0                   | 0  | 225,980             | 0                | 0  | 225,980             |
| Other commercial loans  | 120,567             | 0                   | 0  | 120,567             | 0                | 0  | 120,567             |
| <b>Consumer 1-4 family mortgage loans:</b>                        |                     |                     |  |                     |                  |  |                     |
| Closed end first mortgage loans                                   | 256,016             | 1,142               | 27   | 257,185             | 559              | 329  | 257,744             |
| Open end and junior lien loans                                    | 190,956             | 344                 | 0  | 191,300             | 272              | 164  | 191,572             |
| Residential construction loans                                    | 8,344               | 0                   | 0  | 8,344               | 0                | 0  | 8,344               |
| Other consumer loans  | 95,135              | 502                 | 0  | 95,637              | 112              | 3  | 95,749              |
| <b>Total</b>  | <b>\$ 4,897,462</b> | <b>\$ 3,360</b>     | <b>\$ 27</b>                               | <b>\$ 4,900,849</b> | <b>\$ 15,685</b> | <b>\$ 1,901</b>                              | <b>\$ 4,916,534</b> |

An insignificant amount of interest income was recognized on nonaccrual loans during the year ended December 31, 2023.

When management determines that foreclosure is probable, expected credit losses for collateral dependent loans are based on the fair value of the collateral at the reporting date, adjusted for selling costs as appropriate. A loan is considered collateral dependent when the borrower is experiencing financial difficulty and the loan is expected to be repaid substantially through the operation or sale of the collateral. The class of loan represents the primary collateral type associated with the loan. Significant quarter over quarter changes are reflective of changes in nonaccrual status and not necessarily associated with credit quality indicators like appraisal value.

The following tables present the amortized cost basis of collateral dependent loans by class of loan as of:

| (dollars in thousands)  | September 30, 2024 |                         |               |                  |
|---|--------------------|-------------------------|---------------|------------------|
|   | Real Estate        | General Business Assets | Other         | Total            |
| <b>Commercial and industrial loans:</b>                           |                    |                         |               |                  |
| Working capital lines of credit loans                             | \$ 50              | \$ 61,463               | \$ 449        | \$ 61,962        |
| Non-working capital loans   | 285                | 9,319                   | 79            | 9,683            |
| <b>Commercial real estate and multi-family residential loans:</b> |                    |                         |               |                  |
| Owner occupied loans  | 323                | 3,925                   | 0             | 4,248            |
| <b>Agri-business and agricultural loans:</b>                      |                    |                         |               |                  |
| Loans secured by farmland   | 0                  | 80                      | 0             | 80               |
| <b>Consumer 1-4 family mortgage loans:</b>                        |                    |                         |               |                  |
| Closed end first mortgage loans                                   | 717                | 0                       | 0             | 717              |
| Open end and junior lien loans                                    | 384                | 0                       | 0             | 384              |
| Residential construction and land development loans               | 0                  | 0                       | 0             | 0                |
| Other consumer loans  | 0                  | 0                       | 183           | 183              |
| <b>Total</b>  | <b>\$ 1,759</b>    | <b>\$ 74,787</b>        | <b>\$ 711</b> | <b>\$ 77,257</b> |

| (dollars in thousands)  | December 31, 2023 |                         |                 |                  |
|---|-------------------|-------------------------|-----------------|------------------|
|   | Real Estate       | General Business Assets | Other           | Total            |
| <b>Commercial and industrial loans:</b>                           |                   |                         |                 |                  |
| Working capital lines of credit loans                             | \$ 50             | \$ 2,454                | \$ 0            | \$ 2,504         |
| Non-working capital loans   | 40                | 8,202                   | 400             | 8,642            |
| <b>Commercial real estate and multi-family residential loans:</b> |                   |                         |                 |                  |
| Owner occupied loans  | 595               | 1,474                   | 1,161           | 3,230            |
| <b>Agri-business and agricultural loans:</b>                      |                   |                         |                 |                  |
| Loans secured by farmland   | 0                 | 100                     | 0               | 100              |
| <b>Consumer 1-4 family mortgage loans:</b>                        |                   |                         |                 |                  |
| Closed end first mortgage loans                                   | 559               | 0                       | 0               | 559              |
| Open end and junior lien loans                                    | 164               | 0                       | 0               | 164              |
| Other consumer loans  | 0                 | 0                       | 112             | 112              |
| <b>Total</b>  | <b>\$ 1,408</b>   | <b>\$ 12,230</b>        | <b>\$ 1,673</b> | <b>\$ 15,311</b> |

### Loan Modifications Made to Borrowers Experiencing Financial Difficulty

The allowance for credit losses incorporates an estimate of lifetime expected credit losses using historical loss information. The Company uses a probability of default/loss given default model to determine an estimate which is recorded for each asset upon origination. Occasionally, the Company has reason to modify certain terms of loans for borrowers experiencing financial distress by providing the following forms of relief: forgiveness of loan principal, extension of repayment terms, interest rate reduction or an other than insignificant payment delay. The Company can make any or all of these types of concessions as part of such modifications. Since an estimate for historical losses is already included as a component of the allowance for credit losses, a change to the allowance for credit losses is generally not recorded at the time of such modifications unless the loan is individually analyzed and the modification changes the specific reserve allocation. In the event forgiveness of principal is provided, the amount of the forgiveness is charged off against the allowance for credit losses.

[Table of Contents](#)

During the three and nine months ended September 30, 2024, there were no material modifications made to borrowers experiencing financial difficulty.

The following tables present the amortized cost basis of loans that were experiencing financial difficulty and received a modification of terms during the three and nine months ended September 30, 2023, by class and type of modification. The percentage of the amortized cost basis of loans that were modified to borrowers in financial distress as compared to the amortized cost basis of each class of financing receivables is also presented below:

| (dollars in thousands)   | Interest Rate Reduction | Combination Interest Rate Reduction, Term Extension and Payment Delay | Combination Principal Forgiveness, Interest Rate Reduction, Term Extension and Payment Delay | Total Modifications | Total Class of Financing Receivable |
|--|-------------------------|---|--|---------------------|-------------------------------------|
| <b>Three Months Ended September 30, 2023</b>                                 |                         |   |  |                     |                                     |
| Commercial and industrial loans:   |                         |   |  |                     |                                     |
| Working capital lines of credit loans  | \$ 931                  | \$ 0  | \$ 0   | \$ 931              | 0.16 %                              |
| Non-working capital loans  | 0                       | 2,000   | 0  | 2,000               | 0.25                                |
| Total commercial and industrial loans  | 931                     | 2,000   | 0  | 2,931               | 0.21                                |
| Total loan modifications made to borrowers experiencing financial difficulty | \$ 931                  | \$ 2,000  | \$ 0   | \$ 2,931            | 0.06 %                              |

| (dollars in thousands)   | Interest Rate Reduction | Combination Interest Rate Reduction, Term Extension and Payment Delay | Combination Principal Forgiveness, Interest Rate Reduction, Term Extension and Payment Delay | Total Modifications | Total Class of Financing Receivable |
|--|-------------------------|---|--|---------------------|-------------------------------------|
| <b>Nine Months Ended September 30, 2023</b>                                  |                         |   |  |                     |                                     |
| Commercial and industrial loans:   |                         |   |  |                     |                                     |
| Working capital lines of credit loans  | \$ 931                  | \$ 0  | \$ 0   | \$ 931              | 0.16 %                              |
| Non-working capital loans  | 0                       | 2,000   | 1,596  | 3,596               | 0.44                                |
| Total commercial and industrial loans  | 931                     | 2,000   | 1,596  | 4,527               | 0.32                                |
| Total loan modifications made to borrowers experiencing financial difficulty | \$ 931                  | \$ 2,000  | \$ 1,596   | \$ 4,527            | 0.09 %                              |

The Company had committed, as of September 30, 2024, to lend additional funds of \$694,000 to borrowers included in the previous tables.

The following tables present the financial effect of the loan modifications presented above for borrowers experiencing financial difficulty for the three and nine months ended September 30, 2023:

| (dollars in thousands)                       | Principal Forgiveness | Weighted Average Interest Rate Reduction | Weighted Average Term Extension | Payment Delay  |
|--|-----------------------|--|---------------------------------|--|
| <b>Three Months Ended September 30, 2023</b> |                       |  |                                 |  |
| Commercial and industrial loans:             |                       |  |                                 |  |
| Working capital lines of credit loans        | \$ 0                  | 7.50 %                                   | None                            | None   |
| Non-working capital loans                    | 0                     | 8.50                                     | 180 months                      | Extension of payment terms from monthly variable rate interest only payments with balloon payment at end of term to fully amortizing ten year fixed rate principal and interest payment schedule |
| Total  | \$ 0                  | 8.15 %                                   | 70 months                       |  |

| (dollars in thousands)                      | Principal<br>Forgiveness | Weighted<br>Average<br>Interest Rate<br>Reduction | Weighted<br>Average<br>Term<br>Extension | Payment Delay  |
|---|--------------------------|---|--|--|
| <b>Nine Months Ended September 30, 2023</b> |                          |   |  |  |
| Commercial and industrial loans:            |                          |   |  |  |
| Working capital lines of credit loans       | \$ 0                     | 7.50 %  | None                                     | None   |
|   |                          |   |  | Extension of payment terms from fully amortizing variable rate 40 month term to 60 month fixed rate term with 480 month amortization schedule, monthly interest and semiannual principal payments, and excess cash flow recapture provisions |
|   |                          |   |  | Extension of payment terms from monthly variable rate interest only payments with balloon payment at end of term to fully amortizing ten year fixed rate principal and interest payment schedule   |
| Non-working capital loans (1)               | 9,380                    | 7.87  | 58 months                                |  |
| <b>Total</b>                                | <b>\$ 9,380</b>          | <b>7.84 %</b>                                     | <b>44 months</b>                         |  |

(1) Principal forgiveness of \$9.4 million represents one \$11.0 million non-working capital loan, of which \$9.3 million was charged off.

The Company closely monitors the performance of loans that are modified to borrowers experiencing financial difficulty to understand the effectiveness of its modification efforts. At September 30, 2024, no loans receiving such a modification within the last twelve months were 30 days or greater past due.

At September 30, 2024, no loans receiving a modification due to borrower financial difficulty within the last twelve months experienced a payment default.

Upon the Company's determination that a modified loan (or portion thereof) has subsequently been deemed uncollectible, the loan (or a portion thereof) is written off. Therefore, the amortized cost basis of the loan is reduced by the uncollectible amount and the allowance for credit losses is adjusted by the same amount.

#### **NOTE 5. BORROWINGS**

For the period ended September 30, 2024, the Company had no outstanding advances from the FHLB. For the period ended December 31, 2023, the Company had a fixed rate bullet advance from the FHLB with an interest rate of 5.55% in the amount of \$50.0 million that matured on January 5, 2024. Federal Funds purchased were \$30.0 million at September 30, 2024, and there were none at December 31, 2023.

On October 2, 2024 the Company renewed an unsecured revolving credit agreement with a financial institution allowing the Company to borrow up to \$30.0 million. The credit agreement has a one year term which may be amended, extended, modified or renewed. Funds provided under the agreement can be used to repurchase shares of the Company's common stock under the share repurchase program, which was reauthorized by the Company's board of directors on April 11, 2023 and expires on April 30, 2025, and for general operations. The credit agreement includes a negative pledge agreement whereby the Company agrees not to pledge or otherwise encumber the stock of the Bank. There were no outstanding borrowings on the credit agreement at September 30, 2024 and December 31, 2023.

#### **NOTE 6. FAIR VALUE DISCLOSURES**

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. There are three levels of inputs that may be used to measure fair values:

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

The Company used the following methods and significant assumptions to estimate the fair value of each type of financial instrument:

Securities: Securities available-for-sale are valued primarily by a third party pricing service. The fair values of securities available-for-sale are determined on a recurring basis by obtaining quoted prices on nationally recognized securities exchanges (Level 1 inputs) or pricing models which utilize significant observable inputs such as matrix pricing. This is a mathematical technique widely used in the industry to value debt securities without relying exclusively on quoted prices for the specific securities but rather by relying on the securities' relationship to other benchmark quoted securities (Level 2 inputs). These models utilize the market approach with standard inputs that include, but are not limited to benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and reference data. For certain municipal securities that are not rated and observable inputs about the specific issuer are not available, fair values are estimated using observable data from other municipal securities presumed to be similar or other market data on other non-rated municipal securities (Level 3 inputs).

The Company's Finance Department, which is responsible for all accounting and SEC disclosure compliance, and the Company's Treasury Department, which is responsible for investment portfolio management and asset/liability modeling, are the two areas that determine the Company's valuation policies and procedures. Both of these areas report directly to the Executive Vice President and Chief Financial Officer of the Company. For assets or liabilities that may be considered for Level 3 fair value measurement on a recurring basis, these two departments and the Executive Vice President and Chief Financial Officer determine the appropriate level of the assets or liabilities under consideration. If there are new assets or liabilities that are determined to be Level 3 by this group, the Risk Management Committee of the Company and the Audit Committee of the Board are made aware of such assets at their next scheduled meeting.

Securities pricing is obtained on securities from a third party pricing service and all security prices are tested annually against prices from another third party provider and reviewed with a market value price tolerance variance that varies by sector: municipal securities +/-5%, government MBS/CMO +/-3% and U.S. treasuries +/-1%. If any securities fall outside the tolerance threshold and have a variance of \$100,000 or more, a determination of materiality is made for the amount over the threshold. Any security that would have a material threshold difference would be further investigated to determine why the variance exists and if any action is needed concerning the security pricing for that individual security. Changes in market value are reviewed monthly in aggregate by security type and any material changes are reviewed to determine why they exist. At least annually, the pricing methodology of the pricing service is received and reviewed to support the fair value levels used by the Company. A detailed pricing evaluation is requested and reviewed on any security determined to be fair valued using unobservable inputs by the pricing service.

Mortgage banking derivative: The fair values of mortgage banking derivatives are based on observable market data as of the measurement date (Level 2).

Interest rate swap derivatives: Our derivatives are traded in an over-the-counter market where quoted market prices are not always available. Therefore, the fair values of derivatives are determined using quantitative models that utilize multiple market inputs. The inputs will vary based on the type of derivative, but could include interest rates, prices and indices to generate continuous yield or pricing curves, prepayment rates, and volatility factors to value the position. The majority of market inputs are actively quoted and can be validated through external sources, including brokers, market transactions and third-party pricing services. The fair value of interest rate swap derivatives is determined by pricing or valuation models using observable market data as of the measurement date (Level 2).

Collateral dependent loans: Collateral dependent loans with specific allocations of the allowance for credit losses are generally based on the fair value of the underlying collateral when repayment is expected solely from the collateral. Fair value is determined using several methods. Generally, the fair value of real estate is based on appraisals by qualified third party

appraisers. These appraisals may utilize a single valuation approach or a combination of approaches including comparable sales and the income approach. Adjustments are routinely made in the appraisal process by the appraisers to adjust for differences between the comparable sales and income data available. Such adjustments are usually significant and result in a Level 3 classification of the inputs for determining fair value. In addition, the Company's management routinely applies internal discount factors to the value of appraisals used in the fair value evaluation of collateral dependent loans. The deductions to the appraisals take into account changing business factors and market conditions, as well as value impairment in cases where the appraisal date predates a likely change in market conditions. Commercial real estate is generally discounted from its appraised value by 30-50% with the higher discounts applied to real estate that is determined to have a thin trading market or to be specialized collateral. In addition to real estate, the Company's management evaluates other types of collateral as follows: (a) raw and finished inventory is discounted from its cost or book value by 40-60%, depending on the marketability of the goods; (b) finished goods are generally discounted by 40-60%, depending on the ease of marketability, cost of transportation or scope of use of the finished good; (c) work in process inventory is typically discounted by 60%-100%, depending on the length of manufacturing time, types of components used in the completion process, and the breadth of the user base; (d) equipment is valued at a percentage of depreciated book value or recent appraised value, if available, and is typically discounted at 20-50% after various considerations including age and condition of the equipment, marketability, breadth of use, and whether the equipment includes unique components or add-ons; and (e) marketable securities are discounted by 10%-30%, depending on the type of investment, age of valuation report and general market conditions. This methodology is based on a market approach and typically results in a Level 3 classification of the inputs for determining fair value.

