

REFINITIV

DELTA REPORT

10-Q

MSBI - MIDLAND STATES BANCORP, I
10-Q - MARCH 31, 2024 COMPARED TO 10-Q - SEPTEMBER 30, 2023

The following comparison report has been automatically generated

TOTAL DELTAS	1235
CHANGES	345
DELETIONS	453
ADDITIONS	437

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

FORM 10-Q

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

For the quarterly period ended **September 30, 2023** **March 31, 2024**

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

For the transition period from _____ to _____

Commission File Number 001-35272

MIDLAND STATES BANCORP, INC.

(Exact name of registrant as specified in its charter)

Illinois

(State of other jurisdiction of incorporation or organization)

37-1233196

(I.R.S. Employer Identification No.)

1201 Network Centre Drive

Effingham, IL

(Address of principal executive offices)

62401

(Zip Code)

(217) 342-7321

(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, \$0.01 par value	MSBI	The Nasdaq Stock Market LLC
Depository Shares, each representing a 1/40th interest in a share of 7.75% fixed rate reset non-cumulative perpetual preferred stock, Series A	MSBIP	The Nasdaq Stock Market LLC

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

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

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

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

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

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

As of **October 20, 2023** **April 26, 2024**, the Registrant had **21,538,434** **21,481,762** shares of outstanding common stock, \$0.01 par value.

MIDLAND STATES BANCORP, INC.

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GLOSSARY OF ABBREVIATIONS AND ACRONYMS

As used in this report, references to the "Company," "we," "our," "us," and similar terms refer to the consolidated entity consisting of Midland States Bancorp, Inc. and its wholly owned subsidiaries. Midland States Bancorp refers solely to the parent holding company and Midland States Bank (the "Bank") refers to our wholly owned banking subsidiary.

The acronyms and abbreviations identified below are used throughout this report, including the Notes to the Consolidated Financial Statements. You may find it helpful to refer to this page as you read this report.

2019 Incentive Plan	The Amended and Restated Midland States Bancorp, Inc. 2019 Long-Term Incentive Plan
ACL	Allowance for credit losses on loans
ASU	Accounting Standards Update
BaaS	Banking-as-a-Service
Basel III Rule	Basel III regulatory capital reforms required by the Dodd-Frank Act
BHCA	Bank Holding Company Act of 1956, as amended
CBLR	Community Bank Leverage Ratio
CFPB	Consumer Financial Protection Bureau
CISA	Cybersecurity and Infrastructure Security Agency
COVID	Coronavirus Disease
CRA	Community Reinvestment Act
CRA Proposal	Joint Proposal to Strengthen and Modernize Community Reinvestment Act Regulations
CRE	Commercial Real Estate
CRE Guidance	Concentrations in Commercial Real Estate Lending, Sound Risk Management Practices guidance
DFPR	Illinois Department of Financial and Professional Regulation
DIF	Deposit Insurance Fund
EAD	Exposure at default
Exchange Act	Securities Exchange Act of 1934
FASB	Financial Accounting Standards Board
FDIC	Federal Deposit Insurance Corporation
Federal Reserve	Board of Governors of the Federal Reserve System
FHA	Federal Housing Administration
FHLB	Federal Home Loan Bank
FinTech	Financial Technology
FRB	Federal Reserve Bank
GAAP	U.S. generally accepted accounting principles
Greensky	GreenSky, LLC
Illinois CRA	Illinois Community Reinvestment Act
LendingPoint	LendingPoint, LLC
LGD	Loss given default
LIBOR	London Inter-Bank Offered Rate
Midland Trust	Midland States Preferred Securities Trust
Nasdaq	Nasdaq Global Select Market
NII at Risk	Net Interest Income at Risk
OREO	Other real estate owned
PCAOB	Public Company Accounting Oversight Board
PCD	Purchased credit deteriorated
PD	Probability of default
Q-Factor	Qualitative factor
Regulatory Relief Act	Economic Growth, Regulatory Relief and Consumer Protection Act
SBA	Small Business Administration
SEC	U.S. Securities and Exchange Commission
SOFR	Secured Overnight Financing Rate
Treasury	U.S. Department of the Treasury
TDR	Troubled debt restructuring

PART I – FINANCIAL INFORMATION

ITEM 1 – FINANCIAL STATEMENTS

MIDLAND STATES BANCORP, INC.
CONSOLIDATED BALANCE SHEETS
(dollars in thousands, except per share data)

