
**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 **March 31, 2025**

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:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, No par value	LKFN	The NASDAQ Stock Market LLC (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 April 24, 2025: 25,556,904

TABLE OF CONTENTS

	Page
<u>PART I. FINANCIAL INFORMATION</u>	
<u>Item 1. Financial Statements</u>	
<u>Consolidated Balance Sheets — March 31, 2025 and December 31, 2024</u>	1
<u>Consolidated Statements of Income — three months ended March 31, 2025 and 2024</u>	2
<u>Consolidated Statements of Comprehensive Income (Loss) — three months ended March 31, 2025 and 2024</u>	3
<u>Consolidated Statements of Changes in Stockholders' Equity — three months ended March 31, 2025 and 2024</u>	4
<u>Consolidated Statements of Cash Flows — three months ended March 31, 2025 and 2024</u>	5
<u>Notes to the Consolidated Financial Statements</u>	6
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	35
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	49
<u>Item 4. Controls and Procedures</u>	50
<u>PART II. OTHER INFORMATION</u>	
<u>Item 1. Legal Proceedings</u>	50
<u>Item 1A. Risk Factors</u>	50
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	50
<u>Item 3. Defaults Upon Senior Securities</u>	51
<u>Item 4. Mine Safety Disclosures</u>	51
<u>Item 5. Other Information</u>	51
<u>Item 6. Exhibits</u>	51
<u>SIGNATURES</u>	52

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

	March 31, 2025 (Unaudited)	December 31, 2024
ASSETS		
Cash and due from banks	\$ 89,325	\$ 71,733
Short-term investments	145,899	96,472
Total cash and cash equivalents	235,224	168,205
Securities available-for-sale, at fair value	1,000,875	991,426
Securities held-to-maturity, at amortized cost (fair value of \$109,481 and \$113,107, respectively)	131,979	131,568
Real estate mortgage loans held-for-sale	1,295	1,700
Loans, net of allowance for credit losses of \$92,433 and \$85,960	5,130,788	5,031,988
Land, premises and equipment, net	60,797	60,489
Bank owned life insurance	113,826	113,320
Federal Reserve and Federal Home Loan Bank stock	21,420	21,420
Accrued interest receivable	28,818	28,446
Goodwill	4,970	4,970
Other assets	121,186	124,842
Total assets	\$ 6,851,178	\$ 6,678,374
LIABILITIES		
Noninterest bearing deposits	\$ 1,296,907	\$ 1,297,456
Interest bearing deposits	4,663,287	4,603,510
Total deposits	5,960,194	5,900,966
Borrowings - Federal Home Loan Bank advances	108,200	0
Accrued interest payable	14,699	15,117
Other liabilities	73,576	78,380
Total liabilities	6,156,669	5,994,463
STOCKHOLDERS' EQUITY		
Common stock: 90,000,000 shares authorized, no par value		
26,016,494 shares issued and 25,556,904 outstanding as of March 31, 2025		
25,978,831 shares issued and 25,509,592 outstanding as of December 31, 2024	130,243	129,664
Retained earnings	743,650	736,412
Accumulated other comprehensive income (loss)	(163,879)	(166,500)
Treasury stock at cost (459,590 shares as of March 31, 2025, 469,239 shares as of December 31, 2024)	(15,594)	(15,754)
Total stockholders' equity	694,420	683,822
Noncontrolling interest	89	89
Total equity	694,509	683,911
Total liabilities and equity	\$ 6,851,178	\$ 6,678,374

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 March 31,	
	2025	2024
NET INTEREST INCOME		
Interest and fees on loans		
Taxable	\$ 81,740	\$ 82,042
Tax exempt	292	900
Interest and dividends on securities		
Taxable	3,389	3,039
Tax exempt	3,910	3,947
Other interest income	1,124	1,106
Total interest income	90,455	91,034
Interest on deposits	36,458	41,164
Interest on short-term borrowings	1,122	2,454
Total interest expense	37,580	43,618
NET INTEREST INCOME	52,875	47,416
Provision for credit losses	6,800	1,520
NET INTEREST INCOME AFTER PROVISION FOR CREDIT LOSSES	46,075	45,896
NONINTEREST INCOME		
Wealth advisory fees	2,867	2,455
Investment brokerage fees	452	522
Service charges on deposit accounts	2,774	2,691
Loan and service fees	2,884	2,852
Merchant and interchange fee income	822	863
Bank owned life insurance income	322	1,036
Mortgage banking income (loss)	(51)	52
Net securities gains (losses)	0	(46)
Other income	858	2,187
Total noninterest income	10,928	12,612
NONINTEREST EXPENSE		
Salaries and employee benefits	17,902	16,833
Net occupancy expense	1,980	1,740
Equipment costs	1,382	1,412
Data processing fees and supplies	4,265	3,839
Corporate and business development	1,406	1,381
FDIC insurance and other regulatory fees	800	789
Professional fees	2,380	2,463
Other expense	2,648	2,248
Total noninterest expense	32,763	30,705
INCOME BEFORE INCOME TAX EXPENSE	24,240	27,803
Income tax expense	4,155	4,402
NET INCOME	\$ 20,085	\$ 23,401
BASIC WEIGHTED AVERAGE COMMON SHARES	25,714,818	25,657,063
BASIC EARNINGS PER COMMON SHARE	\$ 0.78	\$ 0.91
DILUTED WEIGHTED AVERAGE COMMON SHARES	25,802,865	25,747,643
DILUTED EARNINGS PER COMMON SHARE	\$ 0.78	\$ 0.91

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 March 31,	
	2025	2024
Net income	\$ 20,085	\$ 23,401
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	2,815	(15,389)
Reclassification adjust for amortization of unrealized losses on securities transferred to held-to-maturity	490	496
Reclassification adjustment for (gains) losses included in net income	0	46
Net securities gain (loss) activity during the period	3,305	(14,847)
Tax effect	(694)	3,118
Net of tax amount	2,611	(11,729)
Defined benefit pension plans:		
Amortization of net actuarial loss	13	15
Net gain activity during the period	13	15
Tax effect	(3)	(4)
Net of tax amount	10	11
Total other comprehensive income (loss), net of tax	2,621	(11,718)
Comprehensive income	\$ 22,706	\$ 11,683

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							
	Common Stock		Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total Stockholders' Equity	Noncontrolling Interest	Total Equity
	Shares	Stock						
Balance at January 1, 2024	25,430,566	\$ 127,692	\$ 692,760	\$ (155,195)	\$ (15,553)	\$ 649,704	\$ 89	\$ 649,793
Impact of ASU 2023-02 adoption, net of tax			(532)			(532)		(532)
Adjusted balance at January 1, 2024	25,430,566	127,692	692,228	(155,195)	(15,553)	649,172	89	649,261
Comprehensive income:								
Net income			23,401			23,401		23,401
Other comprehensive income (loss), net of tax				(11,718)		(11,718)		(11,718)
Cash dividends declared and paid, \$0.48 per share			(12,299)			(12,299)		(12,299)
Treasury shares purchased under deferred directors' plan	(3,230)	208			(208)	0		0
Treasury shares sold and distributed under deferred directors' plan	13,275	(391)			391	0		0
Stock activity under equity compensation plans	62,814	(2,516)				(2,516)		(2,516)
Stock based compensation expense		880				880		880
Balance at March 31, 2024	25,503,425	\$ 125,873	\$ 703,330	\$ (166,913)	\$ (15,370)	\$ 646,920	\$ 89	\$ 647,009
Balance at January 1, 2025	25,509,592	\$ 129,664	\$ 736,412	\$ (166,500)	\$ (15,754)	\$ 683,822	\$ 89	\$ 683,911
Comprehensive income:								
Net income			20,085			20,085		20,085
Other comprehensive income (loss), net of tax				2,621		2,621		2,621
Cash dividends declared and paid, \$0.50 per share			(12,847)			(12,847)		(12,847)
Treasury shares purchased under deferred directors' plan	(3,095)	215			(215)	0		0
Treasury shares sold and distributed under deferred directors' plan	12,744	(375)			375	0		0
Stock activity under equity compensation plans	37,663	(1,493)				(1,493)		(1,493)
Stock based compensation expense		2,232				2,232		2,232
Balance at March 31, 2025	25,556,904	\$ 130,243	\$ 743,650	\$ (163,879)	\$ (15,594)	\$ 694,420	\$ 89	\$ 694,509

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

CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited - in thousands)

Three Months Ended March 31,	2025	2024
Cash flows from operating activities:		
Net income	\$ 20,085	\$ 23,401
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation	1,479	1,534
Provision for credit losses	6,800	1,520
Amortization of loan servicing rights	106	109
Loans originated for sale, including participations	(2,533)	(4,535)
Net gain on sales of loans	(85)	(108)
Proceeds from sale of loans, including participations	2,986	4,112
Net (gain) loss on sales of premises and equipment	0	13
Net (gain) loss on sales and calls of securities available-for-sale	0	46
Net securities amortization	1,000	1,264
Stock based compensation expense	2,232	880
Earnings on life insurance	(322)	(1,036)
Gain on life insurance	0	(243)
Tax expense (benefit) of stock award issuances	136	(201)
Net change:		
Interest receivable and other assets	(2,754)	3,298
Interest payable and other liabilities	(206)	(5,260)
Total adjustments	8,839	1,393
Net cash from operating activities	28,924	24,794
Cash flows from investing activities:		
Proceeds from sale of securities available-for-sale	0	7,136
Proceeds from maturities, calls and principal paydowns of securities available-for-sale	14,655	13,537
Purchases of securities available-for-sale	(22,210)	0
Purchase of life insurance	(211)	(193)
Net (increase) decrease in total loans	(105,600)	(81,337)
Proceeds from sales of land, premises and equipment	0	3
Purchases of land, premises and equipment	(1,787)	(1,541)
Proceeds from life insurance	0	536
Net cash from investing activities	(115,153)	(61,859)
Cash flows from financing activities:		
Net increase (decrease) in total deposits	59,228	(102,440)
Proceeds from long-term FHLB borrowings	1,200	0
Proceeds from short-term FHLB borrowings	107,000	150,000
Common dividends paid	(12,847)	(12,299)
Payments related to equity incentive plans	(1,493)	(2,516)
Purchase of treasury stock	(215)	(208)
Sale of treasury stock	375	391
Net cash from financing activities	153,248	32,928
Net change in cash and cash equivalents	67,019	(4,137)
Cash and cash equivalents at beginning of the period	168,205	151,824
Cash and cash equivalents at end of the period	235,224	147,687
Cash paid during the period for:		
Interest	\$ 37,998	49,988
Supplemental non-cash disclosures:		
Right-of-use assets obtained in exchange for lease liabilities, net	20	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 months ended March 31, 2025 are not necessarily indicative of the results that may be expected for any subsequent reporting periods, including the year ending December 31, 2025. The Company's 2024 Annual Report on Form 10-K should be read in conjunction with these statements.

Operating Segments

All of the Company's financial results are similar and considered by management to be aggregated into one reportable segment. While the Company has assigned certain management responsibilities by region and business-line, the Company's Chief Operating Decision Maker ("CODM") evaluates financial performance on a Company-wide basis. The majority of the Company's revenue is from the business of banking and the Company's assigned regions have similar economic characteristics, products, services and customers.

Financial performance is reported to the CODM monthly, and the primary measure of performance is consolidated net income. The allocation of resources throughout the Company is determined annually based upon consolidated net income performance. The presentation of financial performance to the CODM is consistent with amounts and financial statement line items shown in the Company's consolidated balance sheets and consolidated statements of income. Additionally, the Company's significant expenses are adequately segmented by category and amount in the consolidated statements of income to include all significant items when considering both qualitative and quantitative factors. Significant expenses of the Company include salaries and employee benefits, net occupancy expense, equipment costs, data processing fees and supplies and professional fees.