Mortgage servicing rights: As of September 30, 2024, the value of the Company's Level 3 servicing assets for residential mortgage loans ("MSRs") was \$1.9 million, carried at amortized cost and no valuation reserve. These residential mortgage loans have a weighted average interest rate of 3.7%, a weighted average maturity of 20 years and are secured by homes generally within the Company's market area of Northern Indiana and Indianapolis. A third-party valuation is used to estimate fair value by stratifying the portfolios on the basis of certain risk characteristics, including loan type and interest rate. Impairment is estimated based on an income approach. The inputs used include estimates of prepayment speeds, discount rate, cost to service, escrow account earnings, contractual servicing fee income, ancillary income, late fees and float income. The most significant assumption used to value MSRs is prepayment rate. Prepayment rates are estimated based on published industry consensus prepayment rates. The most significant unobservable assumption is the discount rate. At September 30, 2024, the constant prepayment speed ("PSA") used was 160 and used a discount rate range of 10.0%-12.0%. At December 31, 2023, the PSA used was 148 and the discount rate used was 10.5%.

Other real estate owned: Nonrecurring adjustments to certain commercial and residential real estate properties, classified as other real estate owned, are measured at the lower of carrying amount or fair value less costs to sell. Fair values are generally based on third party appraisals of the property and are reviewed by the Company's internal appraisal officer. Adjustments are routinely made in the appraisal process by the appraisers to adjust for differences between the comparable properties used to determine value. Such adjustments are usually significant and result in a Level 3 classification. In addition, the Company's management may apply discount factors to the appraisals to take into account changing business factors and market conditions, as well as value impairment in cases where the appraisal date predates a likely change in market conditions. In cases where the carrying amount exceeds the fair value, less costs to sell, an impairment loss is recognized.

Real estate mortgage loans held-for-sale: Real estate mortgage loans held-for-sale are carried at the lower of cost or fair value, as determined by outstanding commitments, from third party investors, and result in a Level 2 classification.



The tables below present the balances of assets measured at fair value on a recurring basis:

| (dollars in thousands)                      | September 30, 2024            |                     |                 |                         |
|---|-------------------------------|---------------------|-----------------|-------------------------|
|   | Fair Value Measurements Using |                     |                 | Assets<br>at Fair Value |
|   | Level 1                       | Level 2             | Level 3         |                         |
| <b>Assets:</b>                              |                               |                     |                 |                         |
| U.S. government sponsored agency securities | \$ 0                          | \$ 116,668          | \$ 0            | \$ 116,668              |
| Mortgage-backed securities: residential     | 0                             | 423,067             | 0               | 423,067                 |
| State and municipal securities              | 0                             | 473,823             | 3,091           | 476,914                 |
| Total securities available-for-sale         | 0                             | 1,013,558           | 3,091           | 1,016,649               |
| Mortgage banking derivative                 | 0                             | 137                 | 0               | 137                     |
| Interest rate swap derivative               | 0                             | 20,399              | 0               | 20,399                  |
| <b>Total assets</b>                         | <b>\$ 0</b>                   | <b>\$ 1,034,094</b> | <b>\$ 3,091</b> | <b>\$ 1,037,185</b>     |
| <b>Liabilities:</b>                         |                               |                     |                 |                         |
| Mortgage banking derivative                 | \$ 0                          | \$ 2                | \$ 0            | \$ 2                    |
| Interest rate swap derivative               | 0                             | 20,400              | 0               | 20,400                  |
| <b>Total liabilities</b>                    | <b>\$ 0</b>                   | <b>\$ 20,402</b>    | <b>\$ 0</b>     | <b>\$ 20,402</b>        |

| (dollars in thousands)                      | December 31, 2023             |                     |                 |                         |
|---|-------------------------------|---------------------|-----------------|-------------------------|
|   | Fair Value Measurements Using |                     |                 | Assets<br>at Fair Value |
|   | Level 1                       | Level 2             | Level 3         |                         |
| <b>Assets:</b>                              |                               |                     |                 |                         |
| U.S. government sponsored agency securities | \$ 0                          | \$ 119,479          | \$ 0            | \$ 119,479              |
| Mortgage-backed securities: residential     | 0                             | 447,842             | 0               | 447,842                 |
| State and municipal securities              | 0                             | 482,127             | 2,280           | 484,407                 |
| Total securities available-for-sale         | 0                             | 1,049,448           | 2,280           | 1,051,728               |
| Mortgage banking derivative                 | 0                             | 47                  | 0               | 47                      |
| Interest rate swap derivative               | 0                             | 27,189              | 0               | 27,189                  |
| <b>Total assets</b>                         | <b>\$ 0</b>                   | <b>\$ 1,076,684</b> | <b>\$ 2,280</b> | <b>\$ 1,078,964</b>     |
| <b>Liabilities:</b>                         |                               |                     |                 |                         |
| Mortgage banking derivative                 | \$ 0                          | \$ 11               | \$ 0            | \$ 11                   |
| Interest rate swap derivative               | 0                             | 27,190              | 0               | 27,190                  |
| <b>Total liabilities</b>                    | <b>\$ 0</b>                   | <b>\$ 27,201</b>    | <b>\$ 0</b>     | <b>\$ 27,201</b>        |

The fair value of Level 3 available-for-sale securities was immaterial and thus did not require additional recurring fair value disclosure.

[Table of Contents](#)

The tables below present the balances of assets measured at fair value on a nonrecurring basis:

| (dollars in thousands)                                     | September 30, 2024            |             |                  |                         |
|--|-------------------------------|-------------|------------------|-------------------------|
|  | Fair Value Measurements Using |             |                  | Assets<br>at Fair Value |
|  | Level 1                       | Level 2     | Level 3          |                         |
| <b>Assets</b>  |                               |             |                  |                         |
| Collateral dependent loans:                                |                               |             |                  |                         |
| Commercial and industrial loans:                           |                               |             |                  |                         |
| Working capital lines of credit loans                      | \$ 0                          | \$ 0        | \$ 28,318        | \$ 28,318               |
| Non-working capital loans                                  | 0                             | 0           | 2,986            | 2,986                   |
| Commercial real estate and multi-family residential loans: |                               |             |                  |                         |
| Owner occupied loans                                       | 0                             | 0           | 467              | 467                     |
| Agri-business and agricultural loans:                      |                               |             |                  |                         |
| Loans secured by farmland                                  | 0                             | 0           | 69               | 69                      |
| Total collateral dependent loans                           | 0                             | 0           | 31,840           | 31,840                  |
| Other real estate owned                                    | 0                             | 0           | 384              | 384                     |
| Total assets   | <u>\$ 0</u>                   | <u>\$ 0</u> | <u>\$ 32,224</u> | <u>\$ 32,224</u>        |

| (dollars in thousands)                                     | December 31, 2023             |             |                 |                         |
|--|-------------------------------|-------------|-----------------|-------------------------|
|  | Fair Value Measurements Using |             |                 | Assets<br>at Fair Value |
|  | Level 1                       | Level 2     | Level 3         |                         |
| <b>Assets</b>  |                               |             |                 |                         |
| Collateral dependent loans:                                |                               |             |                 |                         |
| Commercial and industrial loans:                           |                               |             |                 |                         |
| Working capital lines of credit loans                      | \$ 0                          | \$ 0        | \$ 1,263        | \$ 1,263                |
| Non-working capital loans                                  | 0                             | 0           | 3,374           | 3,374                   |
| Commercial real estate and multi-family residential loans: |                               |             |                 |                         |
| Owner occupied loans                                       | 0                             | 0           | 682             | 682                     |
| Agri-business and agricultural loans:                      |                               |             |                 |                         |
| Loans secured by farmland                                  | 0                             | 0           | 31              | 31                      |
| Total collateral dependent loans                           | 0                             | 0           | 5,350           | 5,350                   |
| Other real estate owned                                    | 0                             | 0           | 384             | 384                     |
| Total assets   | <u>\$ 0</u>                   | <u>\$ 0</u> | <u>\$ 5,734</u> | <u>\$ 5,734</u>         |

The following table presents the valuation methodology and unobservable inputs for Level 3 assets measured at fair value on a non-recurring basis at September 30, 2024:

| (dollars in thousands)                                    | Fair Value | Valuation Methodology         | Unobservable Inputs   | Average | Range of Inputs |
|---|------------|-------------------------------|---|---------|-----------------|
| Collateral dependent loans:                               |            |                               |   |         |                 |
| Commercial and industrial                                 | \$ 31,304  | Collateral based measurements | Discount to reflect current market conditions and ultimate collectability | 74 %    | 35%-99%         |
| Collateral dependent loans:                               |            |                               |   |         |                 |
| Commercial real estate and multi-family residential loans | 467        | Collateral based measurements | Discount to reflect current market conditions and ultimate collectability | 68 %    |                 |
| Collateral dependent loans:                               |            |                               |   |         |                 |
| Agri-business and agricultural                            | 69         | Collateral based measurements | Discount to reflect current market conditions and ultimate collectability | 13 %    |                 |
| Other real estate owned                                   | 384        | Appraisals                    | Discount to reflect current market conditions and ultimate collectability | 36 %    |                 |

[Table of Contents](#)

The following table presents the valuation methodology and unobservable inputs for Level 3 assets measured at fair value on a non-recurring basis at December 31, 2023:

| (dollars in thousands)                                    | Fair Value | Valuation Methodology         | Unobservable Inputs   | Average | Range of Inputs |
|---|------------|-------------------------------|---|---------|-----------------|
| Collateral dependent loans:                               |            |                               |   |         |                 |
| Commercial and industrial                                 | \$ 4,637   | Collateral based measurements | Discount to reflect current market conditions and ultimate collectability | 64 %    | 9%-99%          |
| Collateral dependent loans:                               |            |                               |   |         |                 |
| Commercial real estate and multi-family residential loans | 682        | Collateral based measurements | Discount to reflect current market conditions and ultimate collectability | 37 %    | 9%-69%          |
| Collateral dependent loans:                               |            |                               |   |         |                 |
| Agri-business and agricultural                            | 31         | Collateral based measurements | Discount to reflect current market conditions and ultimate collectability | 69 %    |                 |
| Other real estate owned                                   | 384        | Appraisals                    | Discount to reflect current market conditions and ultimate collectability | 36 %    |                 |

The following tables contain the estimated fair values and the related carrying values of the Company's financial instruments. Items that are not financial instruments are not included.

| (dollars in thousands)                           | September 30, 2024 |                      |              |           |              |
|--|--------------------|----------------------|--------------|-----------|--------------|
|  | Carrying Value     | Estimated Fair Value |              |           | Total        |
|  |                    | Level 1              | Level 2      | Level 3   |              |
| <b>Financial Assets:</b>                         |                    |                      |              |           |              |
| Cash and cash equivalents                        | \$ 160,190         | \$ 160,190           | \$ 0         | \$ 0      | \$ 160,190   |
| Securities available-for-sale                    | 1,016,649          | 0                    | 1,013,558    | 3,091     | 1,016,649    |
| Securities held-to-maturity                      | 131,157            | 0                    | 118,861      | 0         | 118,861      |
| Real estate mortgages held-for-sale              | 3,148              | 0                    | 3,210        | 0         | 3,210        |
| Loans, net                                       | 4,998,363          | 0                    | 0            | 4,913,027 | 4,913,027    |
| Mortgage banking derivative                      | 137                | 0                    | 137          | 0         | 137          |
| Interest rate swap derivative                    | 20,399             | 0                    | 20,399       | 0         | 20,399       |
| Federal Reserve and Federal Home Loan Bank Stock | 21,420             | N/A                  | N/A          | N/A       | N/A          |
| Accrued interest receivable                      | 28,471             | 0                    | 7,819        | 20,652    | 28,471       |
| <b>Financial Liabilities:</b>                    |                    |                      |              |           |              |
| Certificates of deposit                          | \$ 1,002,913       | \$ 0                 | \$ 1,001,063 | \$ 0      | \$ 1,001,063 |
| All other deposits                               | 4,834,400          | 4,834,400            | 0            | 0         | 4,834,400    |
| Federal Funds purchased                          | 30,000             | 0                    | 30,000       | 0         | 30,000       |
| Mortgage banking derivative                      | 2                  | 0                    | 2            | 0         | 2            |
| Interest rate swap derivative                    | 20,400             | 0                    | 20,400       | 0         | 20,400       |
| Standby letters of credit                        | 262                | 0                    | 0            | 262       | 262          |
| Accrued interest payable                         | 14,784             | 471                  | 14,313       | 0         | 14,784       |

| (dollars in thousands)                           | December 31, 2023 |                      |              |           |              |
|--|-------------------|----------------------|--------------|-----------|--------------|
|  | Carrying Value    | Estimated Fair Value |              |           | Total        |
|  |                   | Level 1              | Level 2      | Level 3   |              |
| <b>Financial Assets:</b>                         |                   |                      |              |           |              |
| Cash and cash equivalents                        | \$ 151,824        | \$ 151,824           | \$ 0         | \$ 0      | \$ 151,824   |
| Securities available-for-sale                    | 1,051,728         | 0                    | 1,049,448    | 2,280     | 1,051,728    |
| Securities held-to-maturity                      | 129,918           | 0                    | 119,215      | 0         | 119,215      |
| Real estate mortgages held-for-sale              | 1,158             | 0                    | 1,158        | 0         | 1,158        |
| Loans, net                                       | 4,844,562         | 0                    | 0            | 4,694,532 | 4,694,532    |
| Mortgage banking derivative                      | 47                | 0                    | 47           | 0         | 47           |
| Interest rate swap derivative                    | 27,189            | 0                    | 27,189       | 0         | 27,189       |
| Federal Reserve and Federal Home Loan Bank Stock | 21,420            | N/A                  | N/A          | N/A       | N/A          |
| Accrued interest receivable                      | 30,011            | 0                    | 8,558        | 21,453    | 30,011       |
| <b>Financial Liabilities:</b>                    |                   |                      |              |           |              |
| Certificates of deposit                          | \$ 1,016,821      | \$ 0                 | \$ 1,010,172 | \$ 0      | \$ 1,010,172 |
| All other deposits                               | 4,703,704         | 4,703,704            | 0            | 0         | 4,703,704    |
| Federal Home Loan Bank advances                  | 50,000            | 50,000               | 0            | 0         | 50,000       |
| Mortgage banking derivative                      | 11                | 0                    | 11           | 0         | 11           |
| Interest rate swap derivative                    | 27,190            | 0                    | 27,190       | 0         | 27,190       |
| Standby letters of credit                        | 289               | 0                    | 0            | 289       | 289          |
| Accrued interest payable                         | 20,893            | 753                  | 20,140       | 0         | 20,893       |

**NOTE 7. OFFSETTING ASSETS AND LIABILITIES**

The following tables summarize gross and net information about financial instruments and derivative instruments that are offset in the statement of financial position or that are subject to an enforceable master netting arrangement at September 30, 2024 and December 31, 2023.

| (dollars in thousands)         | September 30, 2024                              |   |  |   |                          |                  |
|--------------------------------|---|---|--|---|--------------------------|------------------|
|                                | Gross Amounts of Recognized Assets/ Liabilities | Gross Amounts Offset in the Statement of Financial Position | Net Amounts presented in the Statement of Financial Position | Gross Amounts Not Offset in the Statement of Financial Position |                          | Net Amount       |
|                                |   |   |  | Financial Instruments   | Cash Collateral Position |                  |
| <b>Assets</b>                  |   |   |  |   |                          |                  |
| Interest Rate Swap Derivatives | \$ 20,399                                       | \$ 0  | \$ 20,399  | \$ 0  | \$ (16,565)              | \$ 3,834         |
| Total Assets                   | <u>\$ 20,399</u>                                | <u>\$ 0</u>   | <u>\$ 20,399</u>   | <u>\$ 0</u>   | <u>\$ (16,565)</u>       | <u>\$ 3,834</u>  |
| <b>Liabilities</b>             |   |   |  |   |                          |                  |
| Interest Rate Swap Derivatives | \$ 20,400                                       | \$ 0  | \$ 20,400  | \$ 0  | \$ 0                     | \$ 20,400        |
| Total Liabilities              | <u>\$ 20,400</u>                                | <u>\$ 0</u>   | <u>\$ 20,400</u>   | <u>\$ 0</u>   | <u>\$ 0</u>              | <u>\$ 20,400</u> |

December 31, 2023

| (dollars in thousands)         | Gross Amounts of Recognized Assets/ Liabilities | Gross Amounts Offset in the Statement of Financial Position | Net Amounts presented in the Statement of Financial Position | Gross Amounts Not Offset in the Statement of Financial Position |                          | Net Amount       |
|--------------------------------|---|---|--|---|--------------------------|------------------|
|                                |   |   |  | Financial Instruments   | Cash Collateral Position |                  |
| <b>Assets</b>                  |   |   |  |   |                          |                  |
| Interest Rate Swap Derivatives | \$ 27,189                                       | \$ 0  | \$ 27,189  | \$ 0  | \$ (25,555)              | \$ 1,634         |
| <b>Total Assets</b>            | <b>\$ 27,189</b>                                | <b>\$ 0</b>   | <b>\$ 27,189</b>   | <b>\$ 0</b>   | <b>\$ (25,555)</b>       | <b>\$ 1,634</b>  |
| <b>Liabilities</b>             |   |   |  |   |                          |                  |
| Interest Rate Swap Derivatives | \$ 27,190                                       | \$ 0  | \$ 27,190  | \$ 0  | \$ (90)                  | \$ 27,100        |
| <b>Total Liabilities</b>       | <b>\$ 27,190</b>                                | <b>\$ 0</b>   | <b>\$ 27,190</b>   | <b>\$ 0</b>   | <b>\$ (90)</b>           | <b>\$ 27,100</b> |

If an event of default occurs causing an early termination of an interest rate swap derivative, any early termination amount payable to one party by the other party may be reduced by set-off against any other amount payable by the one party to the other party. If a default in performance of any obligation of a repurchase agreement occurs, each party will set-off property held in respect of transactions against obligations owing in respect of any other transactions.