		September 30, 2023		December 31, 2022	
		<u>(unaudited)</u>			
		March 31, 2024			
		March 31, 2024			
		March 31, 2024			
		<u>(unaudited)</u>			
		<u>(unaudited)</u>			
		<u>(unaudited)</u>			
		Assets			
		Assets			
Assets	Assets				
Cash and due from banks	Cash and due from banks	\$	131,179	\$	153,345
Cash and due from banks					
Cash and due from banks					
Federal funds sold					
Federal funds sold					
Federal funds sold	Federal funds sold		953		7,286
Cash and cash equivalents	Cash and cash equivalents		132,132		160,631
Cash and cash equivalents					
Cash and cash equivalents					
Investment securities available for sale, at fair value					
Investment securities available for sale, at fair value					
Investment securities available for sale, at fair value	Investment securities available for sale, at fair value		835,009		768,234
Equity securities, at fair value	Equity securities, at fair value		4,335		8,626
Equity securities, at fair value					
Equity securities, at fair value					
Loans					
Loans					
Loans	Loans		6,280,883		6,306,467
Allowance for credit losses on loans	Allowance for credit losses on loans		(66,669)		(61,051)
Allowance for credit losses on loans					
Allowance for credit losses on loans					
Total loans, net					
Total loans, net					
Total loans, net	Total loans, net		6,214,214		6,245,416
Loans held for sale	Loans held for sale		6,089		1,286
Loans held for sale					
Loans held for sale					
Premises and equipment, net					
Premises and equipment, net					
Premises and equipment, net	Premises and equipment, net		82,741		78,293
Other real estate owned	Other real estate owned		480		6,729
Other real estate owned					
Other real estate owned					

Nonmarketable equity securities			
Nonmarketable equity securities			
Nonmarketable equity securities	Nonmarketable equity securities	45,211	46,201
Accrued interest receivable	Accrued interest receivable	24,283	20,313
Accrued interest receivable			
Accrued interest receivable			
Loan servicing rights, at lower of cost or fair value	Loan servicing rights, at lower of cost or fair value	20,933	1,205
Commercial FHA mortgage loan servicing rights held for sale		—	20,745
Loan servicing rights, at lower of cost or fair value			
Loan servicing rights, at lower of cost or fair value			
Goodwill			
Goodwill			
Goodwill	Goodwill	161,904	161,904
Other intangible assets, net	Other intangible assets, net	17,238	20,866
Other intangible assets, net			
Other intangible assets, net			
Company-owned life insurance			
Company-owned life insurance			
Company-owned life insurance	Company-owned life insurance	208,390	150,443
Other assets	Other assets	222,966	164,609
Other assets			
Other assets			
Total assets			
Total assets			
Total assets	Total assets	\$ 7,975,925	\$ 7,855,501
Liabilities and Shareholders' Equity	Liabilities and Shareholders' Equity		
Liabilities and Shareholders' Equity			
Liabilities and Shareholders' Equity			
Liabilities:			
Liabilities:			
Liabilities:			
Deposits:	Deposits:		
Deposits:			
Deposits:			
Noninterest-bearing demand deposits			
Noninterest-bearing demand deposits			
Noninterest-bearing demand deposits	Noninterest-bearing demand deposits	\$ 1,154,515	\$ 1,362,158
Interest-bearing deposits	Interest-bearing deposits	5,250,487	5,002,494
Interest-bearing deposits			
Interest-bearing deposits			
Total deposits			
Total deposits			
Total deposits	Total deposits	6,405,002	6,364,652
Short-term borrowings	Short-term borrowings	17,998	42,311
Short-term borrowings			
Short-term borrowings			
Federal Home Loan Bank advances and other borrowings			
Federal Home Loan Bank advances and other borrowings			