Adoption of New Accounting Standards

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. This standard did not have an impact on the consolidated financial statements based upon the nature of the Company's current operations.

On March 18, 2025, the FASB issued ASU 2025-02, which provided amendments to SEC paragraphs pursuant to Staff Accounting Bulletin 122. This amendment removed text related to "Accounting for Obligations to Safeguard Crypto-Assets an Entity Holds for Its Platform Users," from ASU 405-10-S99-1 as Staff Accounting Bulletin 122 rescinded the topic.

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 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 year-end consolidated financial statements.

On November 8, 2024, the FASB issued ASU 2024-03, *"Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses"*, to improve the disclosures about a public business entity's expenses and address requests from investors for more detailed information about

the types of expenses (including purchases of inventory, employee compensation, depreciation, amortization, and depletion) in commonly presented expense captions (such as cost of sales, SG&A, and research and development).

The amendments in this update require disclosure, in the notes to the financial statements, of specified information about certain costs and expenses. The amendments require that at each interim and annual reporting period an entity (1) Disclose the amounts of (a) purchases of inventory, (b) employee compensation, (c) depreciation, (d) intangible asset amortization and (e) depreciation, depletion and amortization recognized as part of oil- and gas-producing activities (DD&A) (or other amounts of depletion expense) included in each relevant expense caption. A relevant expense caption is an expense caption presented on the face of the income statement within continuing operations that contains any of the following expense categories listed in (a)-(e); (2) Include certain amounts that are already required to be disclosed under current GAAP in the same disclosure as other disaggregation requirements; (3) Disclose a qualitative description of the amounts remaining in relevant expense captions that are not separately disaggregated quantitatively; and (4) Disclose the total amount of selling expenses, and in annual reporting periods, an entity's definition of selling expenses. An entity is not precluded from providing additional voluntarily disclosures that may provide investors with additional decision-useful information.

On January 6, 2025, the FASB issued ASU 2025-01, *"Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures (Subtopic 220-40): Clarifying the Effective Date"*, to clarify the effective date of the ASU 2024-03. The update amends the effective date of Update 2024-03 to annual reporting periods beginning after December 15, 2026, and interim periods within annual periods beginning after December 15, 2027. 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.

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 Cost	Gross Unrealized Gain	Gross Unrealized Losses	Allowance for Credit Losses	Fair Value
March 31, 2025					
U.S. government sponsored agencies	\$ 139,872	\$ 44	\$ (24,798)	\$ 0	\$ 115,118
Mortgage-backed securities: residential	505,416	494	(66,992)	0	438,918
State and municipal securities	543,847	17	(97,025)	0	446,839
Total	<u>\$ 1,189,135</u>	<u>\$ 555</u>	<u>\$ (188,815)</u>	<u>\$ 0</u>	<u>\$ 1,000,875</u>
December 31, 2024					
U.S. government sponsored agencies	\$ 137,150	\$ 0	\$ (27,715)	\$ 0	\$ 109,435
Mortgage-backed securities: residential	500,278	83	(77,952)	0	422,409
State and municipal securities	545,073	17	(85,508)	0	459,582
Total	<u>\$ 1,182,501</u>	<u>\$ 100</u>	<u>\$ (191,175)</u>	<u>\$ 0</u>	<u>\$ 991,426</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 Cost	Gross Unrealized Gain	Gross Unrealized Losses	Allowance for Credit Losses	Fair Value
March 31, 2025					
State and municipal securities	\$ 131,979	\$ 0	\$ (22,498)	\$ 0	\$ 109,481
December 31, 2024					
State and municipal securities	\$ 131,568	\$ 0	\$ (18,461)	\$ 0	\$ 113,107

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 \$18.5 million (\$14.6 million, net of tax) at March 31, 2025.

Information regarding the amortized cost and fair value of available-for-sale and held-to-maturity debt securities by maturity as of March 31, 2025 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	\$ 220	\$ 220	\$ 0	\$ 0
Due after one year through five years	9,727	9,191	0	0
Due after five years through ten years	68,708	61,691	7,239	6,283
Due after ten years	605,064	490,855	124,740	103,198
	683,719	561,957	131,979	109,481
Mortgage-backed securities	505,416	438,918	0	0
Total debt securities	\$ 1,189,135	\$ 1,000,875	\$ 131,979	\$ 109,481

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

(dollars in thousands)	Three Months Ended March 31,	
	2025	2024
Sales of securities available-for-sale		
Proceeds	\$ 0	\$ 7,136
Gross gains	0	0
Gross losses	0	(46)
Number of securities	0	15

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 \$554.0 million and \$560.2 million were pledged as of March 31, 2025 and December 31, 2024, 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 March 31, 2025 and December 31, 2024 is presented on the following page. 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
March 31, 2025						
U.S. government sponsored agencies	\$ 0	\$ 0	\$ 110,076	\$ 24,798	\$ 110,076	\$ 24,798
Mortgage-backed securities: residential	7,773	73	389,792	66,919	397,565	66,992
State and municipal securities	20,078	794	421,691	96,231	441,769	97,025
Total available-for-sale	<u>\$ 27,851</u>	<u>\$ 867</u>	<u>\$ 921,559</u>	<u>\$ 187,948</u>	<u>\$ 949,410</u>	<u>\$ 188,815</u>
December 31, 2024						
U.S. government sponsored agencies	\$ 0	\$ 0	\$ 109,435	\$ 27,715	\$ 109,435	\$ 27,715
Mortgage-backed securities: residential	23,204	249	390,483	77,703	413,687	77,952
State and municipal securities	12,928	439	443,569	85,069	456,497	85,508
Total available-for-sale	<u>\$ 36,132</u>	<u>\$ 688</u>	<u>\$ 943,487</u>	<u>\$ 190,487</u>	<u>\$ 979,619</u>	<u>\$ 191,175</u>

Information regarding held-to-maturity securities with unrealized losses as of March 31, 2025 and December 31, 2024 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
March 31, 2025						
State and municipal securities	\$ 0	\$ 0	\$ 109,481	\$ 22,498	\$ 109,481	\$ 22,498
December 31, 2024						
State and municipal securities	\$ 0	\$ 0	\$ 113,107	\$ 18,461	\$ 113,107	\$ 18,461

The total number of securities with unrealized losses as of March 31, 2025 and December 31, 2024 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
March 31, 2025						
U.S. government sponsored agencies	0	17	17	0	0	0
Mortgage-backed securities: residential	4	123	127	0	0	0
State and municipal securities	26	385	411	0	41	41
Total temporarily impaired	<u>30</u>	<u>525</u>	<u>555</u>	<u>0</u>	<u>41</u>	<u>41</u>
December 31, 2024						
U.S. government sponsored agencies	0	17	17	0	0	0
Mortgage-backed securities: residential	9	124	133	0	0	0
State and municipal securities	23	392	415	0	41	41
Total temporarily impaired	<u>32</u>	<u>533</u>	<u>565</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 March 31, 2025 or December 31, 2024. Accrued interest receivable on securities totaled \$7.0 million and \$7.5 million at March 31, 2025 and December 31, 2024, 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)	March 31, 2025		December 31, 2024	
Commercial and industrial loans:				
Working capital lines of credit loans	\$ 716,522	13.7 %	\$ 649,609	12.7 %
Non-working capital loans	807,048	15.5	801,256	15.6
Total commercial and industrial loans	1,523,570	29.2	1,450,865	28.3
Commercial real estate and multi-family residential loans:				
Construction and land development loans	623,905	12.0	567,781	11.1
Owner occupied loans	804,933	15.4	807,090	15.8
Nonowner occupied loans	852,033	16.3	872,671	17.0
Multifamily loans	339,946	6.5	344,978	6.7
Total commercial real estate and multi-family residential loans	2,620,817	50.2	2,592,520	50.6
Agri-business and agricultural loans:				
Loans secured by farmland	156,112	3.0	156,609	3.1
Loans for agricultural production	227,659	4.3	230,787	4.5
Total agri-business and agricultural loans	383,771	7.3	387,396	7.6
Other commercial loans:				
	94,927	1.8	95,584	1.9
Total commercial loans	4,623,085	88.5	4,526,365	88.4
Consumer 1-4 family mortgage loans:				
Closed end first mortgage loans	265,855	5.1	259,286	5.1
Open end and junior lien loans	217,981	4.2	214,125	4.2
Residential construction and land development loans	16,359	0.3	16,818	0.3
Total consumer 1-4 family mortgage loans	500,195	9.6	490,229	9.6
Other consumer loans				
	102,254	1.9	104,041	2.0
Total consumer loans	602,449	11.5	594,270	11.6
Subtotal	5,225,534	100.0 %	5,120,635	100.0 %
Less: Allowance for credit losses	(92,433)		(85,960)	
Net deferred loan fees	(2,313)		(2,687)	
Loans, net	<u>\$ 5,130,788</u>		<u>\$ 5,031,988</u>	

The recorded investment in loans does not include accrued interest, which totaled \$21.1 million and \$20.3 million as of March 31, 2025 and December 31, 2024, respectively.

The Company had \$821,000 and \$424,000 in residential real estate loans in the process of foreclosure as of March 31, 2025 and December 31, 2024, 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 uncollectible. 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; agri-business 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 shown:

(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
Three Months Ended March 31, 2025								
Beginning balance, January 1	\$ 45,539	\$ 30,865	\$ 3,541	\$ 743	\$ 3,358	\$ 1,531	\$ 383	\$ 85,960
Provision for credit losses	6,741	(423)	(41)	(20)	124	343	76	6,800
Loans charged-off	(10)	0	0	0	(24)	(474)	0	(508)
Recoveries	32	26	0	0	6	117	0	181
Net loans (charged-off) recovered	22	26	0	0	(18)	(357)	0	(327)
Ending balance	\$ 52,302	\$ 30,468	\$ 3,500	\$ 723	\$ 3,464	\$ 1,517	\$ 459	\$ 92,433

(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
Three Months Ended March 31, 2024								
Beginning balance, January 1	\$ 30,338	\$ 31,335	\$ 4,150	\$ 1,129	\$ 3,474	\$ 1,174	\$ 372	\$ 71,972
Provision for credit losses	542	717	(38)	(107)	21	256	129	1,520
Loans charged-off	(194)	0	0	0	0	(310)	0	(504)
Recoveries	34	26	0	0	23	109	0	192
Net loans (charged-off) recovered	(160)	26	0	0	23	(201)	0	(312)
Ending balance	\$ 30,720	\$ 32,078	\$ 4,112	\$ 1,022	\$ 3,518	\$ 1,229	\$ 501	\$ 73,180

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.