**NOTE 8. EARNINGS PER SHARE**

Basic earnings per common share is net income divided by the weighted average number of common shares outstanding during the period, which includes shares held in treasury on behalf of participants in the Company’s Directors Fee Deferral Plan, and share repurchases. Diluted earnings per common share includes the dilutive effect of additional potential common shares issuable under stock based awards and warrants, none of which were antidilutive.

|   | Three Months Ended September 30, |            | Nine Months Ended September 30, |            |
|---|----------------------------------|------------|---------------------------------|------------|
|   | 2024                             | 2023       | 2024                            | 2023       |
| Weighted average shares outstanding for basic earnings per common share   | <b>25,684,407</b>                | 25,613,456 | <b>25,673,275</b>               | 25,601,493 |
| Dilutive effect of stock based awards                                     | <b>83,332</b>                    | 80,079     | <b>81,082</b>                   | 108,348    |
| Weighted average shares outstanding for diluted earnings per common share | <b>25,767,739</b>                | 25,693,535 | <b>25,754,357</b>               | 25,709,841 |
| Basic earnings per common share   | \$ <b>0.91</b>                   | \$ 0.99    | \$ <b>2.70</b>                  | \$ 2.51    |
| Diluted earnings per common share   | \$ <b>0.91</b>                   | \$ 0.98    | \$ <b>2.69</b>                  | \$ 2.49    |

**NOTE 9. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)**

The following tables summarize the changes within each classification of accumulated other comprehensive income (loss) for the three months ended September 30, 2024 and 2023, all shown net of tax:

| (dollars in thousands)  | Unrealized<br>Gains and<br>Losses on<br>Available-<br>for-Sales<br>Securities | Defined<br>Benefit<br>Pension Items | Total               |
|---|---|-------------------------------------|---------------------|
| Balance at July 1, 2024   | \$ (169,746)  | \$ (712)                            | \$ (170,458)        |
| Other comprehensive income (loss) before reclassification               | 31,925  | 0                                   | 31,925              |
| Amounts reclassified from accumulated other comprehensive income (loss) | 385   | 12                                  | 397                 |
| Net current period other comprehensive income (loss)                    | 32,310  | 12                                  | 32,322              |
| Balance at September 30, 2024   | <u>\$ (137,436)</u>   | <u>\$ (700)</u>                     | <u>\$ (138,136)</u> |

| (dollars in thousands)  | Unrealized<br>Gains and<br>Losses on<br>Available-<br>for-Sales<br>Securities | Defined<br>Benefit<br>Pension Items | Total               |
|---|---|-------------------------------------|---------------------|
| Balance at July 1, 2023   | \$ (176,898)  | \$ (747)                            | \$ (177,645)        |
| Other comprehensive income (loss) before reclassification               | (50,900)  | 0                                   | (50,900)            |
| Amounts reclassified from accumulated other comprehensive income (loss) | 423   | 11                                  | 434                 |
| Net current period other comprehensive income (loss)                    | (50,477)  | 11                                  | (50,466)            |
| Balance at September 30, 2023   | <u>\$ (227,375)</u>   | <u>\$ (736)</u>                     | <u>\$ (228,111)</u> |

The following tables summarize the changes within each classification of accumulated other comprehensive income (loss) for the nine months ended September 30, 2024 and 2023, all shown net of tax:

| (dollars in thousands)  | Unrealized<br>Gains and<br>Losses on<br>Available-<br>for-Sales<br>Securities | Defined<br>Benefit<br>Pension Items | Total               |
|---|---|-------------------------------------|---------------------|
| Balance at January 1, 2024  | \$ (154,460)  | \$ (735)                            | \$ (155,195)        |
| Other comprehensive income (loss) before reclassification               | 15,825  | 0                                   | 15,825              |
| Amounts reclassified from accumulated other comprehensive income (loss) | 1,199   | 35                                  | 1,234               |
| Net current period other comprehensive income (loss)                    | 17,024  | 35                                  | 17,059              |
| Balance at September 30, 2024   | <u>\$ (137,436)</u>   | <u>\$ (700)</u>                     | <u>\$ (138,136)</u> |

| (dollars in thousands)  | Unrealized<br>Gains and<br>Losses on<br>Available-<br>for-Sales<br>Securities | Defined<br>Benefit<br>Pension Items | Total               |
|---|---|-------------------------------------|---------------------|
| Balance at January 1, 2023  | \$ (188,154)  | \$ (769)                            | \$ (188,923)        |
| Other comprehensive income (loss) before reclassification               | (40,407)  | 0                                   | (40,407)            |
| Amounts reclassified from accumulated other comprehensive income (loss) | 1,186   | 33                                  | 1,219               |
| Net current period other comprehensive income (loss)                    | (39,221)  | 33                                  | (39,188)            |
| Balance at September 30, 2023   | <u>\$ (227,375)</u>   | <u>\$ (736)</u>                     | <u>\$ (228,111)</u> |

Reclassifications out of other accumulated other comprehensive income (loss) for the three months ended September 30, 2024 are as follows:

| Details about<br>Accumulated Other<br>Comprehensive<br>Income (Loss) Components | Amount<br>Reclassified From<br>Accumulated Other<br>Comprehensive Income<br>(Loss) | Affected Line Item<br>in the Statement Where<br>Net Income is Presented |
|---|--|---|
| (dollars in thousands)  |  |   |
| Amortization of unrealized losses on held-to-maturity securities                | \$ (488)   | Interest income   |
| Realized gains and (losses) on available-for-sale securities                    | 0  | Net securities gains (losses)   |
| Tax effect  | 103  | Income tax expense  |
|   | (385)  | Net of tax  |
| Amortization of defined benefit pension items                                   | (16)   | Other expense   |
| Tax effect  | 4  | Income tax expense  |
|   | (12)   | Net of tax  |
| Total reclassifications for the period  | <u>\$ (397)</u>  | Net income  |

Reclassifications out of other accumulated comprehensive income (loss) for the three months ended September 30, 2023 are as follows:

| Details about<br>Accumulated Other<br>Comprehensive<br>Income (Loss) Components | Amount<br>Reclassified From<br>Accumulated Other<br>Comprehensive Income<br>(Loss) | Affected Line Item<br>in the Statement Where<br>Net Income is Presented |
|---|--|---|
| (dollars in thousands)  |  |   |
| Amortization of unrealized losses on held-to-maturity securities                | \$ (501)   | Interest income   |
| Realized gains and (losses) on available-for-sale securities                    | (35)   | Net securities gains (losses)   |
| Tax effect  | 113  | Income tax expense  |
|   | (423)  | Net of tax  |
| Amortization of defined benefit pension items                                   | (15)   | Other expense   |
| Tax effect  | 4  | Income tax expense  |
|   | (11)   | Net of tax  |
| Total reclassifications for the period  | <u>\$ (434)</u>  | Net income  |

Reclassifications out of accumulated comprehensive income (loss) for the nine months ended September 30, 2024 are as follows:

| Details about<br>Accumulated Other<br>Comprehensive<br>Income (Loss) Components | Amount<br>Reclassified From<br>Accumulated Other<br>Comprehensive Income<br>(Loss) | Affected Line Item<br>in the Statement Where<br>Net Income is Presented |
|---|--|---|
| (dollars in thousands)  |  |   |
| Amortization of unrealized losses on held-to-maturity securities                | \$ (1,473)   | Interest income   |
| Realized gains and (losses) on available-for-sale securities                    | (46)   | Net securities gains (losses)   |
| Tax effect  | 320  | Income tax expense  |
|   | (1,199)  | Net of tax  |
| Amortization of defined benefit pension items                                   | (47)   | Other expense   |
| Tax effect  | 12   | Income tax expense  |
|   | (35)   | Net of tax  |
| Total reclassifications for the period  | <u>\$ (1,234)</u>  | Net income  |

Reclassifications out of accumulated other comprehensive income (loss) for the nine months ended September 30, 2023 are as follows:

| Details about<br>Accumulated Other<br>Comprehensive<br>Income (Loss) Components | Amount<br>Reclassified From<br>Accumulated Other<br>Comprehensive Income<br>(Loss) | Affected Line Item<br>in the Statement Where<br>Net Income is Presented |
|---|--|---|
| (dollars in thousands)  |  |   |
| Amortization of unrealized losses on held-to-maturity securities                | \$ (1,486)   | Interest income   |
| Realized gains and (losses) on available-for-sale securities                    | (16)   | Net securities gains (losses)   |
| Tax effect  | 316  | Income tax expense  |
|   | (1,186)  | Net of tax  |
| Amortization of defined benefit pension items                                   | (45)   | Other expense   |
| Tax effect  | 12   | Income tax expense  |
|   | (33)   | Net of tax  |
| Total reclassifications for the period  | <u>\$ (1,219)</u>  | Net income  |

**NOTE 10. LEASES**

The Company leases certain office facilities under long-term operating lease agreements. The leases expire at various dates through 2044 and some include renewal options. Many of these leases require the payment of property taxes, insurance premiums, maintenance, utilities and other costs. In many cases, rentals are subject to increase in relation to a cost-of-living index. The Company accounts for lease and non-lease components together as a single lease component. The Company determines if an arrangement is a lease at inception. Operating leases are recorded as a right-of-use ("ROU") lease asset and are included in other assets on the consolidated balance sheet. The Company's corresponding lease obligations are included in other liabilities on the consolidated balance sheet. ROU lease assets represent the Company's right to use an underlying asset for the lease term and lease obligations represent the Company's obligation to make lease payments arising from the lease. Operating ROU lease assets and obligations are recognized at the commencement date based on the present value of lease payments over the lease term. As most of the Company's leases do not provide an implicit rate, the Company uses its incremental borrowing rate based on the information available at the commencement date in determining the present value of lease payments. The ROU lease asset also includes any lease payments made and excludes lease incentives. The Company's lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option.

Lease expense for lease payments is recognized on a straight-line basis over the lease term. Short-term leases are leases having a term of twelve months or less. The Company recognizes short-term leases on a straight-line basis and does not record a related lease asset or liability for such leases, as allowed as a practical expedient of the standard.



The following is a maturity analysis of the operating lease liabilities as of September 30, 2024:

| Years ending December 31, (in thousands) | Operating Lease Obligation |
|--|----------------------------|
| 2024                                     | \$ 206                     |
| 2025                                     | 822                        |
| 2026                                     | 792                        |
| 2027                                     | 810                        |
| 2028                                     | 770                        |
| 2029 and thereafter                      | 5,911                      |
| Total undiscounted lease payments        | 9,311                      |
| Less imputed interest                    | (2,391)                    |
| Lease liability                          | \$ 6,920                   |
| Right-of-use asset                       | \$ 6,920                   |

| (dollars in thousands)                                   | Three Months Ended September 30, |           | Nine Months Ended September 30, |           |
|--|----------------------------------|-----------|---------------------------------|-----------|
|  | 2024                             | 2023      | 2024                            | 2023      |
| <b>Lease cost</b>  |                                  |           |                                 |           |
| Operating lease cost                                     | \$ 198                           | \$ 172    | \$ 544                          | \$ 561    |
| Short-term lease cost                                    | 2                                | 2         | 6                               | 6         |
| Total lease cost   | \$ 200                           | \$ 174    | \$ 550                          | \$ 567    |
| <b>Other information</b>                                 |                                  |           |                                 |           |
| Operating cash outflows from operating leases            | \$ 198                           | \$ 172    | \$ 544                          | \$ 561    |
| Weighted-average remaining lease term - operating leases | 7.9 years                        | 6.5 years | 7.9 years                       | 6.5 years |
| Weighted average discount rate - operating leases        | 3.6 %                            | 2.5 %     | 3.6 %                           | 2.5 %     |

**NOTE 11. LOSS CONTINGENCIES**

Loss contingencies, including claims and legal actions arising in the ordinary course of business, are recorded as liabilities when the likelihood of loss is probable and an amount or range of loss can be reasonably estimated.

As previously disclosed, in July 2019, the Bank discovered potentially fraudulent activity by a former treasury management client involving multiple banks. The former client subsequently filed several related bankruptcy cases, captioned *In re Interlogic Outsourcing, Inc., et al.*, which were filed in the United States Bankruptcy Court for the Western District of Michigan. The Bank and the other remaining individual defendants have settled the matter with the liquidating trustee and the case was dismissed with prejudice on June 21, 2024. A \$4.5 million accrual was recorded and recognized during the second quarter of 2024 related to the resolution of this matter.

## ITEM 2 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### OVERVIEW

Net income in the first nine months of 2024 was \$69.3 million, which increased \$5.1 million, or 8.0%, from \$64.1 million for the comparable period of 2023. Diluted income per common share was \$2.69 in the first nine months of 2024, an increase of 8.0% from \$2.49 in the comparable period of 2023. The increase in net income for 2024 was primarily due to an increase to noninterest income of \$12.3 million, or 37.7%, and a decrease in noninterest expense of \$6.8 million, or 6.7%. Offsetting these effects was an increase in the provision for credit losses of \$7.5 million, or 135.3%, and a decrease to net interest income of \$3.5 million, or 2.3%. Pretax pre-provision earnings, a non-GAAP measure calculated by adding net interest income to noninterest income and subtracting noninterest expense, were \$95.5 million in the first nine months of 2024, an increase of \$15.7 million, or 19.7%, compared to \$79.8 million for the comparable period of 2023.

Annualized return on average total equity was 14.21% in the first nine months of 2024 versus 14.44% in the comparable period of 2023. Annualized return on average total assets was 1.40% in the first nine months of 2024 versus 1.33% for the comparable period of 2023. The Company's average equity to average assets ratio was 9.84% in the first nine months of 2024 versus 9.21% in the comparable period of 2023.

Net income in the third quarter of 2024 was \$23.3 million, down \$1.9 million, or 7.6%, from \$25.3 million for the comparable period of 2023. Diluted earnings per common share was \$0.91 in the third quarter of 2024, down 7.1% from \$0.98 in the comparable period of 2023. The decrease was driven primarily by an increase in provision for credit losses of \$2.7 million and an increase in noninterest expense of \$1.3 million, or 4.5%. Offsetting these effects was an increase in noninterest income of \$1.1 million, or 10.0%, and an increase in net interest income of \$880,000, or 1.8%. Pretax pre-provision earnings in the third quarter of 2024 were \$30.8 million, an increase of \$666,000, or 2.2%, compared to \$30.1 million for the comparable period of 2023.