The following table summarizes the risk category of loans by loan segment and year of origination as of March 31, 2025:

(dollars in thousands)	2025	2024	2023	2022	2021	Prior	Term Total	Revolving	Total
Commercial and industrial loans:									
Working capital lines of credit loans:									
Pass	\$ 3,747	\$ 1,550	\$ 103	\$ 1,550	\$ 1,192	\$ 528	\$ 8,670	\$ 582,436	\$ 591,106
Special Mention	0	0	997	0	0	0	997	51,128	52,125
Substandard	0	0	0	931	0	259	1,190	28,978	30,168
Doubtful	0	0	3,015	39,994	0	0	43,009	0	43,009
Total	3,747	1,550	4,115	42,475	1,192	787	53,866	662,542	716,408
Working capital lines of credit loans:									
Current period gross write offs	0	0	0	0	0	0	0	0	0
Non-working capital loans:									
Pass	26,773	157,729	148,366	156,661	52,864	54,564	596,957	173,657	770,614
Special Mention	892	7,093	2,324	2,039	1,607	896	14,851	6,419	21,270
Substandard	314	0	3,063	1,594	105	3,946	9,022	401	9,423
Doubtful	0	0	0	0	21	363	384	0	384
Not Rated	512	1,226	1,524	1,028	302	295	4,887	0	4,887
Total	28,491	166,048	155,277	161,322	54,899	60,064	626,101	180,477	806,578
Non-working capital loans:									
Current period gross write offs	0	0	0	0	0	0	0	10	10
Commercial real estate and multi-family residential loans:									
Construction and land development loans:									
Pass	16,094	24,839	58,263	40,754	24,140	0	164,090	458,160	622,250
Total	16,094	24,839	58,263	40,754	24,140	0	164,090	458,160	622,250
Construction and land development loans:									
Current period gross write offs	0	0	0	0	0	0	0	0	0
Owner occupied loans:									
Pass	29,473	99,197	124,885	118,041	140,991	222,158	734,745	37,777	772,522
Special Mention	300	6,153	2,621	14,609	0	3,056	26,739	0	26,739
Substandard	1,737	315	311	0	1,349	1,454	5,166	0	5,166
Total	31,510	105,665	127,817	132,650	142,340	226,668	766,650	37,777	804,427
Owner occupied loans:									
Current period gross write offs	0	0	0	0	0	0	0	0	0
Nonowner occupied loans:									
Pass	26,755	156,586	116,164	150,467	104,684	170,940	725,596	107,705	833,301

(dollars in thousands)	2025	2024	2023	2022	2021	Prior	Term Total	Revolving	Total
Nonowner occupied loans (continued):									
Special Mention	0	588	15,506	106	0	0	16,200	1,930	18,130
Total	26,755	157,174	131,670	150,573	104,684	170,940	741,796	109,635	851,431
Nonowner occupied loans:									
Current period gross write offs	0	0	0	0	0	0	0	0	0
Multifamily loans:									
Pass	38,669	70,356	72,075	7,851	52,921	34,930	276,802	62,556	339,358
Special Mention	0	0	0	303	0	0	303	0	303
Total	38,669	70,356	72,075	8,154	52,921	34,930	277,105	62,556	339,661
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	3,602	15,147	18,955	33,162	22,760	42,785	136,411	17,313	153,724
Special Mention	2,000	122	205	0	0	0	2,327	0	2,327
Substandard	0	0	0	0	0	67	67	0	67
Total	5,602	15,269	19,160	33,162	22,760	42,852	138,805	17,313	156,118
Loans secured by farmland:									
Current period gross write offs	0	0	0	0	0	0	0	0	0
Loans for agricultural production:									
Pass	885	15,418	25,757	21,102	23,557	21,345	108,064	118,430	226,494
Special Mention	0	0	0	0	0	0	0	1,251	1,251
Total	885	15,418	25,757	21,102	23,557	21,345	108,064	119,681	227,745
Loans for agricultural production:									
Current period gross write offs	0	0	0	0	0	0	0	0	0
Other commercial loans:									
Pass	3,424	7,405	16,598	28,944	3,202	15,667	75,240	17,743	92,983
Special Mention	0	0	0	0	0	1,842	1,842	0	1,842
Total	3,424	7,405	16,598	28,944	3,202	17,509	77,082	17,743	94,825
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	4,697	11,361	8,085	8,666	11,024	10,284	54,117	6,821	60,938

(dollars in thousands)	2025	2024	2023	2022	2021	Prior	Term Total	Revolving	Total
Closed end first mortgage loans (continued):									
Special Mention	0	121	223	163	64	0	571	0	571
Substandard	0	0	263	317	89	611	1,280	0	1,280
Not Rated	6,298	29,141	53,471	46,886	32,157	34,747	202,700	0	202,700
Total	10,995	40,623	62,042	56,032	43,334	45,642	258,668	6,821	265,489
Closed end first mortgage loans: Current period gross write offs	0	0	0	0	0	24	24	0	24
Open end and junior lien loans:									
Pass	128	561	726	0	212	5	1,632	9,973	11,605
Special Mention	0	0	0	0	0	302	302	0	302
Substandard	0	0	103	0	12	23	138	81	219
Not Rated	5,963	18,706	14,296	16,205	3,869	1,847	60,886	147,016	207,902
Total	6,091	19,267	15,125	16,205	4,093	2,177	62,958	157,070	220,028
Open end and junior lien loans: Current period gross write offs	0	0	0	0	0	0	0	0	0
Residential construction loans:									
Not Rated	130	9,932	762	2,014	1,361	2,069	16,268	0	16,268
Total	130	9,932	762	2,014	1,361	2,069	16,268	0	16,268
Residential construction loans: Current period gross write offs	0	0	0	0	0	0	0	0	0
Other consumer loans:									
Pass	303	78	963	168	93	0	1,605	22,044	23,649
Special Mention	0	0	0	475	0	131	606	0	606
Substandard	0	111	120	84	12	38	365	0	365
Not Rated	4,218	21,526	20,061	10,691	5,990	4,828	67,314	10,059	77,373
Total	4,521	21,715	21,144	11,418	6,095	4,997	69,890	32,103	101,993
Other consumer loans: Current period gross write offs	0	20	82	8	58	0	168	306	474
Total Loans	\$ 176,914	\$ 655,261	\$ 709,805	\$ 704,805	\$ 484,578	\$ 629,980	\$3,361,343	\$1,861,878	\$5,223,221
Total period gross write offs	\$ 0	\$ 20	\$ 82	\$ 8	\$ 58	\$ 24	\$ 192	\$ 316	\$ 508

The following table summarizes the risk category of loans by loan segment and year of origination as of December 31, 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	\$ 1,599	\$ 114	\$ 1,640	\$ 1,647	\$ 651	\$ 0	\$ 5,651	\$ 525,179	\$ 530,830
Special Mention	0	0	0	0	0	0	0	48,301	48,301
Substandard	0	0	933	0	195	219	1,347	25,878	27,225
Doubtful	0	3,090	39,994	0	0	0	43,084	0	43,084
Total	1,599	3,204	42,567	1,647	846	219	50,082	599,358	649,440
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	151,920	157,276	173,274	58,591	32,909	28,582	602,552	164,106	766,658
Special Mention	3,901	2,614	2,024	1,637	393	1,894	12,463	6,491	18,954
Substandard	0	2,986	1,598	107	4,142	584	9,417	406	9,823
Doubtful	0	0	0	21	386	0	407	0	407
Not Rated	1,297	1,657	1,149	395	395	23	4,916	0	4,916
Total	157,118	164,533	178,045	60,751	38,225	31,083	629,755	171,003	800,758
Non-working capital loans:									
Current period gross write offs	0	383	0	542	179	44	1,148	237	1,385
Commercial real estate and multi-family residential loans:									
Construction and land development loans:									
Pass	23,264	69,737	43,228	2,566	0	0	138,795	426,577	565,372
Special Mention	603	0	0	0	0	0	603	0	603
Total	23,867	69,737	43,228	2,566	0	0	139,398	426,577	565,975
Construction and land development loans:									
Current period gross write offs	0	0	0	0	0	0	0	0	0
Owner occupied loans:									
Pass	98,847	138,299	120,191	143,642	109,451	129,051	739,481	35,003	774,484
Special Mention	6,295	2,728	14,777	0	619	2,488	26,907	0	26,907
Substandard	318	318	0	3,101	1,457	0	5,194	0	5,194
Total	105,460	141,345	134,968	146,743	111,527	131,539	771,582	35,003	806,585
Owner occupied loans:									
Current period gross write offs	0	0	0	0	0	840	840	0	840

(dollars in thousands)	2024	2023	2022	2021	2020	Prior	Term Total	Revolving	Total
Nonowner occupied loans (continued):									
Pass	152,963	118,517	168,387	101,064	119,612	77,497	738,040	110,441	848,481
Special Mention	0	15,650	108	5,868	0	0	21,626	1,895	23,521
Total	152,963	134,167	168,495	106,932	119,612	77,497	759,666	112,336	872,002
Nonowner occupied loans:									
Current period gross write offs	0	0	0	0	0	0	0	0	0
Multifamily loans:									
Pass	70,497	61,679	11,708	52,995	29,177	9,794	235,850	108,486	344,336
Special Mention	0	0	307	0	0	0	307	0	307
Total	70,497	61,679	12,015	52,995	29,177	9,794	236,157	108,486	344,643
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	14,574	21,241	29,601	23,043	25,192	18,312	131,963	24,249	156,212
Special Mention	122	209	0	0	0	0	331	0	331
Substandard	0	0	0	0	0	71	71	0	71
Total	14,696	21,450	29,601	23,043	25,192	18,383	132,365	24,249	156,614
Loans secured by farmland:									
Current period gross write offs	0	0	0	0	0	0	0	0	0
Loans for agricultural production:									
Pass	15,945	26,704	21,611	24,374	21,446	1,450	111,530	118,090	229,620
Special Mention	0	0	0	0	0	0	0	1,275	1,275
Total	15,945	26,704	21,611	24,374	21,446	1,450	111,530	119,365	230,895
Loans for agricultural production:									
Current period gross write offs	0	0	0	0	0	0	0	0	0
Other commercial loans:									
Pass	6,639	17,137	29,985	3,397	11,310	5,544	74,012	19,609	93,621
Special Mention	0	0	0	0	0	1,872	1,872	0	1,872
Total	6,639	17,137	29,985	3,397	11,310	7,416	75,884	19,609	95,493
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	11,104	8,511	9,274	11,278	6,252	4,685	51,104	4,299	55,403

(dollars in thousands)	2024	2023	2022	2021	2020	Prior	Term Total	Revolving	Total
Closed end first mortgage loans (continued):									
Special Mention	122	226	165	66	0	0	579	0	579
Substandard	0	83	319	90	0	629	1,121	0	1,121
Not Rated	28,706	55,641	47,355	34,173	13,543	22,396	201,814	0	201,814
Total	39,932	64,461	57,113	45,607	19,795	27,710	254,618	4,299	258,917
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	574	738	0	438	0	5	1,755	10,090	11,845
Special Mention	0	0	0	0	309	0	309	0	309
Substandard	0	104	0	15	0	81	200	118	318
Not Rated	21,929	16,134	18,053	4,660	644	2,894	64,314	139,351	203,665
Total	22,503	16,976	18,053	5,113	953	2,980	66,578	149,559	216,137
Open end and junior lien loans:									
Current period gross write offs	0	0	79	0	0	0	79	15	94
Residential construction loans:									
Not Rated	10,030	1,154	2,045	1,386	759	1,348	16,722	0	16,722
Total	10,030	1,154	2,045	1,386	759	1,348	16,722	0	16,722
Residential construction loans:									
Current period gross write offs	0	0	0	0	0	0	0	0	0
Other consumer loans:									
Pass	79	971	234	109	0	0	1,393	20,742	22,135
Special Mention	0	0	475	0	157	0	632	0	632
Substandard	0	128	54	76	17	0	275	0	275
Not Rated	23,508	22,250	11,824	6,688	3,743	1,782	69,795	10,930	80,725
Total	23,587	23,349	12,587	6,873	3,917	1,782	72,095	31,672	103,767
Other consumer loans:									
Current period gross write offs	49	303	236	33	0	26	647	272	919
Total loans	<u>\$ 644,836</u>	<u>\$ 745,896</u>	<u>\$ 750,313</u>	<u>\$ 481,427</u>	<u>\$ 382,759</u>	<u>\$ 311,201</u>	<u>\$3,316,432</u>	<u>\$1,801,516</u>	<u>\$5,117,948</u>
Total current period gross write offs	<u>\$ 49</u>	<u>\$ 686</u>	<u>\$ 409</u>	<u>\$ 575</u>	<u>\$ 179</u>	<u>\$ 910</u>	<u>\$ 2,808</u>	<u>\$ 660</u>	<u>\$ 3,468</u>