Annualized return on average total equity was 13.85% in the third quarter of 2024 versus 16.91% in the comparable period of 2023. Annualized return on average total assets was 1.39% in the third quarter of 2024 versus 1.54% in the comparable period of 2023. The average equity to average assets ratio was 10.07% in the third quarter of 2024 versus 9.12% in the comparable period of 2023.

The Company's tangible common equity to tangible assets ratio, which is a non-GAAP financial measure, was 10.47% at September 30, 2024, compared to 8.62% at September 30, 2023 and 9.91% at December 31, 2023. Unrealized losses from available-for-sale investment securities were \$154.5 million at September 30, 2024, compared to \$266.4 million at September 30, 2023 and \$174.6 million at December 31, 2023. When excluding the impact of accumulated other comprehensive income (loss) ("AOCI") on tangible common equity and tangible assets, the Company's adjusted tangible common equity to adjusted tangible assets ratio, which is a non-GAAP financial measure, was 12.29% at September 30, 2024, compared to 11.74% at September 30, 2023 and 11.99% at December 31, 2023.

Total assets were \$6.645 billion as of September 30, 2024 versus \$6.524 billion as of December 31, 2023, an increase of \$121.3 million, or 1.9%. Total loans, net of the allowance for credit losses, increased \$153.8 million, or 3.2%, which was the primary driver of balance sheet expansion between December 31, 2023 and September 30, 2024. Offsetting the increase to loans, net of the allowance of credit losses, was a decrease in available-for-sale securities of \$35.1 million, or 3.3%. Total deposits increased by \$116.8 million, or 2.0%, between December 31, 2023 and September 30, 2024. Total equity increased \$49.4 million, or 7.6%, from \$649.8 million at December 31, 2023 to \$699.2 million at September 30, 2024. Retained earnings increased \$31.8 million, or 4.6%, primarily as a result of net income of \$69.3 million and reduced by dividends declared and paid of \$37.0 million. AOCI increased \$17.1 million, or 11.0%, from improvement in the fair market values of available-for-sale investment securities during the nine months ended September 30, 2024.

### CRITICAL ACCOUNTING POLICIES

The Company's accounting policies are described in Note 1 to the consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2023.

Certain of the Company's accounting policies are important to the portrayal of the Company's financial condition, since they require management to make difficult, complex or subjective judgments, some of which may relate to matters that are inherently uncertain. Estimates associated with these policies are susceptible to material changes as a result of changes in facts and circumstances. Some of the facts and circumstances which could affect these judgments include changes in interest

rates, in the performance of the economy or in the financial condition of borrowers. Management believes that its critical accounting policies include determining the allowance for credit losses. See “Note 4 – Allowance for Credit Losses and Credit Quality” for more information on this critical accounting policy.

## RESULTS OF OPERATIONS

### Overview

Selected income statement information for the three and nine months ended September 30, 2024 and 2023 is presented in the following table:

| (dollars in thousands)              | Three Months Ended September 30, |           | Nine Months Ended September 30, |            |
|-------------------------------------|----------------------------------|-----------|---------------------------------|------------|
|                                     | 2024                             | 2023      | 2024                            | 2023       |
| <b>Income Statement Summary:</b>    |                                  |           |                                 |            |
| Net interest income (a)             | \$ 49,273                        | 48,393    | \$ 144,985                      | \$ 148,436 |
| Provision for credit losses         | 3,059                            | 400       | 13,059                          | 5,550      |
| Noninterest income (b)              | 11,917                           | 10,835    | 44,968                          | 32,650     |
| Noninterest expense (c)             | 30,393                           | 29,097    | 94,431                          | 101,265    |
| <b>Other Data:</b>                  |                                  |           |                                 |            |
| Efficiency ratio (1)                | 49.67 %                          | 49.13 %   | 49.71 %                         | 55.92 %    |
| Diluted EPS                         | \$ 0.91                          | \$ 0.98   | \$ 2.69                         | \$ 2.49    |
| Average Equity/Average Assets       | 10.07 %                          | 9.12 %    | 9.84 %                          | 9.21 %     |
| Tangible capital ratio (2)          | 10.47                            | 8.62      | 10.47                           | 8.62       |
| Adjusted tangible capital ratio (3) | 12.29                            | 11.74     | 12.29                           | 11.74      |
| Net charge-offs to average loans    | 0.01                             | 0.03      | 0.04                            | 0.17       |
| Net interest margin                 | 3.16                             | 3.21      | 3.16                            | 3.33       |
| Noninterest income to total revenue | 19.48                            | 18.29     | 23.67                           | 18.03      |
| Pretax pre-provision earnings (4)   | \$ 30,797                        | \$ 30,131 | \$ 95,522                       | \$ 79,821  |

- (1) Noninterest expense (c) / (Net interest income (a) + Noninterest income (b)) = Efficiency Ratio
- (2) Non-GAAP financial measure. Calculated by subtracting intangible assets, net of deferred tax, from total assets and total equity. Management believes this is an important measure because it is useful for planning and forecasting purposes. See reconciliation on the following pages.
- (3) Non-GAAP financial measure. Calculated by removing the fair market value adjustment impact of the available-for-sale investment securities portfolio included in accumulated other comprehensive income (loss) ("AOCI") from tangible equity and tangible assets. Management believes this is an important measure because it provides better comparability to periods preceding the recent significant rise in prevailing interest rates and demonstrates long-term trends capital strength. See reconciliation on the following pages.
- (4) Non-GAAP financial measure. Pretax pre-provision earnings is calculated by adding net interest income to noninterest income and subtracting noninterest expense. Management believes this is an important measure because it may enable investors to identify the trends in the Company's earnings exclusive of the effects of tax and provision expense, which may vary significantly from period to period. See reconciliation on the following pages.

[Table of Contents](#)

The Company believes that providing non-GAAP financial measures provides investors with information useful to understanding the Company's financial performance.

Tangible common equity, adjusted tangible common equity, tangible assets, adjusted tangible assets, tangible book value per common share, tangible common equity to tangible assets, adjusted tangible common equity to adjusted tangible assets, and pretax pre-provision earnings are non-GAAP financial measures calculated based on GAAP amounts. Tangible common equity is calculated by excluding the balance of goodwill and other intangible assets from the calculation of equity, net of deferred tax. Tangible assets are calculated by excluding the balance of goodwill and other intangible assets from the calculation of total assets, net of deferred tax. Adjusted tangible assets and adjusted tangible common equity remove the fair market value adjustment impact of the available-for-sale investment securities portfolio in accumulated other comprehensive income (loss) ("AOCI"). Tangible book value per common share is calculated by dividing tangible common equity by the number of shares outstanding less true treasury stock. Pretax pre-provision earnings is calculated by adding net interest income to noninterest income and subtracting noninterest expense. Because not all companies use the same calculation of tangible common equity and tangible assets, this presentation may not be comparable to other similarly titled measures calculated by other companies. However, management considers these measures of the company's value meaningful to understanding of the company's financial information and performance.

A reconciliation of these non-GAAP financial measures is provided below (dollars in thousands, except per share data).

| (dollars in thousands, except per share data) | As of and For The                |              | As of and For The               |              |
|---|----------------------------------|--------------|---------------------------------|--------------|
|   | Three Months Ended September 30, | 2023         | Nine Months Ended September 30, | 2023         |
|   | 2024                             |              | 2024                            | 2023         |
| Total Equity                                  | \$ 699,181                       | \$ 557,184   | \$ 699,181                      | \$ 557,184   |
| Less: Goodwill                                | (4,970)                          | (4,970)      | (4,970)                         | (4,970)      |
| Plus: Deferred Tax Assets Related to Goodwill | 1,167                            | 1,167        | 1,167                           | 1,167        |
| Tangible Common Equity (A)                    | 695,378                          | 553,381      | 695,378                         | 553,381      |
| Market Value Adjustment in AOCI               | 137,435                          | 227,375      | 137,435                         | 227,375      |
| Adjusted Tangible Common Equity (C)           | 832,813                          | 780,756      | 832,813                         | 780,756      |
| Total Assets                                  | \$ 6,645,371                     | \$ 6,426,844 | \$ 6,645,371                    | \$ 6,426,844 |
| Less: Goodwill                                | (4,970)                          | (4,970)      | (4,970)                         | (4,970)      |
| Plus: Deferred Tax Assets Related to Goodwill | 1,167                            | 1,167        | 1,167                           | 1,167        |
| Tangible Assets (B)                           | 6,641,568                        | 6,423,041    | 6,641,568                       | 6,423,041    |
| Market Value Adjustment in AOCI               | 137,435                          | 227,375      | 137,435                         | 227,375      |
| Adjusted Tangible Assets (D)                  | 6,779,003                        | 6,650,416    | 6,779,003                       | 6,650,416    |
| Ending Common Shares Issued (E)               | 25,684,916                       | 25,614,163   | 25,684,916                      | 25,614,163   |
| Tangible Book Value per Common Share (A/E)    | \$ 27.07                         | \$ 21.60     | \$ 27.07                        | \$ 21.60     |
| Tangible Capital Ratio (A/B)                  | 10.47 %                          | 8.62 %       | 10.47 %                         | 8.62 %       |
| Adjusted Tangible Capital Ratio (C/D)         | 12.29 %                          | 11.74 %      | 12.29 %                         | 11.74 %      |
| Net Interest Income                           | \$ 49,273                        | \$ 48,393    | \$ 144,985                      | \$ 148,436   |
| Plus: Noninterest Income                      | 11,917                           | 10,835       | 44,968                          | 32,650       |
| Minus: Noninterest Expense                    | (30,393)                         | (29,097)     | (94,431)                        | (101,265)    |
| Pretax Pre-Provision Earnings                 | \$ 30,797                        | \$ 30,131    | \$ 95,522                       | \$ 79,821    |

## Table of Contents

Adjusted core noninterest income, adjusted core noninterest expense, adjusted earnings before income taxes, core operational profitability, core operational diluted earnings per common share and adjusted core efficiency ratio are non-GAAP financial measures calculated based on GAAP amounts. These adjusted amounts are calculated by excluding the impact of the net gain on Visa shares, legal accrual, and wire fraud loss and associated insurance and loss recoveries and adjustments to salaries and employee benefits expense for the periods presented below. Management considers these measures of financial performance to be meaningful to understanding the company's core business performance for these periods.

A reconciliation of these non-GAAP financial measures is provided below (dollars in thousands, except per share data).

| (dollars in thousands, except per share data)      | Three Months Ended |               | Nine Months Ended |               |
|--|--------------------|---------------|-------------------|---------------|
|  | Sep. 30, 2024      | Sep. 30, 2023 | Sep. 30, 2024     | Sep. 30, 2023 |
| Noninterest Income                                 | \$ 11,917          | \$ 10,835     | \$ 44,968         | \$ 32,650     |
| Less: Net (Gain) Loss on Visa Shares               | 15                 | 0             | (8,996)           | 0             |
| Less: Insurance Recoveries                         | 0                  | 0             | (1,000)           | 0             |
| Adjusted Core Noninterest Income                   | \$ 11,932          | \$ 10,835     | \$ 34,972         | \$ 32,650     |
| Noninterest Expense                                | \$ 30,393          | \$ 29,097     | \$ 94,431         | \$ 101,265    |
| Less: Legal Accrual                                | 0                  | 0             | (4,537)           | 0             |
| Less: Wire Fraud Loss                              | 0                  | 0             | 0                 | (18,058)      |
| Plus: Salaries and Employee Benefits (1)           | 0                  | 0             | 0                 | 1,850         |
| Adjusted Core Noninterest Expense                  | \$ 30,393          | \$ 29,097     | \$ 89,894         | \$ 85,057     |
| Earnings Before Income Taxes                       | \$ 27,738          | \$ 29,731     | \$ 82,463         | \$ 74,271     |
| Adjusted Core Impact:                              |                    |               |                   |               |
| Noninterest Income                                 | 15                 | 0             | (9,996)           | 0             |
| Noninterest Expense                                | 0                  | 0             | 4,537             | 16,208        |
| Total Adjusted Core Impact                         | 15                 | 0             | (5,459)           | 16,208        |
| Adjusted Earnings Before Income Taxes              | 27,753             | 29,731        | 77,004            | 90,479        |
| Tax Effect   | (4,404)            | (4,479)       | (11,817)          | (14,123)      |
| Core Operational Profitability (2)                 | \$ 23,349          | \$ 25,252     | \$ 65,187         | \$ 76,356     |
| Diluted Earnings Per Common Share                  | \$ 0.91            | \$ 0.98       | \$ 2.69           | \$ 2.49       |
| Impact of Adjusted Core Items                      | 0.00               | 0.00          | (0.16)            | 0.48          |
| Core Operational Diluted Earnings Per Common Share | \$ 0.91            | \$ 0.98       | \$ 2.53           | \$ 2.97       |
| Adjusted Core Efficiency Ratio                     | 49.66 %            | 49.13 %       | 49.95 %           | 46.97 %       |

(1) In 2023, long-term, incentive-based compensation accruals were reduced as a result of the wire fraud loss and associated insurance and loss recoveries.

(2) Core operational profitability was \$11,000 higher than reported net income for the three months ended September 30, 2024. Core operational profitability was \$4.1 million lower than reported net income for the nine months ended September 30, 2024 and 2023, respectively.

### Net Income

Net income was \$69.3 million in the first nine months of 2024, which increased \$5.1 million, or 8.0%, from \$64.1 million for the comparable period of 2023. Diluted income per common share was \$2.69 in the first nine months of 2024, an increase of 8.0% from \$2.49 in the comparable period of 2023. The increase in net income for the first nine months of 2024 was primarily due to an increase to noninterest income of \$12.3 million, or 37.7%, and a decrease in noninterest expense of \$6.8 million, or 6.7%. Offsetting these effects was a decrease to net interest income of \$3.5 million, or 2.3%, and an increase in the provision for credit losses of \$7.5 million, or 135.3%.

Net income during the third quarter of 2024 was \$23.3 million, down 7.6% from \$25.3 million for the comparable period of 2023. Diluted earnings per common share was \$0.91 in the third quarter of 2024, down 7.1% from \$0.98 in the comparable period of 2023. The decrease was driven primarily by an increase in the provision for credit losses of \$2.7 million and an increase in noninterest expense of \$1.3 million, or 4.5%, and was offset by an increase in noninterest income of \$1.1 million, or 10.0% and an increase in net interest income of \$880,000, or 1.8%.