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 March 31, 2025 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
Commercial and industrial loans:							
Working capital lines of credit loans	\$ 669,137	\$ 997	\$ 0	\$ 670,134	\$ 46,274	\$ 567	\$ 716,408
Non-working capital loans	798,635	515	0	799,150	7,428	156	806,578
Commercial real estate and multi-family residential loans:							
Construction and land development loans	622,250	0	0	622,250	0	0	622,250
Owner occupied loans	802,662	0	0	802,662	1,765	311	804,427
Nonowner occupied loans	851,431	0	0	851,431	0	0	851,431
Multifamily loans	339,661	0	0	339,661	0	0	339,661
Agri-business and agricultural loans:							
Loans secured by farmland	156,038	13	0	156,051	67	0	156,118
Loans for agricultural production	227,745	0	0	227,745	0	0	227,745
Other commercial loans	94,825	0	0	94,825	0	0	94,825
Consumer 1-4 family mortgage loans:							
Closed end first mortgage loans	261,921	2,282	7	264,210	1,279	647	265,489
Open end and junior lien loans	219,696	113	0	219,809	219	219	220,028
Residential construction loans	16,268	0	0	16,268	0	0	16,268
Other consumer loans	101,239	389	0	101,628	365	23	101,993
Total	\$ 5,161,508	\$ 4,309	\$ 7	\$ 5,165,824	\$ 57,397	\$ 1,923	\$ 5,223,221

An insignificant amount of interest income was recognized on nonaccrual loans during the three month period ended March 31, 2025.

The following table presents the aging of the amortized cost basis in past due loans as of December 31, 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
Commercial and industrial loans:							
Working capital lines of credit loans	\$ 603,016	\$ 1,082	\$ 0	\$ 604,098	\$ 45,342	\$ 594	\$ 649,440
Non-working capital loans	792,577	663	3	793,243	7,515	37	800,758
Commercial real estate and multi-family residential loans:							
Construction and land development loans	565,975	0	0	565,975	0	0	565,975
Owner occupied loans	804,810	0	0	804,810	1,775	318	806,585
Nonowner occupied loans	872,002	0	0	872,002	0	0	872,002
Multifamily loans	344,643	0	0	344,643	0	0	344,643
Agri-business and agricultural loans:							
Loans secured by farmland	156,543	0	0	156,543	71	0	156,614
Loans for agricultural production	230,895	0	0	230,895	0	0	230,895
Other commercial loans	95,493	0	0	95,493	0	0	95,493
Consumer 1-4 family mortgage loans:							
Closed end first mortgage loans	256,486	1,284	26	257,796	1,121	665	258,917
Open end and junior lien loans	215,505	314	0	215,819	318	318	216,137
Residential construction loans	16,722	0	0	16,722	0	0	16,722
Other consumer loans	102,565	927	0	103,492	275	17	103,767
Total	\$ 5,057,232	\$ 4,270	\$ 29	\$ 5,061,531	\$ 56,417	\$ 1,949	\$ 5,117,948

An insignificant amount of interest income was recognized on nonaccrual loans during the year ended December 31, 2024.

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)	March 31, 2025			
	Real Estate	General Business Assets	Other	Total
Commercial and industrial loans:				
Working capital lines of credit loans	\$ 125	\$ 65,695	\$ 446	\$ 66,266
Non-working capital loans	1,759	6,463	11	8,233
Commercial real estate and multi-family residential loans:				
Owner occupied loans	315	3,501	0	3,816
Agri-business and agricultural loans:				
Loans secured by farmland	0	67	0	67
Consumer 1-4 family mortgage loans:				
Closed end first mortgage loans	1,279	0	0	1,279
Open end and junior lien loans	222	0	0	222
Other consumer loans	0	0	359	359
Total	\$ 3,700	\$ 75,726	\$ 816	\$ 80,242

(dollars in thousands)	December 31, 2024			
	Real Estate	General Business Assets	Other	Total
Commercial and industrial loans:				
Working capital lines of credit loans	\$ 50	\$ 64,023	\$ 447	\$ 64,520
Non-working capital loans	1,891	6,585	19	8,495
Commercial real estate and multi-family residential loans:				
Owner occupied loans	318	3,512	0	3,830
Agri-business and agricultural loans:				
Loans secured by farmland	0	71	0	71
Consumer 1-4 family mortgage loans:				
Closed end first mortgage loans	1,121	0	0	1,121
Open end and junior lien loans	318	0	0	318
Other consumer loans	0	0	272	272
Total	\$ 3,698	\$ 74,191	\$ 738	\$ 78,627

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.

During the three months ended March 31, 2025 and 2024, there were no material modifications made to borrowers experiencing financial difficulty.

The Company closely monitors the performance of loans that are modified to borrowers experiencing financial difficulty by reviewing the delinquency and payment default status of such loans to understand the effectiveness of its relief efforts. At March 31, 2025, no loans within the previous twelve months received a modification due to a borrower experiencing financial difficulty.

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 periods ended below, advances from the Federal Home Loan Bank of Indianapolis ("FHLBI") were as follows:

(dollars in thousands)	March 31, 2025	December 31, 2024
Short-term fixed rate bullet advance, 4.49%, due April 3, 2025	\$ 107,000	\$ 0
Long-term fixed rate bullet advance, 0.00%, due March 12, 2035	1,200	0
Total	\$ 108,200	\$ 0

For the period ended March 31, 2025, the Company had advances outstanding from the FHLBI of \$108.2 million. The fixed rate bullet advance due April 3, 2025 had an interest rate of 4.49% in the amount \$107.0 million and was paid at maturity. The fixed rate bullet advance due March 12, 2035 has an interest rate of 0.00% in the amount of \$1.2 million. The \$1.2 million advance is a rate-subsidized Community Development Financial Institution ("CDFI") Rate Buydown Advance offered by the FHLBI. The Company extended a low cost loan to a qualifying CDFI within its operating footprint that was then funded by the fixed rate advance from the Rate Buydown Advance program. For the period ended December 31, 2024, the Company had no advances outstanding with the FHLBI. There were no Federal Funds purchased outstanding at March 31, 2025 and December 31, 2024.

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 8, 2025, and expires on April 30, 2027, 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 March 31, 2025 and December 31, 2024.

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 March 31, 2025, the value of the Company's Level 3 servicing assets for residential mortgage loans ("MSRs") was \$1.8 million, carried at amortized cost and no valuation reserve. These residential mortgage loans have a

weighted average interest rate of 3.8%, 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 MSRMs is prepayment rate. Prepayment rates are estimated based on published industry consensus prepayment rates. The most significant unobservable assumption is the discount rate. At March 31, 2025, the constant prepayment speed ("PSA") used was 162 and used a discount rate of 10.0%. At December 31, 2024, the PSA used was 157 and the discount rate used was 10.0%.

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)	March 31, 2025			
	Fair Value Measurements Using			Assets at Fair Value
	Level 1	Level 2	Level 3	
Assets:				
U.S. government sponsored agency securities	\$ 0	\$ 115,118	\$ 0	\$ 115,118
Mortgage-backed securities: residential	0	438,918	0	438,918
State and municipal securities	0	442,259	4,580	446,839
Total securities available-for-sale	0	996,295	4,580	1,000,875
Mortgage banking derivative	0	86	0	86
Interest rate swap derivative	0	20,247	0	20,247
Total assets	\$ 0	\$ 1,016,628	\$ 4,580	\$ 1,021,208
Liabilities:				
Mortgage banking derivative	\$ 0	\$ 23	\$ 0	\$ 23
Interest rate swap derivative	0	20,247	0	20,247
Total liabilities	\$ 0	\$ 20,270	\$ 0	\$ 20,270

(dollars in thousands)	December 31, 2024			
	Fair Value Measurements Using			Assets at Fair Value
	Level 1	Level 2	Level 3	
Assets:				
U.S. government sponsored agency securities	\$ 0	\$ 109,435	\$ 0	\$ 109,435
Mortgage-backed securities: residential	0	422,409	0	422,409
State and municipal securities	0	454,922	4,660	459,582
Total securities available-for-sale	0	986,766	4,660	991,426
Mortgage banking derivative	0	94	0	94
Interest rate swap derivative	0	25,403	0	25,403
Total assets	\$ 0	\$ 1,012,263	\$ 4,660	\$ 1,016,923
Liabilities:				
Interest rate swap derivative	0	25,403	0	25,403
Total liabilities	\$ 0	\$ 25,403	\$ 0	\$ 25,403

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

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

(dollars in thousands)	March 31, 2025			
	Fair Value Measurements Using			Assets at Fair Value
	Level 1	Level 2	Level 3	
Assets				
Collateral dependent loans:				
Commercial and industrial loans:				
Working capital lines of credit loans	\$ 0	\$ 0	\$ 18,657	\$ 18,657
Non-working capital loans	0	0	3,051	3,051
Commercial real estate and multi-family residential loans:				
Owner occupied loans	0	0	646	646
Agri-business and agricultural loans:				
Loans secured by farmland	0	0	30	30
Total collateral dependent loans	0	0	22,384	22,384
Total assets	\$ 0	\$ 0	\$ 22,384	\$ 22,384

(dollars in thousands)	December 31, 2024			
	Fair Value Measurements Using			Assets at Fair Value
	Level 1	Level 2	Level 3	
Assets				
Collateral dependent loans:				
Commercial and industrial loans:				
Working capital lines of credit loans	\$ 0	\$ 0	\$ 23,174	\$ 23,174
Non-working capital loans	0	0	3,281	3,281
Commercial real estate and multi-family residential loans:				
Owner occupied loans	0	0	664	664
Agri-business and agricultural loans:				
Loans secured by farmland	0	0	32	32
Total collateral dependent loans	0	0	27,151	27,151
Total assets	\$ 0	\$ 0	\$ 27,151	\$ 27,151

The following table presents the valuation methodology and unobservable inputs for Level 3 assets measured at fair value on a non-recurring basis at March 31, 2025:

(dollars in thousands)	Fair Value	Valuation Methodology	Unobservable Inputs	Average	Range of Inputs
Collateral dependent loans:					
Commercial and industrial	\$ 21,708	Collateral based measurements	Discount to reflect current market conditions and ultimate collectability	66 %	35%-99%
Collateral dependent loans:					
Commercial real estate and multi-family residential loans	646	Collateral based measurements	Discount to reflect current market conditions and ultimate collectability	56 %	
Collateral dependent loans:					
Agri-business and agricultural	30	Collateral based measurements	Discount to reflect current market conditions and ultimate collectability	56 %	

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, 2024:

(dollars in thousands)	Fair Value	Valuation Methodology	Unobservable Inputs	Average	Range of Inputs
Collateral dependent loans:					
Commercial and industrial	\$ 26,455	Collateral based measurements	Discount to reflect current market conditions and ultimate collectability	51 %	4%-99%
Collateral dependent loans:					
Commercial real estate and multi-family residential loans	664	Collateral based measurements	Discount to reflect current market conditions and ultimate collectability	54 %	
Collateral dependent loans:					
Agri-business and agricultural	32	Collateral based measurements	Discount to reflect current market conditions and ultimate collectability	54 %	

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)	March 31, 2025				
	Carrying Value	Estimated Fair Value			Total
		Level 1	Level 2	Level 3	
Financial Assets:					
Cash and cash equivalents	\$ 235,224	\$ 235,224	\$ 0	\$ 0	\$ 235,224
Securities available-for-sale	1,000,875	0	996,295	4,580	1,000,875
Securities held-to-maturity	131,979	0	109,481	0	109,481
Real estate mortgages held-for-sale	1,295	0	1,326	0	1,326
Loans, net	5,130,788	0	0	5,039,975	5,039,975
Mortgage banking derivative	86	0	86	0	86
Interest rate swap derivative	20,247	0	20,247	0	20,247
Federal Reserve and Federal Home Loan Bank Stock	21,420	N/A	N/A	N/A	N/A
Accrued interest receivable	28,818	0	7,763	21,055	28,818
Financial Liabilities:					
Certificates of deposit	\$ 815,209	\$ 0	\$ 811,881	\$ 0	\$ 811,881
All other deposits	5,144,985	5,144,985	0	0	5,144,985
Federal Home Loan Bank advances:					
Short-term advance	107,000	107,000	0	0	107,000
Long-term advance	1,200	754	0	0	754
Mortgage banking derivative	23	0	23	0	23
Interest rate swap derivative	20,247	0	20,247	0	20,247
Standby letters of credit	251	0	0	251	251
Accrued interest payable	14,699	406	14,293	0	14,699

(dollars in thousands)	December 31, 2024				
	Carrying Value	Estimated Fair Value			Total
		Level 1	Level 2	Level 3	
Financial Assets:					
Cash and cash equivalents	\$ 168,205	\$ 168,205	\$ 0	\$ 0	\$ 168,205
Securities available-for-sale	991,426	0	986,766	4,660	991,426
Securities held-to-maturity	131,568	0	113,107	0	113,107
Real estate mortgages held-for-sale	1,700	0	1,733	0	1,733
Loans, net	5,031,988	0	0	4,916,231	4,916,231
Mortgage banking derivative	94	0	94	0	94
Interest rate swap derivative	25,403	0	25,403	0	25,403
Federal Reserve and Federal Home Loan Bank Stock	21,420	N/A	N/A	N/A	N/A
Accrued interest receivable	28,446	0	8,178	20,268	28,446
Financial Liabilities:					
Certificates of deposit	\$ 855,876	\$ 0	\$ 851,933	\$ 0	\$ 851,933
All other deposits	5,045,090	5,045,090	0	0	5,045,090
Interest rate swap derivative	25,403	0	25,403	0	25,403
Standby letters of credit	294	0	0	285	285
Accrued interest payable	15,117	425	14,692	0	15,117

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 March 31, 2025 and December 31, 2024.

(dollars in thousands)	March 31, 2025					
	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	
Assets						
Interest Rate Swap Derivatives	\$ 20,247	\$ 0	\$ 20,247	\$ 0	\$ (20,835)	\$ (588)
Total Assets	\$ 20,247	\$ 0	\$ 20,247	\$ 0	\$ (20,835)	\$ (588)
Liabilities						
Interest Rate Swap Derivatives	\$ 20,247	\$ 0	\$ 20,247	\$ 0	\$ 0	\$ 20,247
Total Liabilities	\$ 20,247	\$ 0	\$ 20,247	\$ 0	\$ 0	\$ 20,247

(dollars in thousands)	December 31, 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	
Assets						
Interest Rate Swap Derivatives	\$ 25,403	\$ 0	\$ 25,403	\$ 0	\$ (21,815)	\$ 3,588
Total Assets	\$ 25,403	\$ 0	\$ 25,403	\$ 0	\$ (21,815)	\$ 3,588
Liabilities						
Interest Rate Swap Derivatives	\$ 25,403	\$ 0	\$ 25,403	\$ 0	\$ 0	\$ 25,403
Total Liabilities	\$ 25,403	\$ 0	\$ 25,403	\$ 0	\$ 0	\$ 25,403

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 March 31,	
	2025	2024
Weighted average shares outstanding for basic earnings per common share	25,714,818	25,657,063
Dilutive effect of stock based awards	88,047	90,580
Weighted average shares outstanding for diluted earnings per common share	25,802,865	25,747,643
Basic earnings per common share	\$ 0.78	\$ 0.91
Diluted earnings per common share	\$ 0.78	\$ 0.91

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 March 31, 2025 and 2024, all shown net of tax:

(dollars in thousands)	Unrealized Gains and Losses on Available- for-Sales Securities	Defined Benefit Pension Items	Total
Balance at January 1, 2025	\$ (165,932)	\$ (568)	\$ (166,500)
Other comprehensive income (loss) before reclassification	2,224	0	2,224
Amounts reclassified from accumulated other comprehensive income (loss)	387	10	397
Net current period other comprehensive income (loss)	2,611	10	2,621
Balance at March 31, 2025	\$ (163,321)	\$ (558)	\$ (163,879)

(dollars in thousands)	Unrealized Gains and Losses on Available- for-Sales Securities	Defined Benefit Pension Items	Total
Balance at January 1, 2024	\$ (154,460)	\$ (735)	\$ (155,195)
Other comprehensive income (loss) before reclassification	(12,157)	0	(12,157)
Amounts reclassified from accumulated other comprehensive income (loss)	428	11	439
Net current period other comprehensive income (loss)	(11,729)	11	(11,718)
Balance at March 31, 2024	\$ (166,189)	\$ (724)	\$ (166,913)

Reclassifications out of accumulated comprehensive income (loss) for the three months ended March 31, 2025 are as follows:

Details about Accumulated Other Comprehensive Income (Loss) Components	Amount Reclassified From Accumulated Other Comprehensive Income (Loss)	Affected Line Item in the Statement Where Net Income is Presented
(dollars in thousands)		
Amortization of unrealized losses on held-to-maturity securities	\$ (490)	Interest income
Tax effect	103	Income tax expense
	<u>(387)</u>	Net of tax
Amortization of defined benefit pension items	(13)	Other expense
Tax effect	3	Income tax expense
	<u>(10)</u>	Net of tax
Total reclassifications for the period	<u>\$ (397)</u>	Net income

Reclassifications out of accumulated other comprehensive income (loss) for the three months ended March 31, 2024 are as follows:

Details about Accumulated Other Comprehensive Income (Loss) Components	Amount Reclassified From Accumulated Other Comprehensive Income (Loss)	Affected Line Item in the Statement Where Net Income is Presented
(dollars in thousands)		
Amortization of unrealized losses on held-to-maturity securities	\$ (496)	Interest income
Realized gains and (losses) on available-for-sale securities	(46)	Net securities gains (losses)
Tax effect	114	Income tax expense
	<u>(428)</u>	Net of tax
Amortization of defined benefit pension items	(15)	Other expense
Tax effect	4	Income tax expense
	<u>(11)</u>	Net of tax
Total reclassifications for the period	<u>\$ (439)</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 March 31, 2025:

Years ending December 31, (in thousands)	Operating Lease Obligation
2025	\$ 622
2026	803
2027	814
2028	770
2029	644
2030 and thereafter	5,267
Total undiscounted lease payments	8,920
Less imputed interest	(2,267)
Lease liability	\$ 6,653
Right-of-use asset	\$ 6,653

(dollars in thousands)	Three Months Ended March 31,	
	2025	2024
Lease cost		
Operating lease cost	\$ 198	\$ 185
Short-term lease cost	1	2
Total lease cost	\$ 199	\$ 187
Other information		
Operating cash outflows from operating leases	\$ 198	\$ 185
Weighted-average remaining lease term - operating leases	7.6 years	6.0 years
Weighted average discount rate - operating leases	3.7 %	2.5 %

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

OVERVIEW

Net income in the first three months of 2025 was \$20.1 million, which decreased \$3.3 million, or 14.2%, from \$23.4 million for the comparable period of 2024. Diluted income per common share was \$0.78 in the first three months of 2025, a decrease of 14.3% from \$0.91 in the comparable period of 2024. The decrease in net income for 2025 was primarily due to an increase in the provision for credit losses of \$5.3 million, or 347.4%, an increase in noninterest expense of \$2.1 million, or 6.7%, and a decrease in noninterest income of \$1.7 million, or 13.4%. Offsetting these effects was an increase to net interest income of \$5.5 million, or 11.5%. Pretax pre-provision earnings, a non-GAAP measure calculated by adding net interest income to noninterest income and subtracting noninterest expense, were \$31.0 million in the first three months of 2025, an increase of \$1.7 million, or 5.9%, compared to \$29.3 million for the comparable period of 2024.

Annualized return on average total equity was 11.70% in the first three months of 2025 versus 14.59% in the comparable period of 2024. Annualized return on average total assets was 1.20% in the first three months of 2025 versus 1.44% for the comparable period of 2024. The Company's average equity to average assets ratio was 10.29% in the first three months of 2025 versus 9.84% in the comparable period of 2024.

The Company's tangible common equity to tangible assets ratio, which is a non-GAAP financial measure, was 10.09% at March 31, 2025, compared to 9.80% at March 31, 2024 and 10.19% at December 31, 2024. Unrealized losses from available-for-sale investment securities were \$188.3 million at March 31, 2025, compared to \$189.9 million at March 31, 2024 and \$191.1 million at December 31, 2024. 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 12.19% at March 31, 2025, compared to 12.03% at March 31, 2024 and 12.37% at December 31, 2024.

Total assets were \$6.851 billion as of March 31, 2025 versus \$6.678 billion as of December 31, 2024, an increase of \$172.8 million, or 2.6%. Balance sheet expansion was driven by increases to total loans, net of the allowance for credit losses, which increased \$98.8 million, or 2.0%, cash and cash equivalents, which increased \$67.0 million, or 39.8%, and available-for-sale securities, which increased \$9.4 million, or 1.0%. Funding the balance sheet expansion between December 31, 2024 and March 31, 2025 were total deposits, which increased \$59.2 million, or 1.0%, and total borrowings, which increased \$108.2 million. Total equity increased \$10.6 million, or 1.5%, from \$683.9 million at December 31, 2024 to \$694.5 million at March 31, 2025. Retained earnings increased \$7.2 million, or 1.0%, primarily as a result of net income of \$20.1 million and reduced by dividends declared and paid of \$12.8 million.

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, 2024.

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 months ended March 31, 2025 and 2024 is presented in the following table:

(dollars in thousands)	Three Months Ended March 31,	
	2025	2024
Income Statement Summary:		
Net interest income (A)	\$ 52,875	\$ 47,416
Provision for credit losses	6,800	1,520
Noninterest income (B)	10,928	12,612
Noninterest expense (C)	32,763	30,705
Other Data:		
Efficiency ratio (1)	51.35 %	51.15 %
Diluted EPS	\$ 0.78	\$ 0.91
Average Equity/Average Assets	10.29 %	9.84 %
Tangible capital ratio (2)	10.09	9.80
Adjusted tangible capital ratio (3)	12.19	12.03
Net charge-offs to average loans	0.03	0.03
Net interest margin	3.40	3.15
Noninterest income to total revenue	17.13	21.01
Pretax pre-provision earnings (4)	\$ 31,040	\$ 29,323

(1) $\text{Noninterest expense (C) / (Net interest income (A) + Noninterest income (B)) = Efficiency Ratio}$

(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.