**Net Interest Income**

The following tables set forth consolidated information regarding average balances and rates:

|  | Nine Months Ended September 30, |                   |                 |                     |                   |                 |
|--|---------------------------------|-------------------|-----------------|---------------------|-------------------|-----------------|
|  | 2024                            |                   |                 | 2023                |                   |                 |
| (fully tax equivalent basis, dollars in thousands) | Average Balance                 | Interest          | Yield (1)/ Rate | Average Balance     | Interest          | Yield (1)/ Rate |
| <b>Earning Assets</b>                              |                                 |                   |                 |                     |                   |                 |
| Loans:   |                                 |                   |                 |                     |                   |                 |
| Taxable (2)(3)                                     | \$ 4,982,891                    | \$ 252,386        | 6.77 %          | \$ 4,733,421        | \$ 223,499        | 6.31 %          |
| Tax exempt (1)                                     | 40,665                          | 2,267             | 7.45            | 58,010              | 3,577             | 8.24            |
| Investments:                                       |                                 |                   |                 |                     |                   |                 |
| Securities (1)                                     | 1,135,304                       | 23,987            | 2.82            | 1,210,540           | 25,645            | 2.83            |
| Short-term investments                             | 2,796                           | 103               | 4.92            | 2,362               | 77                | 4.36            |
| Interest bearing deposits                          | 119,021                         | 4,618             | 5.18            | 99,205              | 3,527             | 4.75            |
| Total earning assets                               | <u>\$ 6,280,677</u>             | <u>\$ 283,361</u> | <u>6.03 %</u>   | <u>\$ 6,103,538</u> | <u>\$ 256,325</u> | <u>5.61 %</u>   |
| Less: Allowance for credit losses                  | (76,003)                        |                   |                 | (72,242)            |                   |                 |
| <b>Nonearning Assets</b>                           |                                 |                   |                 |                     |                   |                 |
| Cash and due from banks                            | 65,608                          |                   |                 | 71,406              |                   |                 |
| Premises and equipment                             | 58,695                          |                   |                 | 58,699              |                   |                 |
| Other nonearning assets                            | 289,125                         |                   |                 | 286,915             |                   |                 |
| Total assets                                       | <u>\$ 6,618,102</u>             |                   |                 | <u>\$ 6,448,316</u> |                   |                 |
| <b>Interest Bearing Liabilities</b>                |                                 |                   |                 |                     |                   |                 |
| Savings deposits                                   | \$ 288,283                      | \$ 141            | 0.07 %          | \$ 360,535          | \$ 194            | 0.07 %          |
| Interest bearing checking accounts                 | 3,206,452                       | 97,511            | 4.06            | 2,854,161           | 76,518            | 3.58            |
| Time deposits:                                     |                                 |                   |                 |                     |                   |                 |
| In denominations under \$100,000                   | 218,755                         | 5,702             | 3.48            | 196,914             | 3,296             | 2.24            |
| In denominations over \$100,000                    | 814,034                         | 27,729            | 4.55            | 616,477             | 15,629            | 3.39            |
| Miscellaneous short-term borrowings                | 88,605                          | 3,720             | 5.61            | 218,561             | 8,252             | 5.05            |
| Total interest bearing liabilities                 | <u>\$ 4,616,129</u>             | <u>\$ 134,803</u> | <u>3.90 %</u>   | <u>\$ 4,246,648</u> | <u>\$ 103,889</u> | <u>3.27 %</u>   |
| <b>Noninterest Bearing Liabilities</b>             |                                 |                   |                 |                     |                   |                 |
| Demand deposits                                    | 1,249,710                       |                   |                 | 1,509,292           |                   |                 |
| Other liabilities                                  | 100,806                         |                   |                 | 98,313              |                   |                 |
| Stockholders' Equity                               | 651,457                         |                   |                 | 594,063             |                   |                 |
| Total liabilities and stockholders' equity         | <u>\$ 6,618,102</u>             |                   |                 | <u>\$ 6,448,316</u> |                   |                 |
| <b>Interest Margin Recap</b>                       |                                 |                   |                 |                     |                   |                 |
| Interest income/average earning assets             |                                 | 283,361           | 6.03 %          |                     | 256,325           | 5.61 %          |
| Interest expense/average earning assets            |                                 | 134,803           | 2.87            |                     | 103,889           | 2.28            |
| Net interest income and margin                     |                                 | <u>\$ 148,558</u> | <u>3.16 %</u>   |                     | <u>\$ 152,436</u> | <u>3.33 %</u>   |

- (1) Tax exempt income was converted to a fully taxable equivalent basis at a 21 percent tax rate. The tax equivalent rate for tax exempt loans and tax exempt securities acquired after January 1, 1983 included the Tax Equity and Fiscal Responsibility Act of 1982 ("TEFRA") adjustment applicable to nondeductible interest expenses. Taxable equivalent basis adjustments were \$3.6 million and \$4.0 million for the nine-month periods ended September 30, 2024 and September 30, 2023, respectively.
- (2) Loan fees, which are immaterial in relation to total taxable loan interest income for the nine months ended September 30, 2024 and 2023, are included as taxable loan interest income.
- (3) Nonaccrual loans are included in the average balance of taxable loans.

|  | Three Months Ended September 30, |           |                |                 |           |                |
|--|----------------------------------|-----------|----------------|-----------------|-----------|----------------|
|  | 2024                             |           |                | 2023            |           |                |
| (fully tax equivalent basis, dollars in thousands) | Average Balance                  | Interest  | Yield (1)/Rate | Average Balance | Interest  | Yield (1)/Rate |
| <b>Earning Assets</b>                              |                                  |           |                |                 |           |                |
| Loans:   |                                  |           |                |                 |           |                |
| Taxable (2)(3)                                     | \$ 5,037,855                     | \$ 86,118 | 6.80 %         | \$ 4,791,156    | \$ 78,910 | 6.53 %         |
| Tax exempt (1)                                     | 26,493                           | 366       | 5.50           | 58,602          | 1,258     | 8.52           |
| Investments:                                       |                                  |           |                |                 |           |                |
| Securities (1)                                     | 1,128,705                        | 7,871     | 2.77           | 1,171,426       | 8,169     | 2.77           |
| Short-term investments                             | 2,841                            | 35        | 4.90           | 2,533           | 29        | 4.54           |
| Interest bearing deposits                          | 133,393                          | 1,738     | 5.18           | 122,177         | 1,576     | 5.12           |
| Total earning assets                               | \$ 6,329,287                     | \$ 96,128 | 6.04 %         | \$ 6,145,894    | \$ 89,942 | 5.81 %         |
| Less: Allowance for credit losses                  | (81,353)                         |           |                | (71,997)        |           |                |
| <b>Nonearning Assets</b>                           |                                  |           |                |                 |           |                |
| Cash and due from banks                            | 63,744                           |           |                | 68,669          |           |                |
| Premises and equipment                             | 59,493                           |           |                | 58,782          |           |                |
| Other nonearning assets                            | 285,293                          |           |                | 297,636         |           |                |
| Total assets                                       | \$ 6,656,464                     |           |                | \$ 6,498,984    |           |                |
| <b>Interest Bearing Liabilities</b>                |                                  |           |                |                 |           |                |
| Savings deposits                                   | \$ 280,180                       | \$ 45     | 0.06 %         | \$ 329,557      | \$ 57     | 0.07 %         |
| Interest bearing checking accounts                 | 3,295,911                        | 33,822    | 4.08           | 2,873,795       | 27,891    | 3.85           |
| Time deposits:                                     |                                  |           |                |                 |           |                |
| In denominations under \$100,000                   | 215,020                          | 1,914     | 3.54           | 211,039         | 1,507     | 2.83           |
| In denominations over \$100,000                    | 844,882                          | 9,775     | 4.60           | 740,434         | 7,653     | 4.10           |
| Miscellaneous short-term borrowings                | 13,752                           | 189       | 5.48           | 227,555         | 3,122     | 5.44           |
| Total interest bearing liabilities                 | \$ 4,649,745                     | \$ 45,745 | 3.91 %         | \$ 4,382,380    | \$ 40,230 | 3.64 %         |
| <b>Noninterest Bearing Liabilities</b>             |                                  |           |                |                 |           |                |
| Demand deposits                                    | 1,244,184                        |           |                | 1,417,641       |           |                |
| Other liabilities                                  | 92,375                           |           |                | 106,453         |           |                |
| Stockholders' Equity                               | 670,160                          |           |                | 592,510         |           |                |
| Total liabilities and stockholders' equity         | \$ 6,656,464                     |           |                | \$ 6,498,984    |           |                |
| <b>Interest Margin Recap</b>                       |                                  |           |                |                 |           |                |
| Interest income/average earning assets             |                                  | 96,128    | 6.04 %         |                 | 89,942    | 5.81 %         |
| Interest expense/average earning assets            |                                  | 45,745    | 2.88           |                 | 40,230    | 2.60           |
| Net interest income and margin                     |                                  | \$ 50,383 | 3.16 %         |                 | \$ 49,712 | 3.21 %         |

- (1) Tax exempt income was converted to a fully taxable equivalent basis at a 21 percent tax rate. The tax equivalent rate for tax exempt loans and tax exempt securities acquired after January 1, 1983 included the Tax Equity and Fiscal Responsibility Act of 1982 ("TEFRA") adjustment applicable to nondeductible interest expenses. Taxable equivalent basis adjustments were \$1.1 million and \$1.3 million in the three-month periods ended September 30, 2024 and September 30, 2023, respectively.
- (2) Loan fees, which are immaterial in relation to total taxable loan interest income for the three months ended September 30, 2024 and 2023, are included as taxable loan interest income.
- (3) Nonaccrual loans are included in the average balance of taxable loans.

Net interest income, on a fully tax equivalent basis, decreased \$3.9 million, or 2.5%, to \$148.6 million for the nine months ended September 30, 2024, compared to \$152.4 million for the first nine months of 2023. The decline in net interest income on a fully tax equivalent basis was driven by an increase in deposit interest expense of \$35.4 million, or 37.1%, from \$95.6 million to \$131.1 million. Securities interest income contributed further to the decline in fully tax equivalent net interest income, declining \$1.7 million, or 6.5%. Loan interest income positively impacted fully tax equivalent net interest income, increasing \$27.6 million, or 12.1%, from \$227.1 million to \$254.7 million between the two periods. Borrowings expense declined \$4.5 million, or 54.9%.

Total average earning assets were \$6.281 billion for the nine months ended September 30, 2024, an increase of \$177.1 million, or 2.9%, compared to \$6.104 billion for the nine months ended September 30, 2023. Average loans outstanding drove the increase to total average earning assets, increasing \$232.1 million, or 4.8%, to \$5.024 billion from \$4.791 billion for the nine months ended September 30, 2024 and 2023, respectively. Offsetting this increase was a decrease to average investment securities of \$75.2 million, or 6.2%, to \$1.135 billion from \$1.211 billion between the respective periods. Total average interest bearing liabilities were \$4.616 billion for the nine months ended September 30, 2024, an increase of \$369.5 million, or 8.7%, from \$4.247 billion for the nine months ended September 30, 2023. This increase was driven by increased interest bearing deposits of \$499.4 million, or 12.4%, from \$4.028 billion for the nine months ended September 30, 2023 to \$4.528 billion for the nine months ended September 30, 2024. Offsetting the increase to average interest bearing deposits was a decrease in total average borrowings of \$130.0 million, or 59.5%, to \$88.6 million from \$218.6 million for the nine months ended September 30, 2024 and 2023, respectively. Noninterest bearing demand deposits decreased \$259.6 million, or 17.2%, to \$1.250 billion from \$1.509 billion between the two periods.

The tax equivalent net interest margin was 3.16% for the nine months ended September 30, 2024, compared to 3.33% during the first nine months of 2023, representing a 17 basis point contraction between the two periods. The net interest margin contraction was primarily driven by an increase to interest expense as a percentage of average earning assets, which increased to 2.87% for the nine months ended September 30, 2024, up from 2.28% for the comparable period of 2023, for an increase of 59 basis points. This increase was attributable to an increase in the rate for total interest bearing liabilities of 63 basis points from 3.27% to 3.90% between the respective periods. This increase was driven by increased costs associated with the Company's interest bearing deposits, as depositors sought higher rates on interest bearing deposit products while competition for deposits remained high throughout the industry. This increase was offset by reduced borrowing expense due to lower average borrowings. The increase in interest expense for interest bearing deposits was a result of a combination of an increase in average interest bearing deposits of \$499.4 million, or 12.4%, from \$4.028 billion to \$4.528 billion, and an increase in the average rate for interest bearing deposits of 70 basis points, from 3.17% to 3.87% for the nine months ended September 30, 2024 as compared to the comparable period in the prior year. The Company anticipates the cost of funds may continue to remain elevated as a result of market competition and shifts from noninterest bearing deposits into interest bearing deposits. Offsetting the increase to interest expense as a percentage of average earning assets was an increase to interest income as a percentage of average earning assets of 42 basis points, or 7.4%, to 6.03% for the nine months ended September 30, 2024, up from 5.61% for the comparable period of 2023. This increase was attributable to an increase in loan yields, which was driven by the combination of an increase in average loans of \$232.1 million, or 4.8%, to \$5.024 billion from \$4.791 billion, and an increase in average yield of 43 basis points from 6.34% to 6.77% between the respective periods. The Company expects that easing of monetary policy by the Federal Reserve Bank, which commenced in late September 2024, will exert downward pressure on loan yields as variable rate commercial loans reprice lower; however, deposits repricing lower is expected to offset the decline in loan yields.

Net interest income, on a fully tax equivalent basis, increased by \$671,000, or 1.3%, for the three months ended September 30, 2024 as compared to the three months ended September 30, 2023. The increase in net interest income on a fully tax equivalent basis was driven by loan interest income, which increased by \$6.3 million, or 7.9%, from \$80.2 million to \$86.5 million, income from short-term investments and interest bearing deposits, which increased \$168,000, or 10.5%, and reduced borrowing expense, which decreased by \$2.9 million, or 93.9%. Offsetting these positive factors was an increase in deposit interest expense of \$8.4 million, or 22.8%, from \$37.1 million to \$45.6 million and a decrease to securities interest income of \$298,000, or 3.6%.

Total average earning assets were \$6.329 billion for the third quarter of 2024, an increase of \$183.4 million, or 3.0%, compared to \$6.146 billion for the third quarter of 2023. The increase in average earning assets was driven by an increase in average loans of \$214.6 million, or 4.4%, from \$4.850 billion for the third quarter of 2023 to \$5.064 billion for the third quarter of 2024. Offsetting the increase in average loans was a decrease in average investment securities, which decreased \$42.7 million, or 3.6%, from \$1.171 billion for the third quarter of 2023 to \$1.129 billion for the third quarter of 2024. Total average interest bearing liabilities were \$4.650 billion for the third quarter of 2024, an increase of \$267.4 million, or 6.1%, from \$4.382 billion for the third quarter of 2023. This increase was driven by growth in interest bearing deposits of \$481.2 million, or 11.6%, from \$4.155 billion for the third quarter of 2023 to \$4.636 billion for the third quarter of 2024. Noninterest bearing demand deposits decreased \$173.5 million, or 12.2%, from \$1.418 billion for the third quarter of 2023 to \$1.244 billion for the third quarter of 2024 and average borrowings decreased \$213.8 million, or 94.0%, from \$227.6 million for the third quarter of 2023 to \$13.8 million for the third quarter of 2024.

The tax equivalent net interest margin contracted by 5 basis points, or 1.6%, to 3.16% for the third quarter of 2024, compared to 3.21% for the third quarter of 2023. The net interest margin contraction was primarily driven by an increase in interest expense as a percentage of average earning assets, which increased to 2.88% for the three months ended September 30, 2024, up from 2.60% for the comparable period of 2023, for an increase of 28 basis points. This increase was attributable to an increase in the rate for total interest bearing liabilities of 27 basis points, or 7.5%, from 3.64% to 3.91% between the respective



periods. This increase was driven by increased costs associated with the Company's interest bearing deposits, as depositors sought higher interest rates on interest bearing deposit products while competition for deposits remained high throughout the industry. This increase was offset by reduced borrowings expense due to lower average borrowings. The increase in rate for interest bearing deposits was a result of an increase in average interest bearing deposits of \$481.2 million, or 11.6%, from \$4.155 billion to \$4.636 billion, and an increase in the average rate for interest bearing deposits of 37 basis points, from 3.54% to 3.91% for the three months ended September 30, 2024, as compared to the comparable period in the prior year. The Company anticipates the cost of funds may continue to remain elevated as a result of market competition, shifts from noninterest bearing deposits to interest bearing deposits, and elevated wholesale funding costs. Offsetting the increase to interest expense as a percentage of average earning assets was an increase to interest income as a percentage of average earning assets of 23 basis points, or 4.0%, to 6.04% for the three months ended September 30, 2024, up from 5.81% for the comparable period of 2023. This increase was attributable to an increase in loan yields, which was driven by an increase in average loans of \$214.6 million, or 4.4%, to \$5.064 billion from \$4.850 billion, and an increase in average yield of 23 basis points from 6.56% to 6.79% between the respective periods. The Company expects that easing of monetary policy by the Federal Reserve Bank will exert downward pressure on loan yields as variable rate commercial loans reprice lower, however the impact of the policy easing on loan yields will partly depend on the extent and timing of future rate cuts.

### **Provision for Credit Losses**

The Company recorded provision for credit losses expense of \$13.1 million for the nine months ended September 30, 2024, compared to provision expense of \$5.6 million during the comparable period of 2023, an increase of \$7.5 million, or 135.3%. Net charge-offs were \$1.4 million during the nine month period ended September 30, 2024, compared to \$6.1 million during the comparable period of 2023, a decrease of \$4.6 million, or 76.8%. The decrease in charge-offs between the respective periods was the result of a charge-off of \$5.5 million attributable to a single commercial borrower that occurred during the first quarter of 2023.