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)	As of and For The Three Months Ended March 31,	
	2025	2024
Total Equity	\$ 694,509	\$ 647,009
Less: Goodwill	(4,970)	(4,970)
Plus: Deferred Tax Assets Related to Goodwill	1,167	1,167
Tangible Common Equity (A)	690,706	643,206
Market Value Adjustment in AOCI	163,879	166,189
Adjusted Tangible Common Equity (C)	854,585	809,395
Total Assets	\$ 6,851,178	\$ 6,566,861
Less: Goodwill	(4,970)	(4,970)
Plus: Deferred Tax Assets Related to Goodwill	1,167	1,167
Tangible Assets (B)	6,847,375	6,563,058
Market Value Adjustment in AOCI	163,879	166,189
Adjusted Tangible Assets (D)	7,011,254	6,729,247
Ending Common Shares Issued (E)	25,727,393	25,677,399
Tangible Book Value per Common Share (A/E)	\$ 26.85	\$ 25.05
Tangible Capital Ratio (A/B)	10.09 %	9.80 %
Adjusted Tangible Capital Ratio (C/D)	12.19 %	12.03 %
Net Interest Income	\$ 52,875	\$ 47,416
Plus: Noninterest Income	10,928	12,612
Minus: Noninterest Expense	(32,763)	(30,705)
Pretax Pre-Provision Earnings	\$ 31,040	\$ 29,323

Adjusted core noninterest income, 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 insurance recoveries related to the 2023 wire fraud loss 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)	Three Months Ended	
	Mar. 31, 2025	Mar. 31, 2024
Noninterest Income	\$ 10,928	\$ 12,612
Less: Insurance Recovery	0	(1,000)
Adjusted Core Noninterest Income	<u>\$ 10,928</u>	<u>\$ 11,612</u>
Earnings Before Income Taxes	\$ 24,240	\$ 27,803
Adjusted Core Impact:		
Noninterest Income	0	(1,000)
Total Adjusted Core Impact	<u>0</u>	<u>(1,000)</u>
Adjusted Earnings Before Income Taxes	24,240	26,803
Tax Effect	<u>(4,155)</u>	<u>(4,153)</u>
Core Operational Profitability (1)	<u>\$ 20,085</u>	<u>\$ 22,650</u>
Diluted Earnings Per Common Share	\$ 0.78	\$ 0.91
Impact of Adjusted Core Items	0.00	(0.03)
Core Operational Diluted Earnings Per Common Share	<u>\$ 0.78</u>	<u>\$ 0.88</u>
Adjusted Core Efficiency Ratio	<u>51.35 %</u>	<u>52.02 %</u>

(1) Core operational profitability was \$751,000 lower than reported net income for the three months ended March 31, 2024.

Net Income

Net income was \$20.1 million in the first three months of 2025, which decreased \$3.3 million, or 14.2%, from \$23.4 million for the comparable period of 2024. Diluted income per common share was \$0.78 in the first three months of 2025, a decrease of 14.3% from \$0.91 in the comparable period of 2024. The decrease in net income for the first three months of 2025 was primarily due to an increase in the provision for credit losses of \$5.3 million, or 347.4%, an increase in noninterest expense of \$2.1 million, or 6.7%, and a decrease to noninterest income of \$1.7 million, or 13.4%. Offsetting these effects was an increase to net interest income of \$5.5 million, or 11.5%.

Net Interest Income

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

(fully tax equivalent basis, dollars in thousands)	Three Months Ended March 31,					
	2025			2024		
	Average Balance	Interest	Yield (1)/Rate	Average Balance	Interest	Yield (1)/Rate
Earning Assets						
Loans:						
Taxable (2)(3)	\$ 5,160,031	\$ 81,740	6.42 %	\$ 4,916,943	\$ 82,042	6.71 %
Tax exempt (1)	25,887	361	5.66	54,077	1,118	8.31
Investments:						
Securities (1)	1,136,404	8,338	2.98	1,158,503	8,035	2.79
Short-term investments	2,964	28	3.83	2,710	33	4.90
Interest bearing deposits	105,518	1,096	4.21	84,696	1,073	5.10
Total earning assets	\$ 6,430,804	\$ 91,563	5.77 %	\$ 6,216,929	\$ 92,301	5.97 %
Less: Allowance for credit losses	(87,477)			(72,433)		
Nonearning Assets						
Cash and due from banks	71,004			68,584		
Premises and equipment	60,523			57,883		
Other nonearning assets	288,116			283,505		
Total assets	\$ 6,762,970			\$ 6,554,468		
Interest Bearing Liabilities						
Savings deposits	\$ 283,888	\$ 42	0.06 %	\$ 295,650	\$ 49	0.07 %
Interest bearing checking accounts	3,486,447	28,075	3.27	3,046,958	30,365	4.01
Time deposits:						
In denominations under \$100,000	212,934	1,832	3.49	224,139	1,918	3.44
In denominations over \$100,000	633,112	6,509	4.17	789,581	8,832	4.50
Miscellaneous short-term borrowings	99,830	1,122	4.56	175,809	2,454	5.61
Long-term borrowings and subordinated debentures	254	0	0.00	—	—	0.00
Total interest bearing liabilities	\$ 4,716,465	\$ 37,580	3.23 %	\$ 4,532,137	\$ 43,618	3.87 %
Noninterest Bearing Liabilities						
Demand deposits	1,258,344			1,274,103		
Other liabilities	92,108			103,221		
Stockholders' Equity	696,053			645,007		
Total liabilities and stockholders' equity	\$ 6,762,970			\$ 6,554,468		
Interest Margin Recap						
Interest income/average earning assets		91,563	5.77 %		92,301	5.97 %
Interest expense/average earning assets		37,580	2.37		43,618	2.82
Net interest income and margin		\$ 53,983	3.40 %		\$ 48,683	3.15 %

- (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 for the three-month periods ended March 31, 2025 and March 31, 2024, respectively.
- (2) Loan fees, which are immaterial in relation to total taxable loan interest income for the three months ended March 31, 2025 and 2024, 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, increased \$5.3 million, or 10.9%, to \$54.0 million for the three months ended March 31, 2025, compared to \$48.7 million for the first three months of 2024. The increase in net interest income on a fully tax equivalent basis was driven by a decrease in deposit interest expense of \$4.7 million, or 11.4%, from \$41.2 million to \$36.5 million. Borrowings expense declined by \$1.3 million, or 54.3%. Securities interest income contributed further to the increase in fully tax equivalent net interest income, increasing by \$303,000, or 3.8%. A decline in loan interest income negatively impacted fully tax equivalent net interest income, decreasing \$1.1 million, or 1.3%, from \$83.2 million to \$82.1 million between the two periods.

Total average earning assets were \$6.431 billion for the three months ended March 31, 2025, an increase of \$213.9 million, or 3.4%, compared to \$6.217 billion for the three months ended March 31, 2024. Average loans outstanding drove the increase to total average earning assets, increasing \$214.9 million, or 4.3%, to \$5.186 billion from \$4.971 billion for the three months ended March 31, 2025 and 2024, respectively. Offsetting this increase was a decrease to average investment securities of \$22.1 million, or 1.9%, to \$1.136 billion from \$1.159 billion between the respective periods. Total average interest bearing liabilities were \$4.716 billion for the three months ended March 31, 2025, an increase of \$184.3 million, or 4.1%, from \$4.532 billion for the three months ended March 31, 2024. This increase was driven by increased interest bearing deposits of \$260.1 million, or 6.0%, from \$4.356 billion for the three months ended March 31, 2024 to \$4.616 billion for the three months ended March 31, 2025. Offsetting the increase to average interest bearing deposits was a decrease in total average borrowings of \$75.7 million, or 43.1%, to \$100.1 million from \$175.8 million for the three months ended March 31, 2025 and 2024, respectively. Noninterest bearing demand deposits decreased \$15.8 million, or 1.2%, to \$1.258 billion from \$1.274 billion between the two periods.

The tax equivalent net interest margin was 3.40% for the three months ended March 31, 2025, compared to 3.15% during the first three months of 2024, representing a 25 basis point expansion between the two periods. The net interest margin increase was primarily driven by a decrease to interest expense as a percentage of average earning assets, which decreased to 2.37% for the three months ended March 31, 2025, down from 2.82% for the comparable period of 2024, for a decrease of 45 basis points. This decline was attributable to a decrease in the rate for total interest bearing liabilities of 64 basis points from 3.87% to 3.23% between the respective periods. This decrease was driven by reduced costs associated with the repricing of the Company's interest bearing deposits as a result of monetary policy easing from the Federal Reserve Bank. The decrease in interest expense for interest bearing deposits was a result of a decrease in the average rate for interest bearing deposits of 60 basis points, from 3.80% to 3.20%. Offsetting the decrease in average rate was an increase in average interest bearing deposits of \$260.1 million, or 6.0%, from \$4.356 billion for the three months ended March 31, 2024 to \$4.616 billion for the three months ended March 31, 2025. The decline provided by the reduction in interest expense as a percentage of average earning assets was amplified further by reduced borrowings expense as compared to the prior year. The Company anticipates the cost of funds would continue to respond favorably to any further monetary policy easing by the Federal Reserve Bank. The improvement in interest expense as a percentage of average earning assets was offset by a 20 basis point decrease in interest income as a percentage of average earning assets, which declined from 5.97% to 5.77%. This decrease was attributable to a decline in average loan yields, which decreased 31 basis to 6.42% for the three months ended March 31, 2025, down from 6.73% for the comparable period of 2024. Offsetting the impact the decline in average yield had on interest income as a percentage of average earning assets was an increase in average loans of \$214.9 million, or 4.3%, to \$5.186 billion from \$4.971 billion between the respective periods. The Company expects that any continued easing of monetary policy by the Federal Reserve Bank, which commenced in September 2024, would exert downward pressure on loan yields as variable rate commercial loans reprice lower; however, this decline may be countered by further reductions in deposit pricing.

Provision for Credit Losses

The Company recorded provision for credit losses expense of \$6.8 million for the three months ended March 31, 2025, compared to provision expense of \$1.5 million during the comparable period of 2024, an increase of \$5.3 million, or 347.4%. Net charge-offs were \$327,000 during the three month period ended March 31, 2025, compared to \$312,000 during the comparable period of 2024, an increase of \$15,000, or 4.8%. The increase in provision expense between the respective periods was primarily attributable to an increase in the specific reserve allocation for the previously disclosed \$43.4 million nonperforming credit to an industrial company in Northern Indiana.

Additional factors considered by management included key loan quality metrics, reserve coverage of nonperforming loans, 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 months ended March 31, 2025 and 2024 are shown in the following tables:

(dollars in thousands)	Three Months Ended March 31,			
	2025	2024	Dollar Change	Percent Change
Wealth advisory fees	\$ 2,867	\$ 2,455	\$ 412	16.8 %
Investment brokerage fees	452	522	(70)	(13.4)
Service charges on deposit accounts	2,774	2,691	83	3.1
Loan and service fees	2,884	2,852	32	1.1
Merchant and interchange fee income	822	863	(41)	(4.8)
Bank owned life insurance income	322	1,036	(714)	(68.9)
Mortgage banking income (loss)	(51)	52	(103)	(198.1)
Net securities gains (losses)	0	(46)	46	100.0
Other income	858	2,187	(1,329)	(60.8)
Total noninterest income	\$ 10,928	\$ 12,612	\$ (1,684)	(13.4)%
Noninterest income to total revenue	17.13 %	21.01 %		

Noninterest income decreased \$1.7 million, or 13.4%, to \$10.9 million for the first quarter of 2025, compared to \$12.6 million for the first quarter of 2024. Adjusted core noninterest income, a non-GAAP financial measure that excludes the effect of the insurance recovery recorded during the first quarter of 2024, was \$11.6 million for the first quarter of 2024, a decrease of \$684,000, or 5.9%, compared to \$10.9 million for the first quarter of 2025. Wealth advisory fees increased \$412,000, or 16.8%, driven by growth in customers and assets under management. Deposit fees increased \$83,000, or 3.1%, driven primarily by growth in our treasury management services. Other income decreased \$1.3 million, or 60.8%. Other income during the first quarter of 2024 benefited from a \$1.0 million insurance recovery related to the wire fraud loss from 2023 and death benefits received from the Company's bank owned life insurance program. Bank owned life insurance income decreased \$714,000, or 68.9%, primarily due to a reduction in the market performance of the Company's variable bank owned life insurance policies, which are tied to the equity markets.