The Company recorded provision expense of \$3.1 million during the third quarter of 2024, compared to \$400,000 during the third quarter of 2023. Provision expense during the quarter was primarily driven by an increase in the specific reserve allocation from the downgrade of a single \$43.3 million commercial relationship, an industrial company in Northern Indiana, that was placed on nonperforming status during the second quarter of 2024. Net charge-offs were \$143,000 during the third quarter of 2024, compared to \$353,000 during the third quarter of 2023.

Additional factors considered by management included key loan quality metrics, including reserve coverage of nonperforming loans and economic conditions in the Company's markets, and changes in the facts and circumstances of watch list credits, which includes the security position of the borrower. Management's overall view on current credit quality was also a factor in the determination of the provision for credit losses. The Company's management continues to monitor the adequacy of the provision based on loan levels, asset quality, economic conditions and other factors that may influence the assessment of the collectability of loans.

## Noninterest Income

Noninterest income categories for the three and nine months ended September 30, 2024 and 2023 are shown in the following tables:

| (dollars in thousands)              | Nine Months Ended<br>September 30, |                  |                  |                   |
|-------------------------------------|------------------------------------|------------------|------------------|-------------------|
|                                     | 2024                               | 2023             | Dollar<br>Change | Percent<br>Change |
| Wealth advisory fees                | \$ 7,770                           | \$ 6,769         | \$ 1,001         | 14.8 %            |
| Investment brokerage fees           | 1,438                              | 1,370            | 68               | 5.0               |
| Service charges on deposit accounts | 8,332                              | 8,091            | 241              | 3.0               |
| Loan and service fees               | 8,855                              | 8,782            | 73               | 0.8               |
| Merchant and interchange fee income | 2,653                              | 2,744            | (91)             | (3.3)             |
| Bank owned life insurance income    | 2,994                              | 2,393            | 601              | 25.1              |
| Interest rate swap fee income       | 0                                  | 794              | (794)            | (100.0)           |
| Mortgage banking income (loss)      | 68                                 | (184)            | 252              | (137.0)           |
| Net securities gains (losses)       | (46)                               | (16)             | (30)             | 187.5             |
| Net gain (loss) on Visa shares      | 8,996                              | 0                | 8,996            | 100.0             |
| Other income                        | 3,908                              | 1,907            | 2,001            | 104.9             |
| Total noninterest income            | <u>\$44,968</u>                    | <u>\$ 32,650</u> | <u>\$ 12,318</u> | <u>37.7 %</u>     |
| Noninterest income to total revenue | <u>23.67 %</u>                     | <u>18.03 %</u>   |                  |                   |

| (dollars in thousands)              | Three Months Ended<br>September 30, |                  |                  |                   |
|-------------------------------------|-------------------------------------|------------------|------------------|-------------------|
|                                     | 2024                                | 2023             | Dollar<br>Change | Percent<br>Change |
| Wealth advisory fees                | \$ 2,718                            | \$ 2,298         | \$ 420           | 18.3 %            |
| Investment brokerage fees           | 438                                 | 408              | 30               | 7.4               |
| Service charges on deposit accounts | 2,835                               | 2,735            | 100              | 3.7               |
| Loan and service fees               | 2,955                               | 2,934            | 21               | 0.7               |
| Merchant card fee income            | 898                                 | 938              | (40)             | (4.3)             |
| Bank owned life insurance income    | 1,068                               | 1,009            | 59               | 5.8               |
| Mortgage banking income (loss)      | (7)                                 | (50)             | 43               | (86.0)            |
| Net securities gains (losses)       | 0                                   | (35)             | 35               | 100.0             |
| Net gain (loss) on Visa shares      | (15)                                | 0                | (15)             | (100.0)           |
| Other income                        | 1,027                               | 598              | 429              | 71.7              |
| Total noninterest income            | <u>\$11,917</u>                     | <u>\$ 10,835</u> | <u>\$ 1,082</u>  | <u>10.0 %</u>     |
| Noninterest income to total revenue | <u>19.48 %</u>                      | <u>18.29 %</u>   |                  |                   |

Noninterest income increased by \$12.3 million, or 37.7%, to \$45.0 million for the nine months ended September 30, 2024, compared to \$32.7 million for the prior year nine-month period. The increase in noninterest income was driven primarily by the net gain on Visa shares of \$9.0 million. Additionally, other income increased \$2.0 million, or 104.9%, wealth advisory fees increased \$1.0 million, or 14.8%, bank owned life insurance income increased \$601,000, or 25.1%, and mortgage banking income increased \$252,000. Other income increased primarily from improved performance from limited partnership investment income and the receipt of a \$1.0 million insurance recovery related to the 2023 wire fraud loss. Improved market performance of the Company's variable bank owned life insurance policies, which are tied to the performance of the equity markets, drove the increase to bank owned life insurance income. Mortgage banking income increased from pipeline expansion and a related positive impact to mortgage rate lock income. Offsetting these increases was a decrease to interest rate swap fee income of \$794,000, or 100.0%, due to no new swap fee activity during the period. Adjusted core noninterest income, a non-GAAP financial measure that excludes the effects of certain non-routine events, was \$35.0 million for the nine months ended September 30, 2024, an increase of \$2.3 million, or 7.1%, compared to \$32.7 million for the nine months ended September 30, 2023.

The Company's noninterest income increased \$1.1 million, or 10.0%, to \$11.9 million for the third quarter of 2024, compared to \$10.8 million for the third quarter of 2023. Wealth advisory fees increased \$420,000, or 18.3%, driven by growth in customers and favorable market performance. Other income increased \$429,000, or 71.7%, primarily from an improvement to income from the Company's limited partnership investments. Adjusted core noninterest income was \$11.9 million for the third quarter of 2024, an increase of \$1.1 million, or 10.1%, compared to \$10.8 million for the third quarter of 2023.

### Noninterest Expense

Noninterest expense categories for the three and nine months ended September 30, 2024 and 2023 are shown in the following tables:

| (dollars in thousands)                   | Nine Months Ended<br>September 30, |                   |                   |                |
|--|------------------------------------|-------------------|-------------------|----------------|
|  | 2024                               | 2023              | Dollar Change     | Percent Change |
| Salaries and employee benefits           | \$ 49,467                          | \$ 43,414         | \$ 6,053          | 13.9 %         |
| Net occupancy expense                    | 5,159                              | 4,874             | 285               | 5.8            |
| Equipment costs                          | 4,207                              | 4,189             | 18                | 0.4            |
| Data processing fees and supplies        | 11,419                             | 10,305            | 1,114             | 10.8           |
| Corporate and business development       | 4,015                              | 3,930             | 85                | 2.2            |
| FDIC insurance and other regulatory fees | 2,571                              | 2,469             | 102               | 4.1            |
| Professional fees                        | 6,675                              | 6,284             | 391               | 6.2            |
| Wire fraud loss                          | 0                                  | 18,058            | (18,058)          | (100.0)        |
| Other expense                            | 10,918                             | 7,742             | 3,176             | 41.0           |
| Total noninterest expense                | <u>\$ 94,431</u>                   | <u>\$ 101,265</u> | <u>\$ (6,834)</u> | <u>(6.7)%</u>  |
| Efficiency ratio                         | <u>49.71 %</u>                     | <u>55.92 %</u>    |                   |                |

| (dollars in thousands)                   | Three Months Ended<br>September 30, |                  |                 |                |
|--|-------------------------------------|------------------|-----------------|----------------|
|  | 2024                                | 2023             | Dollar Change   | Percent Change |
| Salaries and employee benefits           | \$ 16,476                           | \$ 15,977        | \$ 499          | 3.1 %          |
| Net occupancy expense                    | 1,721                               | 1,621            | 100             | 6.2            |
| Equipment costs                          | 1,452                               | 1,325            | 127             | 9.6            |
| Data processing fees and supplies        | 3,768                               | 3,379            | 389             | 11.5           |
| Corporate and business development       | 1,369                               | 1,201            | 168             | 14.0           |
| FDIC insurance and other regulatory fees | 966                                 | 871              | 95              | 10.9           |
| Professional fees                        | 2,089                               | 2,114            | (25)            | (1.2)          |
| Other expense                            | 2,552                               | 2,609            | (57)            | (2.2)          |
| Total noninterest expense                | <u>\$ 30,393</u>                    | <u>\$ 29,097</u> | <u>\$ 1,296</u> | <u>4.5 %</u>   |
| Efficiency ratio                         | <u>49.67 %</u>                      | <u>49.13 %</u>   |                 |                |

Noninterest expense decreased by \$6.8 million, or 6.7%, for the nine months ended September 30, 2024, to \$94.4 million compared to \$101.3 million for the nine months ended September 30, 2023. The \$18.1 million wire fraud loss recorded during the second quarter of 2023 was the primary driver of the decrease between the comparative periods. Offsetting this decrease were increases to salaries and employee benefits expense of \$6.1 million, or 13.9%, other expense of \$3.2 million or 41.0%, data processing fees of \$1.1 million, or 10.8%, and professional fees of \$391,000, or 6.2%. The increase to salaries and benefits expense resulted primarily from increases to salaries and wages of \$2.3 million, performance-based incentive compensation of \$2.2 million, health insurance expense of \$695,000 and variable deferred compensation related to the Company's variable bank owned life insurance of \$536,000. Other expense increased due to the recognition of a \$4.5 million legal accrual during the second quarter of 2024. The increase for data processing fees resulted from continued investment in customer-facing and operational technology solutions. Professional fees increased due to higher costs to implement technology solutions. Adjusted core noninterest expense, a non-GAAP financial measure that excludes the impact of certain non-routine events, was \$89.9 million for the nine months ended September 30, 2024, an increase of \$4.8 million, or 5.7%, from \$85.1 million recorded during the comparable period of 2023.

Noninterest expense increased \$1.3 million, or 4.5%, to \$30.4 million for the third quarter of 2024, compared to \$29.1 million during the third quarter of 2023. Driving the third quarter 2024 increase to noninterest expense were increases to salaries and benefits expense of \$499,000, or 3.1%, data processing fees and supplies expense of \$389,000, or 11.5%, and corporate and business development expense of \$168,000, or 14.0%, as compared to the third quarter of 2023. Adjusted core noninterest expense was \$30.4 million for the third quarter of 2024, an increase of \$1.3 million, or 4.5%, compared to \$29.1 million for the third quarter of 2023.

The Company's income tax expense increased \$3.0 million, or 30.1%, to \$13.2 million in the nine months ended September 30, 2024, compared to \$10.1 million for the same period in 2023. The effective tax rate was 16.0% in the nine months ended September 30, 2024, compared to 13.6% for the comparable period of 2023. The year-to-date effective tax rate was increased due to adoption of ASU 2023-02, to account for the Company's investment in low-income housing tax credit structures, as well as a reduction in the tax benefit recognized from stock-based compensation vesting of shares for plan participants.

## FINANCIAL CONDITION

### Overview

Total assets were \$6.645 billion as of September 30, 2024 versus \$6.524 billion as of December 31, 2023, an increase of \$121.3 million, or 1.9%. Total loans, net of the allowance for credit losses, increased \$153.8 million, or 3.2%, between December 31, 2023 and September 30, 2024. Offsetting the increase to loans, net of the allowance for credit losses, was a decrease in available-for-sale securities of \$35.1 million, or 3.3%. Total deposits increased \$116.8 million, or 2.0%, between December 31, 2023 and September 30, 2024. The increase in total deposits was driven by an increase in interest bearing deposits of \$185.7 million, or 4.3%, and was offset by a decrease in noninterest bearing deposits of \$69.0 million, or 5.1%. Total equity increased \$49.4 million, or 7.6%, from \$649.8 million at December 31, 2023 to \$699.2 million at September 30, 2024. Retained earnings increased \$31.8 million, or 4.6%, as a result of net income of \$69.3 million but was reduced by dividends declared and paid of \$37.0 million. Accumulated other comprehensive income (loss), increased \$17.1 million, or 11.0%, due primarily to an improvement in available-for-sale securities fair market values during the nine months ended September 30, 2024.

### Uses of Funds

#### Total Cash and Cash Equivalents

Total cash and cash equivalents increased by \$8.4 million, or 5.5%, to \$160.2 million at September 30, 2024, from \$151.8 million at December 31, 2023. Cash and cash equivalents include short-term investments. The fluctuation in cash and cash equivalents at September 30, 2024 was driven by an increase in cash and due from banks of \$16.3 million, or 23.2%, and a decrease in interest bearing short-term investment accounts of \$8.0 million, or 9.8%.

#### Investment Portfolio

The amortized cost and the fair value of securities as of September 30, 2024 and December 31, 2023 were as follows:

| (dollars in thousands)                  | September 30, 2024 |              | December 31, 2023 |              |
|---|--------------------|--------------|-------------------|--------------|
|   | Amortized Cost     | Fair Value   | Amortized Cost    | Fair Value   |
| <b>Available-for-Sale</b>               |                    |              |                   |              |
| U.S government sponsored agencies       | \$ 139,998         | \$ 116,668   | \$ 146,692        | \$ 119,479   |
| Mortgage-backed securities: residential | 485,128            | 423,067      | 522,275           | 447,842      |
| State and municipal securities          | 546,037            | 476,914      | 557,352           | 484,407      |
| Total available-for-sale                | \$ 1,171,163       | \$ 1,016,649 | \$ 1,226,319      | \$ 1,051,728 |
| <b>Held-to-Maturity</b>                 |                    |              |                   |              |
| State and municipal securities          | \$ 131,157         | \$ 118,861   | \$ 129,918        | \$ 119,215   |
| Total Investment Portfolio              | \$ 1,302,320       | \$ 1,135,510 | \$ 1,356,237      | \$ 1,170,943 |

At September 30, 2024 and December 31, 2023, there were no holdings of securities of any one issuer, other than the U.S. government agencies and government sponsored entities, in an amount greater than 10% of stockholders' equity. Management is aware that the directional change in the fair value of the available-for-sale investment securities portfolio is inversely related to the directional movement of the interest rate environment, with the resulting impact being reflected in the unrealized gain (loss) of the available-for-sale investment securities portfolio. Since the majority of the bonds in the investment portfolio are fixed-rate, with only a few adjustable-rate bonds, we would expect our investment portfolio to follow this market value pattern. This is taken into consideration when evaluating the gain or loss of investment securities in the portfolio and the potential for an allowance for credit losses.

There were no purchases of available-for-sale securities in the first nine months of 2024. Investment securities represented 17.3% of total assets on September 30, 2024, compared to 18.1% of total assets on December 31, 2023. The ratio of investment securities as a percentage of total assets remains elevated over historical levels of approximately 12% to 14%. The Company expects the investment securities portfolio as a percentage of assets to continue to decrease over time as the proceeds from pay downs, sales and maturities are used to fund loan portfolio growth and for general liquidity purposes. Tax equivalent adjusted effective duration for the investment securities portfolio was 6.3 years at September 30, 2024 and 6.5 years at December 31, 2023. Tax equivalent adjusted effective duration of the portfolio remains elevated as compared to 4.0 at December 31, 2019, prior to the deployment of excess liquidity to the investment portfolio and the rise in interest rates from the recent tightening cycle by the Federal Reserve. Paydowns from prepayments and scheduled payments of \$44.6 million were received in the first nine months of 2024, and the amortization of premiums, net of the accretion of discounts, was \$3.6 million. Sales of available-for-sale investment securities totaled \$7.1 million in the first nine months of 2024 and resulted in net losses of \$46,000. No allowance for credit losses was recognized for available-for-sale or held-to-maturity securities as of September 30, 2024 and December 31, 2023. The Company anticipates receiving principal and interest cash flows of approximately \$26.4 million throughout the remainder of 2024 from its investment securities portfolio.

The fair value of the available-for-sale investment securities portfolio as of September 30, 2024 included net unrealized losses of \$154.5 million, compared to net unrealized losses of \$174.6 million as of December 31, 2023. Unrealized losses in the available-for-sale investment securities portfolio resulted from the declines in market values of the investment securities. The improvement in market value seen since December 31, 2023 was driven partly by the commencement of monetary policy easing by the Federal Reserve during the third quarter of 2024, but available-for-sale securities fair values remain depressed compared to fair values prior to the policy tightening cycle during 2022 and 2023.

The investment portfolio is managed by a third-party firm to provide for an appropriate balance between liquidity, credit risk, interest rate risk management and investment return and to limit the Company's exposure to credit risk in the investment securities portfolio. The Company does not trade or invest in or sponsor certain unregistered investment companies defined as hedge funds and private equity funds under what is commonly referred to as the "Volcker Rule" of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

### **Real Estate Mortgage Loans Held-for-Sale**

Real estate mortgage loans held-for-sale increased by \$2.0 million, or 171.8%, to \$3.1 million at September 30, 2024, from \$1.2 million at December 31, 2023. The balance of this asset category is subject to a high degree of variability depending on, among other factors, recent mortgage loan rates and the timing of loan sales into the secondary market. The Company generally sells conforming qualifying mortgage loans it originates on the secondary market. Proceeds from sales of residential mortgages totaled \$12.7 million in the first nine months of 2024, compared to \$6.1 million in the first nine months of 2023. Management expects the volume of loans originated for sale in the secondary market could increase due to lower market rates for mortgage loans, however any uptick in activity may be encumbered by limited inventory, and existing homeowners being locked in at historically low rates. Mortgage loans serviced for others are not included in the accompanying consolidated balance sheets. The unpaid principal balances of loans serviced for others were \$315.5 million and \$333.1 million, as of September 30, 2024 and December 31, 2023, respectively.

## Loan Portfolio

The loan portfolio by portfolio segment as of September 30, 2024 and December 31, 2023 is summarized as follows:

| (dollars in thousands)                                    | September 30,<br>2024      |                | December 31,<br>2023       |         | Current Period<br>Change |
|---|----------------------------|----------------|----------------------------|---------|--------------------------|
| Commercial and industrial loans                           | \$ 1,492,883               | 29.3 %         | \$ 1,420,764               | 28.9 %  | \$ 72,119                |
| Commercial real estate and multi-family residential loans | 2,549,850                  | 50.1           | 2,437,534                  | 49.5    | 112,316                  |
| Agri-business and agricultural loans                      | 358,384                    | 7.1            | 388,764                    | 7.9     | (30,380)                 |
| Other commercial loans                                    | 94,309                     | 1.9            | 120,726                    | 2.5     | (26,417)                 |
| Consumer 1-4 family mortgage loans                        | 485,937                    | 9.5            | 456,187                    | 9.3     | 29,750                   |
| Other consumer loans                                      | 103,547                    | 2.1            | 96,022                     | 1.9     | 7,525                    |
| Subtotal, gross loans                                     | <b>5,084,910</b>           | <b>100.0 %</b> | 4,919,997                  | 100.0 % | 164,913                  |
| Less: Allowance for credit losses                         | (83,627)                   |                | (71,972)                   |         | (11,655)                 |
| Net deferred loan fees                                    | (2,920)                    |                | (3,463)                    |         | 543                      |
| Loans, net  | <b><u>\$ 4,998,363</u></b> |                | <b><u>\$ 4,844,562</u></b> |         | <b><u>\$ 153,801</u></b> |

Total loans, excluding real estate mortgage loans held-for-sale and deferred fees, increased by \$153.8 million, or 3.2%, to \$4.998 billion at September 30, 2024 from \$4.845 billion at December 31, 2023. The increase was primarily driven by originations of loans concentrated in the commercial and industrial and commercial real estate and multi-family residential loans categories and was offset by paydowns in the agri-business and agricultural loans segment which traditionally experiences seasonal fluctuations in activity.

The following table summarizes the Company's non-performing assets as of September 30, 2024 and December 31, 2023:

| (dollars in thousands)                         | September 30,<br>2024   | December 31,<br>2023    |
|--|-------------------------|-------------------------|
| Nonaccrual loans                               | \$ 57,551               | \$ 15,687               |
| Loans past due over 90 days and still accruing | 95                      | 27                      |
| Total nonperforming loans                      | <b>57,646</b>           | 15,714                  |
| Other real estate owned                        | 384                     | 384                     |
| Repossessions                                  | 21                      | 8                       |
| Total nonperforming assets                     | <b><u>\$ 58,051</u></b> | <b><u>\$ 16,106</u></b> |
| Individually analyzed loans                    | <b>\$ 77,654</b>        | \$ 16,124               |
| Nonperforming loans to total loans             | <b>1.13 %</b>           | 0.32 %                  |
| Nonperforming assets to total assets           | <b>0.87 %</b>           | 0.25 %                  |

Total nonperforming assets increased by \$41.9 million, or 260.4%, to \$58.1 million during the nine month period ended September 30, 2024. The ratio of nonperforming assets to total assets increased 62 basis points from 0.25% at December 31, 2023 to 0.87% at September 30, 2024. The increase in nonperforming assets was primarily driven by the downgrade of a single \$43.3 million commercial relationship, an industrial company in Northern Indiana, that was moved to nonperforming status in late June during the second quarter of 2024.

A loan is individually analyzed when full payment under the original loan terms is not expected. The analysis for smaller loans that are similar in nature and which are not in nonaccrual or modified status, such as residential mortgage, consumer, and credit card loans, is determined based on the class of loans. If a loan is individually analyzed, a portion of the allowance may be allocated so that the loan is reported, net, at the present value of estimated future cash flows or at the fair value of collateral if repayment is expected solely from the collateral. Total individually analyzed loans increased by \$61.5 million, or 381.6%, to \$77.7 million at September 30, 2024 from \$16.1 million at December 31, 2023. The increase to individually analyzed loans was primarily related to the downgrade of two commercial relationships.

Loans are charged against the allowance for credit losses when management believes that the principal is uncollectible. Subsequent recoveries, if any, are credited to the allowance. The allowance is an amount that management believes will be adequate to absorb current expected credit losses relating to specifically identified loans based on an evaluation of the loans by management, as well as other current expected losses in the loan portfolio. The evaluations take into consideration such factors as changes in the nature and volume of the loan portfolio, overall portfolio quality, review of specific problem loans and current economic conditions that may affect the borrower's ability to repay. Management also considers trends in adversely classified loans based upon a monthly review of those credits. General allowance is determined after considering the following factors: application of loss percentages using a probability of default/loss given default approach subject to a floor, emerging market risk, commercial loan focus and large credit concentrations, new industry lending activity and current economic conditions. Federal regulations require insured institutions to classify their own assets on a regular basis. The regulations provide for three categories of classified loans: Substandard, Doubtful and Loss. The regulations also contain a Special Mention category. Special Mention applies to loans that do not currently expose an insured institution to a sufficient degree of risk to warrant classification as Substandard, Doubtful or Loss but do possess credit deficiencies or potential weaknesses deserving management's close attention. The Company's policy is to establish a specific allowance for credit losses for any assets where management has identified conditions or circumstances that indicate an asset is nonperforming. If an asset or portion thereof is classified as a loss, the Company's policy is to either establish specified allowances for credit losses in the amount of 100% of the portion of the asset classified loss or charge-off such amount.

At September 30, 2024, the allowance for credit losses was 1.65% of total loans, an increase of 19 basis points from 1.46% at December 31, 2023. At September 30, 2024, management believed the allowance for credit losses was at a level commensurate with the overall risk exposure of the loan portfolio. However, if economic conditions deteriorate, certain borrowers may experience difficulty and the level of nonperforming loans, charge-offs and delinquencies could rise and require increases in the allowance for credit losses. The process of identifying credit losses is a subjective process.

The Company has a relatively high percentage of commercial and commercial real estate loans, which are extended to businesses with a broad range of revenue and within a wide variety of industries. Traditionally, this type of lending may have more credit risk than other types of lending because of the size and diversity of the credits. The Company manages this risk by utilizing relatively conservative credit structures, by adjusting its pricing to the perceived risk of each individual credit and by diversifying the portfolio by customer, product, industry and market area. The Company has limited exposure to commercial office space borrowers, all of which are located in the Bank's Indiana markets. Loans totaling \$102.6 million for this sector represented 2.0% of total loans at September 30, 2024. Additionally, commercial real estate loans secured by multi-family residential properties and secured by non-farm non-residential properties were approximately 210% of the Bank's risk-based capital at September 30, 2024.

As of September 30, 2024, based on management's review of the loan portfolio, the Company had 91 credit relationships totaling \$267.6 million on the classified loan list versus 68 credit relationships totaling \$183.1 million as of December 31, 2023. As of September 30, 2024, the Company had \$181.2 million of assets classified as Special Mention, \$42.1 million classified as Substandard, \$44.3 million classified as Doubtful and \$0 classified as Loss as compared to \$143.6 million, \$39.4 million, \$0 and \$0, respectively, at December 31, 2023. Watch list loans as a percentage of total loans increased to 5.27% as of September 30, 2024 from 3.72% as of December 31, 2023. The increase to the classified loan listing during 2024 was primarily driven by downgrades to four commercial relationships individually greater than \$10.0 million, net of paydowns, payoffs and upgrades to other relationships.

Allowance estimates are developed by management after taking into account actual loss experience adjusted for current economic conditions and a reasonably supportable forecast period. The Company has annual discussions regarding this methodology with regulatory authorities. Allowance estimates are considered a prudent measurement of the risk in the Company's loan portfolio based upon loan segment. In accordance with applicable accounting guidance, the allowance is based on information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amounts. For a more thorough discussion of the allowance for credit losses methodology see the "Critical Accounting Policies" section of this Item 2.

The allowance for credit losses increased \$11.7 million, or 16.2%, from \$72.0 million at December 31, 2023 to \$83.6 million at September 30, 2024. The increase was a result of provision expense of \$13.1 million which was offset by net charge-offs of \$1.4 million. Provision expense recorded during the nine months ended September 30, 2024 was primarily attributable to an increase in the specific reserve allocation from the downgrade of a single \$43.3 million commercial relationship, an industrial company in Northern Indiana, that was placed on nonperforming status during the second quarter of 2024. As the bulk of the Company's lending activity is concentrated in the commercial loan portfolio, which can result in overall asset quality being influenced by a small number of credits, management has historically considered growth and portfolio composition when determining credit loss allocations.

## Sources of Funds

The Company's sources of funds include a diversified deposit base gathered throughout the Company's footprint and includes a growing mix of commercial, retail and public funds deposit accounts. While the traditional base of core deposits represents the primary source of funding for the Company, the Company has access to a robust array of other liquidity sources, including secured borrowings available from the Federal Home Loan Bank and the Federal Reserve Bank Discount Window. In addition, the Company has access to unsecured borrowing capacity through long established relationships within the brokered deposit markets, Federal Funds lines from correspondent bank partners and Insured Cash Sweep (ICS) one-way buy funds available from the Intrafi network. As of September 30, 2024, the Company had access to \$3.66 billion in unused liquidity available from these aggregate sources as compared to \$3.41 billion at December 31, 2023.

The average daily deposits and borrowings together with average rates paid on those deposits and borrowings for the nine months ended September 30, 2024 and 2023 are summarized in the following table:

| (dollars in thousands)              | Nine months ended September 30, |        |              |        |
|-------------------------------------|---------------------------------|--------|--------------|--------|
|                                     | 2024                            |        | 2023         |        |
|                                     | Balance                         | Rate   | Balance      | Rate   |
| Noninterest bearing demand deposits | \$ 1,249,710                    | 0.00 % | \$ 1,509,292 | 0.00 % |
| Savings and transaction accounts:   |                                 |        |              |        |
| Savings deposits                    | 288,283                         | 0.07   | 360,535      | 0.07   |
| Interest bearing demand deposits    | 3,206,452                       | 4.06   | 2,854,161    | 3.58   |
| Time deposits:                      |                                 |        |              |        |
| Deposits of \$100,000 or more       | 814,034                         | 4.55   | 616,477      | 3.39   |
| Other time deposits                 | 218,755                         | 3.48   | 196,914      | 2.24   |
| Total deposits                      | \$ 5,777,234                    | 3.03 % | \$ 5,537,379 | 2.31 % |
| FHLB advances and other borrowings  | 88,605                          | 5.61   | 218,561      | 5.05   |
| Total funding sources               | \$ 5,865,839                    | 3.07 % | \$ 5,755,940 | 2.41 % |

Average total deposits were \$5.777 billion for the nine months ended September 30, 2024, an increase of \$239.9 million, or 4.3%, from the comparable period in 2023. Average total borrowings were \$88.6 million for the nine months ended September 30, 2024, a decrease of \$130.0 million, or 59.5%, from the comparable period in 2023. Total average deposit costs increased 72 basis points from 2.31% for the nine months ended September 30, 2023, to 3.03% for the nine months ended September 30, 2024. Total average borrowing costs increased 56 basis points from 5.05% for the nine months ended September 30, 2023 to 5.61% for the nine months ended September 30, 2024. As a result, total funding costs increased by 66 basis points from 2.41% for the nine months ended September 30, 2023, to 3.07% for the nine months ended September 30, 2024. This increase was driven by an increase in rates on interest bearing deposits and a shift from noninterest bearing deposits to interest bearing deposits.

### Deposits and Borrowings

As of September 30, 2024, total deposits increased by \$116.8 million, or 2.0%, from December 31, 2023. Core deposits, which excludes brokered deposits, increased by \$155.7 million, or 2.8%, to \$5.741 billion as of September 30, 2024 from \$5.585 billion as of December 31, 2023. Total brokered deposits were \$96.5 million at September 30, 2024, compared to \$135.4 million at December 31, 2023, a decrease of \$38.9 million, or 28.7%.



The following table summarizes deposit composition at September 30, 2024 and December 31, 2023:

| (dollars in thousands) | September 30,<br>2024 | Percentage of<br>Total | December 31,<br>2023 | Percentage of<br>Total | Current<br>Period<br>Change |
|------------------------|-----------------------|------------------------|----------------------|------------------------|-----------------------------|
| Retail                 | \$ 1,709,899          | 29.3 %                 | \$ 1,794,958         | 31.4 %                 | \$ (85,059)                 |
| Commercial             | 2,304,041             | 39.5                   | 2,227,147            | 38.9                   | 76,894                      |
| Public funds           | 1,726,869             | 29.6                   | 1,563,015            | 27.3                   | 163,854                     |
| Core deposits          | \$ 5,740,809          | 98.4 %                 | \$ 5,585,120         | 97.6 %                 | \$ 155,689                  |
| Brokered deposits      | 96,504                | 1.6                    | 135,405              | 2.4                    | (38,901)                    |
| Total deposits         | <u>\$ 5,837,313</u>   | <u>100.0 %</u>         | <u>\$ 5,720,525</u>  | <u>100.0 %</u>         | <u>\$ 116,788</u>           |

Core deposits, which excludes brokered deposits, expanded \$155.7 million, or 2.8%, during the first nine months of 2024. Utilization of brokered deposits as a wholesale funding alternative has returned to pre-pandemic levels. On September 30, 2024, commercial deposits represented 39.5% of total deposits versus 38.9% at December 31, 2023. Retail deposits represented 29.3% at September 30, 2024 versus 31.4% at December 31, 2023. Public Funds deposits represented 29.6% at September 30, 2024 versus 27.3% at December 31, 2023. Brokered deposits represented 1.6% of total deposits at September 30, 2024 versus 2.4% at December 31, 2023. Commercial deposits expanded \$76.9 million, or 3.5%, from \$2.23 billion at December 31, 2023 to \$2.30 billion at September 30, 2024; retail deposits contracted \$85.1 million, or 4.7%, from \$1.79 billion at December 31, 2023 to \$1.71 billion at September 30, 2024; and public funds deposits expanded \$163.9 million, or 10.5%, from \$1.56 billion at December 31, 2023 to \$1.73 billion at September 30, 2024.

Deposits not covered by FDIC deposit insurance were 61% as of September 30, 2024, versus 57% at December 31, 2023. Deposits not covered by FDIC deposit insurance or the Indiana Public Deposit Insurance Fund (which insures public fund deposits in Indiana), were 32% of total deposits as of September 30, 2024, versus 31% as of December 31, 2023. As of September 30, 2024 and December 31, 2023, 98% of deposit accounts had deposit balances less than \$250,000.

### Capital

As of September 30, 2024, total stockholders' equity was \$699.2 million, an increase of \$49.4 million, or 7.6%, from \$649.8 million at December 31, 2023. The increase to total stockholders' equity was driven by net income of \$69.3 million and was reduced by dividends declared and paid of \$37.0 million and an increase of \$17.1 million in accumulated other comprehensive income (loss).