Noninterest Expense

Noninterest expense categories for the three months ended March 31, 2025 and 2024 are shown in the following tables:

(dollars in thousands)	Three Months Ended March 31,			
	2025	2024	Dollar Change	Percent Change
Salaries and employee benefits	\$ 17,902	\$ 16,833	\$ 1,069	6.4 %
Net occupancy expense	1,980	1,740	240	13.8
Equipment costs	1,382	1,412	(30)	(2.1)
Data processing fees and supplies	4,265	3,839	426	11.1
Corporate and business development	1,406	1,381	25	1.8
FDIC insurance and other regulatory fees	800	789	11	1.4
Professional fees	2,380	2,463	(83)	(3.4)
Other expense	2,648	2,248	400	17.8
Total noninterest expense	\$ 32,763	\$ 30,705	\$ 2,058	6.7 %
Efficiency ratio	51.35 %	51.15 %		

Noninterest expense increased \$2.1 million, or 6.7%, to \$32.8 million for the first quarter of 2025, compared to \$30.7 million during the first quarter of 2024. Salaries and benefits expense increased by \$1.1 million, or 6.4%, driven by performance-based incentive compensation expense of \$1.3 million and salary expense of \$524,000. These increases were offset by reduced deferred compensation expense of \$687,000, which moves in tandem with the market performance of the Company's variable bank owned life insurance. Data processing fees and supplies expense increased \$426,000, or 11.1%, from continued investment in customer-facing and operational technology solutions.

The Company's income tax expense decreased \$247,000, or 5.6%, to \$4.2 million in the three months ended March 31, 2025, compared to \$4.4 million for the same period in 2024. The effective tax rate was 17.1% in the three months ended March 31, 2025, compared to 15.8% for the comparable period of 2024, driven by a reduction in the tax benefit recognized from stock-based compensation vesting of shares for plan participants.

FINANCIAL CONDITION

Overview

Total assets were \$6.851 billion as of March 31, 2025 versus \$6.678 billion as of December 31, 2024, an increase of \$172.8 million, or 2.6%. Balance sheet expansion was driven by increases to total loans, net of the allowance for credit losses, which increased \$98.8 million, or 2.0%, cash and cash equivalents, which increased \$67.0 million, or 39.8%, and available-for-sale securities, which increased \$9.4 million, or 1.0%. Funding the balance sheet expansion between December 31, 2024 and March 31, 2025 were increases to total deposits, which increased \$59.2 million, or 1.0%, and total borrowings, which increased \$108.2 million. The increase in total deposits was driven by an increase in interest bearing deposits of \$59.8 million, or 1.3%, and was offset by a decrease in noninterest bearing deposits of \$549,000. Total equity increased \$10.6 million, or 1.5%, from \$683.9 million at December 31, 2024 to \$694.5 million at March 31, 2025. Retained earnings increased \$7.2 million, or 1.0%, as a result of net income of \$20.1 million but was reduced by dividends declared and paid of \$12.8 million.

Uses of Funds

Total Cash and Cash Equivalents

Total cash and cash equivalents increased by \$67.0 million, or 39.8%, to \$235.2 million at March 31, 2025, from \$168.2 million at December 31, 2024. Cash and cash equivalents include short-term investments. The fluctuation in cash and cash equivalents at March 31, 2025 was driven by an increase in cash and due from banks of \$17.6 million, or 24.5%, and an increase in interest bearing short-term investment accounts of \$49.4 million, or 51.2%.

Investment Portfolio

The amortized cost and the fair value of securities as of March 31, 2025 and December 31, 2024 were as follows:

(dollars in thousands)	March 31, 2025		December 31, 2024	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Available-for-Sale				
U.S government sponsored agencies	\$ 139,872	\$ 115,118	\$ 137,150	\$ 109,435
Mortgage-backed securities: residential	505,416	438,918	500,278	422,409
State and municipal securities	543,847	446,839	545,073	459,582
Total available-for-sale	\$ 1,189,135	\$ 1,000,875	\$ 1,182,501	\$ 991,426
Held-to-Maturity				
State and municipal securities	\$ 131,979	\$ 109,481	\$ 131,568	\$ 113,107
Total Investment Portfolio	\$ 1,321,114	\$ 1,110,356	\$ 1,314,069	\$ 1,104,533

At March 31, 2025 and December 31, 2024, 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.

Purchases of available-for-sale securities were \$22.2 million in the first three months of 2025. Investment securities represented 16.5% of total assets on March 31, 2025, compared to 16.8% of total assets on December 31, 2024. The Company anticipates receiving principal and interest cash flows of approximately \$82.3 million during the remainder of 2025 from the

investment securities portfolio and plans to use that liquidity to fund loan growth and to reinvest cash flows into the investment securities portfolio. Tax equivalent adjusted effective duration for the investment securities portfolio was 5.9 years at March 31, 2025 and 6.0 years at December 31, 2024. Tax equivalent adjusted effective duration of the portfolio remains elevated as compared to 4.0 years at December 31, 2019. Paydowns from prepayments and scheduled payments of \$14.7 million were received in the first three months of 2025, and the amortization of premiums, net of the accretion of discounts, was \$1.0 million. There were no sales of available-for-sale investment securities in the first three months of 2025. No allowance for credit losses was recognized for available-for-sale or held-to-maturity securities as of March 31, 2025 and December 31, 2024.

The fair value of the available-for-sale investment securities portfolio as of March 31, 2025 included net unrealized losses of \$188.3 million, compared to net unrealized losses of \$191.1 million as of December 31, 2024. Unrealized losses in the available-for-sale investment securities portfolio resulted from the declines in market values of the investment securities resulting from the rise in interest rates.

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 decreased by \$405,000, or 23.8%, to \$1.3 million at March 31, 2025, from \$1.7 million at December 31, 2024. 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 \$3.0 million in the first three months of 2025, compared to \$4.1 million in the first three months of 2024. Management expects the volume of loans originated for sale in the secondary market to increase if long-term interest rates decline from current levels. Demand for mortgage loans has been impacted by limited housing inventory and existing home owners 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 \$307.6 million and \$313.0 million, as of March 31, 2025 and December 31, 2024, respectively.

Loan Portfolio

The loan portfolio by portfolio segment as of March 31, 2025 and December 31, 2024 is summarized as follows:

(dollars in thousands)	March 31, 2025		December 31, 2024		Current Period Change
Commercial and industrial loans	\$ 1,523,570	29.2 %	\$ 1,450,865	28.3 %	\$ 72,705
Commercial real estate and multi-family residential loans	2,620,817	50.2	2,592,520	50.6	28,297
Agri-business and agricultural loans	383,771	7.3	387,396	7.6	(3,625)
Other commercial loans	94,927	1.8	95,584	1.9	(657)
Consumer 1-4 family mortgage loans	500,195	9.6	490,229	9.6	9,966
Other consumer loans	102,254	1.9	104,041	2.0	(1,787)
Subtotal, gross loans	5,225,534	100.0 %	5,120,635	100.0 %	104,899
Less: Allowance for credit losses	(92,433)		(85,960)		(6,473)
Net deferred loan fees	(2,313)		(2,687)		374
Loans, net	<u>\$ 5,130,788</u>		<u>\$ 5,031,988</u>		<u>\$ 98,800</u>

Total loans, excluding real estate mortgage loans held-for-sale and deferred fees, increased by \$98.8 million, or 2.0%, to \$5.131 billion at March 31, 2025 from \$5.032 billion at December 31, 2024. The increase was primarily driven by originations of loans concentrated in the commercial and industrial loans, commercial real estate and multi-family residential loans and consumer 1-4 family mortgage 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 March 31, 2025 and December 31, 2024:

(dollars in thousands)	March 31, 2025	December 31, 2024
Nonaccrual loans	\$ 57,392	\$ 56,431
Loans past due over 90 days and still accruing	7	28
Total nonperforming loans	57,399	56,459
Other real estate owned	284	284
Repossessions	193	143
Total nonperforming assets	\$ 57,876	\$ 56,886
Individually analyzed loans	\$ 81,346	\$ 78,647
Nonperforming loans to total loans	1.10 %	1.10 %
Nonperforming assets to total assets	0.84 %	0.85 %

Total nonperforming assets increased by \$1.0 million, or 1.7%, to \$57.9 million during the three month period ended March 31, 2025. The ratio of nonperforming assets to total assets decreased 1 basis point from 0.85% at December 31, 2024 to 0.84% at March 31, 2025.

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 \$2.7 million, or 3.4%, to \$81.3 million at March 31, 2025 from \$78.6 million at December 31, 2024. The increase to individually analyzed loans was primarily related to the downgrade of one commercial relationship to nonperforming status, and a working capital credit line increase for an unrelated relationship currently on performing status.

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 March 31, 2025, the allowance for credit losses was 1.77% of total loans, an increase of 9 basis points from 1.68% at December 31, 2024. At March 31, 2025, 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 \$100.6 million for this sector represented 1.9% of total loans at March 31, 2025. Additionally, commercial real estate loans secured by multi-family residential properties and secured by non-farm non-residential properties were approximately 214.0% of the Bank's risk-based capital at March 31, 2025.

As of March 31, 2025, based on management's review of the loan portfolio, the Company had 82 credit relationships with principal balances totaling \$215.6 million on the classified loan list versus 81 credit relationships with principal balances totaling \$211.1 million as of December 31, 2024. As of March 31, 2025, the Company had \$124.5 million of assets classified as Special Mention, \$47.7 million classified as Substandard, \$43.4 million classified as Doubtful and \$0 classified as Loss as compared to \$123.6 million, \$44.0 million, \$43.5 million and \$0, respectively, at December 31, 2024. Watch list loans as a percentage of total loans were 4.13% as of March 31, 2025 and December 31, 2024.

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 \$6.5 million, or 7.5%, from \$86.0 million at December 31, 2024 to \$92.4 million at March 31, 2025. The increase was a result of provision expense of \$6.8 million which was offset by net charge-offs of \$327,000. Provision expense recorded during the three months ended March 31, 2025 was primarily attributable an increase in the specific allocation for the previously disclosed \$43.3 million nonperforming credit to an industrial company in Northern Indiana. The remainder of the increase was attributable to the downgrade of an unrelated \$1.0 million unsecured credit to nonperforming status and to loan growth between the two periods. 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 March 31, 2025, the Company had access to \$3.519 billion in unused liquidity available from these aggregate sources as compared to \$3.681 billion at December 31, 2024.

The average daily deposits and borrowings together with average rates paid on those deposits and borrowings for the three months ended March 31, 2025 and 2024 are summarized in the following table:

(dollars in thousands)	Three months ended March 31,			
	2025		2024	
	Balance	Rate	Balance	Rate
Noninterest bearing demand deposits	\$ 1,258,344	0.00 %	\$ 1,274,103	0.00 %
Savings and transaction accounts:				
Savings deposits	283,888	0.06	295,650	0.07
Interest bearing demand deposits	3,486,447	3.27	3,046,958	4.01
Time deposits:				
Deposits of \$100,000 or more	633,112	4.17	789,581	4.50
Other time deposits	212,934	3.49	224,139	3.44
Total deposits	\$ 5,874,725	2.52 %	\$ 5,630,431	2.94 %
FHLB advances and other borrowings	100,084	4.54	175,809	5.61
Total funding sources	\$ 5,974,809	2.55 %	\$ 5,806,240	3.02 %

Average total deposits were \$5.875 billion for the three months ended March 31, 2025, an increase of \$244.3 million, or 4.3%, from the comparable period in 2024. Average total borrowings were \$100.1 million for the three months ended March 31, 2025, a decrease of \$75.7 million, or 43.1%, from the comparable period in 2024. Total average deposit costs decreased 42 basis points from 2.94% for the three months ended March 31, 2024, to 2.52% for the three months ended March 31, 2025. Total average borrowing costs decreased 107 basis points from 5.61% for the three months ended March 31, 2024 to 4.54% for the three months ended March 31, 2025. As a result, total funding costs decreased by 47 basis points from 3.02% for the three months ended March 31, 2024, to 2.55% for the three months ended March 31, 2025. The decrease in funding costs between the two periods was attributable to easing of monetary policy by the Federal Reserve Bank which allowed deposit costs to reprice to lower levels and reduced the borrowings average rates.

Deposits and Borrowings

As of March 31, 2025, total deposits increased by \$59.2 million, or 1.0%, from December 31, 2024. Core deposits, which excludes brokered deposits, decreased by \$24.6 million, or 0.4%, to \$5.835 billion as of March 31, 2025 from \$5.859 billion as of December 31, 2024. Total brokered deposits were \$125.4 million at March 31, 2025, compared to \$41.6 million at December 31, 2024, an increase of \$83.8 million, or 201.8%.

The following table summarizes deposit composition at March 31, 2025 and December 31, 2024:

(dollars in thousands)	March 31, 2025	Percentage of Total	December 31, 2024	Percentage of Total	Current Period Change
Retail	\$ 1,787,992	30.0 %	\$ 1,780,726	30.2 %	\$ 7,266
Commercial	2,336,910	39.2	2,269,049	38.4	67,861
Public funds	1,709,883	28.7	1,809,631	30.7	(99,748)
Core deposits	\$ 5,834,785	97.9 %	\$ 5,859,406	99.3 %	\$ (24,621)
Brokered deposits	125,409	2.1	41,560	0.7	83,849
Total deposits	\$ 5,960,194	100.0 %	\$ 5,900,966	100.0 %	\$ 59,228

On March 31, 2025, commercial deposits represented 39.2% of total deposits versus 38.4% at December 31, 2024. Retail deposits represented 30.0% at March 31, 2025 versus 30.2% at December 31, 2024. Public Funds deposits represented 28.7% at March 31, 2025 versus 30.7% at December 31, 2024. Brokered deposits represented 2.1% of total deposits at March 31, 2025 versus 0.7% at December 31, 2024. Commercial deposits expanded \$67.9 million, or 3.0%, from \$2.269 billion at December 31, 2024 to \$2.337 billion at March 31, 2025; retail deposits expanded \$7.3 million, or 0.4%, from \$1.781 billion at December 31, 2024 to \$1.788 billion at March 31, 2025; and public funds deposits contracted \$99.7 million, or 5.5%, from \$1.810 billion at December 31, 2024 to \$1.710 billion at March 31, 2025, due to seasonal activity.

Deposits not covered by FDIC deposit insurance were 57.2% as of March 31, 2025, versus 62.1% at December 31, 2024. Deposits not covered by FDIC deposit insurance or the Indiana Public Deposit Insurance Fund (which insures public fund deposits in Indiana), were 28.9% of total deposits as of March 31, 2025, versus 32.3% as of December 31, 2024. As of March 31, 2025 and December 31, 2024, 97.8% and 98.0% of deposit accounts had deposit balances less than \$250,000, respectively.

Capital

As of March 31, 2025, total stockholders' equity was \$694.5 million, an increase of \$10.6 million, or 1.5%, from \$683.9 million at December 31, 2024. The increase to total stockholders' equity was driven by net income of \$20.1 million and was reduced by dividends declared and paid of \$12.8 million and an increase of \$2.6 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 March 31, 2025, the Company's capital levels remained characterized as "well-capitalized".

The actual capital amounts and ratios of the Company and the Bank as of March 31, 2025 and December 31, 2024, are presented in the table below. Capital ratios for March 31, 2025 are preliminary until the Call Report and FR Y-9C are filed.

(dollars in thousands)	Actual		Minimum Required For Capital Adequacy Purposes		For Capital Adequacy Purposes Plus Capital Conservation Buffer		Minimum Required to Be Well Capitalized Under Prompt Corrective Action Regulations	
	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of March 31, 2025:								
Total Capital (to Risk Weighted Assets)								
Consolidated	\$ 927,157	15.77 %	\$ 470,433	8.00 %	\$ 617,443	N/A	N/A	N/A
Bank	\$ 920,327	15.66 %	\$ 470,090	8.00 %	\$ 616,993	10.50 %	\$ 587,613	10.00 %
Tier I Capital (to Risk Weighted Assets)								
Consolidated	\$ 853,328	14.51 %	\$ 352,825	6.00 %	\$ 499,835	N/A	N/A	N/A
Bank	\$ 846,552	14.41 %	\$ 352,568	6.00 %	\$ 499,471	8.50 %	\$ 470,090	8.00 %
Common Equity Tier 1 (CET1)								
Consolidated	\$ 853,328	14.51 %	\$ 264,618	4.50 %	\$ 411,629	N/A	N/A	N/A
Bank	\$ 846,552	14.41 %	\$ 264,426	4.50 %	\$ 411,329	7.00 %	\$ 381,948	6.50 %
Tier I Capital (to Average Assets)								
Consolidated	\$ 853,328	12.30 %	\$ 277,588	4.00 %	\$ 277,588	N/A	N/A	N/A
Bank	\$ 846,552	12.21 %	\$ 277,430	4.00 %	\$ 277,430	4.00 %	\$ 346,787	5.00 %
As of December 31, 2024:								
Total Capital (to Risk Weighted Assets)								
Consolidated	\$ 917,769	15.90 %	\$ 461,847	8.00 %	\$ 606,175	N/A	N/A	N/A
Bank	\$ 909,232	15.76 %	\$ 461,612	8.00 %	\$ 605,866	10.50 %	\$ 577,015	10.00 %
Tier I Capital (to Risk Weighted Assets)								
Consolidated	\$ 845,352	14.64 %	\$ 346,385	6.00 %	\$ 490,713	N/A	N/A	N/A
Bank	\$ 836,845	14.50 %	\$ 346,209	6.00 %	\$ 490,463	8.50 %	\$ 461,612	8.00 %
Common Equity Tier 1 (CET1)								
Consolidated	\$ 845,352	14.64 %	\$ 259,789	4.50 %	\$ 404,116	N/A	N/A	N/A
Bank	\$ 836,845	14.50 %	\$ 259,657	4.50 %	\$ 403,911	7.00 %	\$ 375,060	6.50 %
Tier I Capital (to Average Assets)								
Consolidated	\$ 845,352	12.15 %	\$ 278,369	4.00 %	\$ 278,369	N/A	N/A	N/A
Bank	\$ 836,845	12.03 %	\$ 278,240	4.00 %	\$ 278,240	4.00 %	\$ 347,800	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 trade, 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;
- risk of cybersecurity 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 effects of disruption and volatility in capital markets on the value of our investment portfolio;
- changes in the prices, values and sales volumes of residential real estate;
- changes in the scope and cost of FDIC insurance, the state of Indiana’s Public Deposit Insurance Fund and other coverages;
- the impact of litigation and other claims we may be subject to from time to time;
- 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;
- changes in accounting policies, rules and practices;
- 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; 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, 2024, 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 March 31, 2025. 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	\$ 234,924	\$ 227,082	\$ 231,453	\$ 233,729	\$ 234,477	\$ 234,760	\$ 234,975	\$ 234,987	\$ 234,959	\$ 234,653	\$ 234,249
Variance from Base		\$ (7,842)	\$ (3,471)	\$ (1,195)	\$ (447)	\$ (164)	\$ 51	\$ 63	\$ 35	\$ (271)	\$ (675)
Percent of change from Base		(3.34)%	(1.48)%	(0.51)%	(0.19)%	(0.07)%	0.02%	0.03%	0.01%	(0.12)%	(0.29)%

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 March 31, 2025. 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 March 31, 2025, 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 INFORMATIONItem 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, 2024. 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 8, 2025, the Company's board of directors reauthorized and extended a share repurchase program through April 30, 2027, 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 March 31, 2025.

The following table provides information as of March 31, 2025 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)
January 1 - 31	1,833	\$ 70.95	0	\$ 30,000,000
February 1 - 28	1,262	66.95	0	30,000,000
March 1 - 31	0	0.00	0	30,000,000
Total	3,095	\$ 69.32	0	\$ 30,000,000

- (a) The shares purchased during January and February 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 8, 2025, the maximum dollar value of shares that may be repurchased under the program is \$30 million.

Item 3. Defaults Upon Senior Securities

None

Item 4. Mine Safety Disclosures

N/A

Item 5. Other Information

During the three months ended March 31, 2025, 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.

Item 6. Exhibits

- 10.1 [Lakeland Financial Corporation 2025 Equity Incentive Plan, incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on April 9, 2025](#)
- 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 March 31, 2025 and December 31, 2024; (ii) Consolidated Statements of Income for the three months ended March 31, 2025 and March 31, 2024; (iii) Consolidated Statements of Comprehensive Income (Loss) for the three months ended March 31, 2025 and March 31, 2024; (iv) Consolidated Statements of Changes in Stockholders' Equity for the three months ended March 31, 2025 and March 31, 2024; (v) Consolidated Statements of Cash Flows for the three months ended March 31, 2025 and March 31, 2024; 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: April 30, 2025

/s/ David M. Findlay

David M. Findlay – Chairman and Chief Executive Officer

Date: April 30, 2025

/s/ Lisa M. O’Neill

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

Date: April 30, 2025

/s/ Brok A. Lahrman

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

I, David M. Findlay, Chairman and Chief Executive Officer of Lakeland Financial Corporation, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Lakeland Financial Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purpose in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting, and;
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 30, 2025

/s/ David M. Findlay
David M. Findlay
Chairman and Chief Executive Officer

I, Lisa M. O'Neill, Chief Financial Officer of Lakeland Financial Corporation, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Lakeland Financial Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purpose in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting, and;
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 30, 2025

/s/ Lisa M. O'Neill
Lisa M. O'Neill
Chief Financial Officer

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

In connection with the Quarterly Report of Lakeland Financial Corporation (the “Company”) on Form 10-Q for the period ending March 31, 2025 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, David M. Findlay, Chairman and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ David M. Findlay
David M. Findlay
Chairman and Chief Executive Officer
April 30, 2025

A signed original of this written statement required by Section 906 has been provided to Lakeland Financial Corporation and will be retained by Lakeland Financial Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

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

In connection with the Quarterly Report of Lakeland Financial Corporation (the “Company”) on Form 10-Q for the period ending March 31, 2025 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Lisa M. O’Neill, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Lisa M. O’Neill
Lisa M. O’Neill
Chief Financial Officer
April 30, 2025

A signed original of this written statement required by Section 906 has been provided to Lakeland Financial Corporation and will be retained by Lakeland Financial Corporation and furnished to the Securities and Exchange Commission or its staff upon request.