The impact on equity for other comprehensive income (loss) is not included in regulatory capital. The banking regulators have established guidelines for leverage capital requirements, expressed in terms of Tier 1, or core capital, as a percentage of average assets, to measure the soundness of a financial institution. In addition, banking regulators have established risk-based capital guidelines for U.S. banking organizations. As of September 30, 2024, the Company's capital levels remained characterized as "well-capitalized".

[Table of Contents](#)

The actual capital amounts and ratios of the Company and the Bank as of September 30, 2024 and December 31, 2023, are presented in the table below. Capital ratios for September 30, 2024 are preliminary until the Call Report and FR Y-9C are filed.

| (dollars in thousands)                   | Actual     |         | Minimum Required For<br>Capital Adequacy<br>Purposes |        | For Capital Adequacy<br>Purposes Plus Capital<br>Conservation Buffer |         | Minimum Required to<br>Be Well Capitalized<br>Under Prompt<br>Corrective Action<br>Regulations |         |
|--|------------|---------|--|--------|--|---------|--|---------|
|  | Amount     | Ratio   | Amount   | Ratio  | Amount   | Ratio   | Amount   | Ratio   |
| As of September 30, 2024:                |            |         |  |        |  |         |  |         |
| Total Capital (to Risk Weighted Assets)  |            |         |  |        |  |         |  |         |
| Consolidated                             | \$ 904,257 | 15.75 % | \$ 459,288   | 8.00 % | \$ 602,815   | N/A     | N/A  | N/A     |
| Bank                                     | \$ 899,528 | 15.67 % | \$ 459,248   | 8.00 % | \$ 602,763   | 10.50 % | \$ 574,060   | 10.00 % |
| Tier I Capital (to Risk Weighted Assets) |            |         |  |        |  |         |  |         |
| Consolidated                             | \$ 832,258 | 14.50 % | \$ 344,466   | 6.00 % | \$ 487,993   | N/A     | N/A  | N/A     |
| Bank                                     | \$ 827,534 | 14.42 % | \$ 344,436   | 6.00 % | \$ 487,951   | 8.50 %  | \$ 459,248   | 8.00 %  |
| Common Equity Tier 1 (CET1)              |            |         |  |        |  |         |  |         |
| Consolidated                             | \$ 832,258 | 14.50 % | \$ 258,349   | 4.50 % | \$ 401,877   | N/A     | N/A  | N/A     |
| Bank                                     | \$ 827,534 | 14.42 % | \$ 258,327   | 4.50 % | \$ 401,842   | 7.00 %  | \$ 373,139   | 6.50 %  |
| Tier I Capital (to Average Assets)       |            |         |  |        |  |         |  |         |
| Consolidated                             | \$ 832,258 | 12.18 % | \$ 273,354   | 4.00 % | \$ 273,354   | N/A     | N/A  | N/A     |
| Bank                                     | \$ 827,534 | 12.12 % | \$ 273,162   | 4.00 % | \$ 273,162   | 4.00 %  | \$ 341,453   | 5.00 %  |
| As of December 31, 2023:                 |            |         |  |        |  |         |  |         |
| Total Capital (to Risk Weighted Assets)  |            |         |  |        |  |         |  |         |
| Consolidated                             | \$ 870,390 | 15.47 % | \$ 450,211   | 8.00 % | \$ 590,901   | N/A     | N/A  | N/A     |
| Bank                                     | \$ 852,405 | 15.16 % | \$ 449,894   | 8.00 % | \$ 590,486   | 10.50 % | \$ 562,367   | 10.00 % |
| Tier I Capital (to Risk Weighted Assets) |            |         |  |        |  |         |  |         |
| Consolidated                             | \$ 799,929 | 14.21 % | \$ 337,658   | 6.00 % | \$ 478,349   | N/A     | N/A  | N/A     |
| Bank                                     | \$ 781,999 | 13.91 % | \$ 337,420   | 6.00 % | \$ 478,012   | 8.50 %  | \$ 449,894   | 8.00 %  |
| Common Equity Tier 1 (CET1)              |            |         |  |        |  |         |  |         |
| Consolidated                             | \$ 799,929 | 14.21 % | \$ 253,243   | 4.50 % | \$ 393,934   | N/A     | N/A  | N/A     |
| Bank                                     | \$ 781,999 | 13.91 % | \$ 253,065   | 4.50 % | \$ 393,657   | 7.00 %  | \$ 365,539   | 6.50 %  |
| Tier I Capital (to Average Assets)       |            |         |  |        |  |         |  |         |
| Consolidated                             | \$ 799,929 | 11.82 % | \$ 270,636   | 4.00 % | \$ 270,636   | N/A     | N/A  | N/A     |
| Bank                                     | \$ 781,999 | 11.58 % | \$ 270,041   | 4.00 % | \$ 270,041   | 4.00 %  | \$ 337,551   | 5.00 %  |

## FORWARD-LOOKING STATEMENTS

This document (including information incorporated by reference) contains, and future oral and written statements of the Company and its management may contain, forward-looking statements, within the meaning of such term in the federal securities law. Forward-looking statements are not historical facts and are generally identifiable by the use of words such as “believe,” “expect,” “anticipate,” “project,” “possible,” “continue,” “plan,” “intend,” “estimate,” “may,” “will,” “would,” “could,” “should” or other similar expressions. Additionally, all statements in this document, including forward-looking statements, speak only as of the date they are made, and the Company undertakes no obligation to update any statement in light of new information or future events.

The Company’s ability to predict results or the actual effect of future plans or strategies is inherently uncertain and, accordingly, the reader is cautioned not to place undue reliance on any forward-looking statement made by the Company. Actual results could differ materially from those addressed in the forward-looking statements as a result of numerous factors, including, without limitation:

- the effects of future economic, business and market conditions and changes, particularly in our Indiana market area, including prevailing interest rates and the rate of inflation;
- governmental monetary and fiscal policies;
- the risks of changes in interest rates on the levels, composition and costs of deposits, loan demand and the values and liquidity of loan collateral, securities and other interest sensitive assets and liabilities;
- changes in borrowers’ credit risks and payment behaviors;
- the failure of assumptions and estimates used in our reviews of our loan portfolio, underlying the establishment of reserves for possible credit losses, our analysis of our capital position and other estimates;
- the performance of our commercial real estate loan portfolio, including the effects of the elevated interest rate environment, the strength of the commercial real estate market in our Indiana markets, and recent changes in retail and office usage patterns;
- the effects of disruption and volatility in capital markets on the value of our investment portfolio;
- risk of cyber-security attacks that could result in damage to the Company's or third-party service providers' networks or data of the Company;
- the timing and scope of any legislative and regulatory changes, including changes in banking, securities and tax laws and regulations and their application by our regulators;
- the effects of competition from a wide variety of local, regional, national and other providers of financial, investment and insurance services;
- the effects of war or other conflicts, acts of terrorism or other catastrophic events, including storms, droughts, tornados and flooding, that may affect general economic conditions, including agricultural production and demand and prices for agricultural goods and land used for agricultural purposes, generally and in our markets;
- the impact of litigation and other claims we may be subject to from time to time;
- changes in the scope and cost of FDIC insurance, the state of Indiana’s Public Deposit Insurance Fund and other coverages;
- changes in the prices, values and sales volumes of residential real estate;
- the impact of labor shortages, and changes in trade policy and tariffs;
- the effects of fraud by or affecting employees, customers or third parties;
- changes in the availability and cost of credit and capital in the financial markets;
- changes in technology or products that may be more difficult or costly, or less effective than anticipated;
- the risks related to mergers, acquisitions and divestitures, including, without limitation, the related time and costs of implementing such transactions, integrating operations as part of these transactions and possible failures to achieve expected gains, revenue growth and/or expense savings from such transactions;
- changes in accounting policies, rules and practices; and

- the risks noted in the Risk Factors discussed under Item 1A of Part 1 of our Annual Report on Form 10-K for the year ended December 31, 2023, as well as other risks and uncertainties set forth from time to time in the Company’s other filings with the SEC.

These risks and uncertainties should be considered in evaluating forward-looking statements and undue reliance should not be placed on such statements.

**ITEM 3 – QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Interest rate risk represents the Company’s primary market risk exposure. The Company does not have a material exposure to foreign currency exchange risk, does not have a material amount of derivative financial instruments and does not maintain a trading portfolio. The Corporate Risk Committee of the Board of Directors annually reviews and approves the policy used to manage interest rate risk. The policy was last reviewed and approved in July 2024. The policy sets guidelines for balance sheet structure, which are designed to protect the Company from the impact that interest rate changes could have on net income but do not necessarily indicate the effect on future net interest income. The Company, through the Bank’s Asset and Liability Committee, manages interest rate risk by monitoring the computer simulated earnings impact of various rate scenarios and general market conditions. The Company then modifies its long-term risk parameters by attempting to generate the types of loans, investments, and deposits that currently fit the Company’s needs, as determined by the Asset and Liability Committee. This computer simulation analysis measures the net interest income impact of various interest rate scenario changes during the next twelve months. The Company continually evaluates the assumptions used in the model. The current balance sheet structure is considered to be within acceptable risk levels.

Interest rate scenarios for the base, falling 300 basis points, falling 200 basis points, falling 100 basis points, falling 50 basis points, falling 25 basis points, rising 25 basis points, rising 50 basis points, rising 100 basis points, rising 200 basis points and rising 300 basis points are listed below based upon the Company’s rate sensitive assets and liabilities at September 30, 2024. The net interest income shown represents cumulative net interest income over a twelve-month time horizon. Balance sheet assumptions used for the base scenario are the same for the rising and falling simulations.

The base scenario is an annual calculation that is highly dependent on numerous assumptions embedded in the model. While the base sensitivity analysis incorporates management’s best estimate of interest rate and balance sheet dynamics under various market rate movements, the actual behavior and resulting earnings impact will likely differ from that projected. For certain assets, the base simulation model captures the expected prepayment behavior under changing interest rate environments. Assumptions and methodologies regarding the interest rate or balance behavior of indeterminate maturity core deposit products, such as savings, money market, NOW and demand deposits reflect management’s best estimate of expected future behavior.

| (dollars in thousands)      | Base       | Falling (300 Basis Points) | Falling (200 Basis Points) | Falling (100 Basis Points) | Falling (50 Basis Points) | Falling (25 Basis Points) | Rising (25 Basis Points) | Rising (50 Basis Points) | Rising (100 Basis Points) | Rising (200 Basis Points) | Rising (300 Basis Points) |
|-----------------------------|------------|----------------------------|----------------------------|----------------------------|---------------------------|---------------------------|--------------------------|--------------------------|---------------------------|---------------------------|---------------------------|
| Net interest income         | \$ 212,656 | \$ 206,220                 | \$ 209,301                 | \$ 211,410                 | \$ 212,204                | \$ 212,501                | \$ 212,772               | \$ 212,815               | \$ 212,866                | \$ 212,803                | \$ 212,741                |
| Variance from Base          |            | \$ (6,436)                 | \$ (3,355)                 | \$ (1,246)                 | \$ (452)                  | \$ (155)                  | \$ 116                   | \$ 159                   | \$ 210                    | \$ 147                    | \$ 85                     |
| Percent of change from Base |            | (3.03)%                    | (1.58)%                    | (0.59)%                    | (0.21)%                   | (0.07)%                   | 0.05 %                   | 0.07 %                   | 0.10 %                    | 0.07 %                    | 0.04 %                    |

#### **ITEM 4 – CONTROLS AND PROCEDURES**

As required by Rules 13a-15(b) and 15d-15(b) under the Securities Exchange Act of 1934, management has evaluated, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, the effectiveness of the Company's disclosure controls and procedures as of the end of the period covered by this report. Based on this evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures (as defined in Securities Exchange Act Rules 13a-15(e) and 15d-15(e)) were effective as of September 30, 2024. Disclosure controls and procedures are designed to ensure that information required to be disclosed by the Company in reports that it files or submits under the Securities Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms. These disclosure controls and procedures include controls and procedures designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Securities Exchange Act is accumulated and communicated to management, including the Company's Chief Executive Officer and Chief Financial Officer, or persons performing similar functions, as appropriate, to allow timely decisions regarding required disclosure.

During the quarter ended September 30, 2024, there were no changes to the Company's internal control over financial reporting that have materially affected or are reasonably likely to materially affect its internal control over financial reporting.

**PART II – OTHER INFORMATION**

Item 1. Legal Proceedings

There are no material pending legal proceedings to which the Company or its subsidiaries is a party other than ordinary, routine litigation incidental to their respective businesses.

Item 1A. Risk Factors

There have been no material changes to the risk factors disclosed in Item 1A of Part I of the Company’s Form 10-K for the year ended December 31, 2023. Please refer to that section of the Company’s Form 10-K for disclosures regarding the risks and uncertainties related to the Company’s business.

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

**PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PARTIES**

On April 11, 2023, the Company's board of directors reauthorized and extended a share repurchase program through April 30, 2025, under which the Company is authorized to repurchase, from time to time as the Company deems appropriate, shares of the Company's common stock with an aggregate purchase price of up to \$30 million. Repurchases may be made in the open market, through block trades or otherwise, and in privately negotiated transactions. The repurchase program does not obligate the Company to repurchase any dollar amount or number of shares, and the program may be extended, modified, suspended or discontinued at any time. There were no repurchases under this plan during the three months ended September 30, 2024.

The following table provides information as of September 30, 2024 with respect to shares of common stock repurchased by the Company during the quarter then ended:

| Period           | Total Number of Shares Purchased (a) | Average Price Paid per Share | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs | Maximum Number (or Appropriate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs (b) |
|------------------|--------------------------------------|------------------------------|--|--|
| July 1 - 31      | 2,143                                | \$ 60.67                     | 0  | \$ 30,000,000  |
| August 1 - 31    | 1,367                                | 62.34                        | 0  | 30,000,000   |
| September 1 - 30 | 0                                    | 0.00                         | 0  | 30,000,000   |
| Total            | 3,510                                | \$ 61.32                     | 0  | \$ 30,000,000  |

- (a) The shares purchased during July and August were credited to the deferred share accounts of non-employee directors under the Company’s directors’ deferred compensation plan. These shares are held in treasury stock of the Company and were purchased in the ordinary course of business and consistent with past practice.
- (b) Following the renewal and extension of the Company's share repurchase program on April 11, 2023, the maximum dollar value of shares that may be repurchased under the program is \$30 million. The share repurchase program terminates April 30, 2025.

Item 3. Defaults Upon Senior Securities

None

Item 4. Mine Safety Disclosures

N/A

Item 5. Other Information

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

## [Table of Contents](#)

### Item 6. [Exhibits](#)

- 31.1 [Certification of Chief Executive Officer Pursuant to Rule 13a-14\(a\)/15d-14\(a\)](#)
- 31.2 [Certification of Chief Financial Officer Pursuant to Rule 13a-14\(a\)/15d-14\(a\)](#)
- 32.1 [Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002](#)
- 32.2 [Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002](#)
- 101 Interactive Data File  
Interactive data files pursuant to Rule 405 of Regulation S-T: (i) Consolidated Balance Sheets as of September 30, 2024 and December 31, 2023; (ii) Consolidated Statements of Income for the three and nine months ended September 30, 2024 and September 30, 2023; (iii) Consolidated Statements of Comprehensive Income (Loss) for the three and nine months ended September 30, 2024 and September 30, 2023; (iv) Consolidated Statements of Changes in Stockholders' Equity for the three and nine months ended September 30, 2024 and September 30, 2023; (v) Consolidated Statements of Cash Flows for the nine months ended September 30, 2024 and September 30, 2023; and (vi) Notes to Unaudited Consolidated Financial Statements.
- 104 Cover Page Interactive Data File (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.

LAKELAND FINANCIAL CORPORATION  
(Registrant)

Date: October 30, 2024

/s/ David M. Findlay

David M. Findlay – Chairman and Chief Executive Officer

Date: October 30, 2024

/s/ Lisa M. O’Neill

Lisa M. O’Neill – Executive Vice President and  
Chief Financial Officer  
(principal financial officer)

Date: October 30, 2024

/s/ Brok A. Lahrman

Brok A. Lahrman – Senior Vice President and Chief  
Accounting Officer  
(principal accounting officer)