Federal Home Loan Bank	Federal Home Loan Bank		
advances and other borrowings	advances and other borrowings	538,000	460,000
Subordinated debt	Subordinated debt	93,475	99,772
Subordinated debt			
Subordinated debt			
Trust preferred debentures			
Trust preferred debentures			
Trust preferred debentures	Trust preferred debentures	50,457	49,975
Accrued interest payable and other liabilities	Accrued interest payable and other liabilities	106,743	80,217
Accrued interest payable and other liabilities			
Accrued interest payable and other liabilities			
Total liabilities			
Total liabilities			
Total liabilities	Total liabilities	7,211,675	7,096,927
Shareholders' Equity:	Shareholders' Equity:		
Preferred stock, \$2.00 par value; 4,000,000 shares authorized; 115,000 Series A shares, \$1,000 per share liquidation preference, issued and outstanding at September 30, 2023 and December 31, 2022, respectively		110,548	110,548
Common stock, \$0.01 par value; 40,000,000 shares authorized; 21,594,546 and 22,214,913 shares issued and outstanding at September 30, 2023 and December 31, 2022, respectively		216	222
Shareholders' Equity:			
Shareholders' Equity:			
Preferred stock, \$2.00 par value; 4,000,000 shares authorized; 115,000 Series A shares, \$1,000 per share liquidation preference, issued and outstanding at March 31, 2024 and December 31, 2023, respectively			
Preferred stock, \$2.00 par value; 4,000,000 shares authorized; 115,000 Series A shares, \$1,000 per share liquidation preference, issued and outstanding at March 31, 2024 and December 31, 2023, respectively			
Preferred stock, \$2.00 par value; 4,000,000 shares authorized; 115,000 Series A shares, \$1,000 per share liquidation preference, issued and outstanding at March 31, 2024 and December 31, 2023, respectively			
Common stock, \$0.01 par value; 40,000,000 shares authorized; 21,485,231 and 21,551,402 shares issued and outstanding at March 31, 2024 and December 31, 2023, respectively			
Common stock, \$0.01 par value; 40,000,000 shares authorized; 21,485,231 and 21,551,402 shares issued and outstanding at March 31, 2024 and December 31, 2023, respectively			
Common stock, \$0.01 par value; 40,000,000 shares authorized; 21,485,231 and 21,551,402 shares issued and outstanding at March 31, 2024 and December 31, 2023, respectively			
Capital surplus			
Capital surplus			
Capital surplus	Capital surplus	437,566	449,196
Retained earnings	Retained earnings	317,101	282,405
Retained earnings			
Retained earnings			
Accumulated other comprehensive loss, net of tax			
Accumulated other comprehensive loss, net of tax			
Accumulated other comprehensive loss, net of tax	Accumulated other comprehensive loss, net of tax	(101,181)	(83,797)
Total shareholders' equity	Total shareholders' equity	764,250	758,574
Total shareholders' equity			
Total shareholders' equity			
Total liabilities and shareholders' equity	Total liabilities and shareholders' equity	\$ 7,975,925	\$ 7,855,501
Total liabilities and shareholders' equity			

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

MIDLAND STATES BANCORP, INC.
CONSOLIDATED STATEMENTS OF INCOME — (UNAUDITED)
(dollars in thousands, except per share data)

	Three Months Ended March 31,
	Three Months Ended March 31,
	Three Months Ended March 31,
	2024
	2024
	2024
Interest income:	
Interest income:	
Interest income:	
Loans including fees:	
Loans including fees:	
Loans including fees:	
Taxable	
Taxable	
Taxable	
Tax exempt	
Tax exempt	
Tax exempt	
Loans held for sale	
Loans held for sale	
Loans held for sale	
Investment securities:	
Investment securities:	
Investment securities:	
Taxable	
Taxable	
Taxable	
Tax exempt	
Tax exempt	
Tax exempt	
Nonmarketable equity securities	
Nonmarketable equity securities	
Nonmarketable equity securities	
Federal funds sold and cash investments	
Federal funds sold and cash investments	
Federal funds sold and cash investments	
Total interest income	
Total interest income	
Total interest income	
Interest expense:	
Interest expense:	
Interest expense:	
Deposits	
Deposits	

Deposits					
Short-term borrowings					
Short-term borrowings					
Short-term borrowings					
Federal Home Loan Bank advances and other borrowings					
Federal Home Loan Bank advances and other borrowings					
Federal Home Loan Bank advances and other borrowings					
Subordinated debt					
Subordinated debt					
Subordinated debt					
Trust preferred debentures					
Trust preferred debentures					
Trust preferred debentures					
Total interest expense					
Total interest expense					
Total interest expense					
Net interest income					
Net interest income					
Net interest income					
Provision for credit losses on loans					
Provision for credit losses on loans					
Provision for credit losses on loans					

Total provision for credit losses		5,168	6,974	14,182	16,582
Net interest income after provision for credit losses					
Net interest income after provision for credit losses					
Net interest income after provision for credit losses	Net interest income after provision for credit losses	53,428	57,050	163,758	165,603
Noninterest income:					
Noninterest income:					
Noninterest income:					
Wealth management revenue	Wealth management revenue	6,288	6,199	18,968	19,481
Residential mortgage banking revenue		507	210	1,452	1,193
Wealth management revenue					
Wealth management revenue					
Service charges on deposit accounts					
Service charges on deposit accounts					
Service charges on deposit accounts	Service charges on deposit accounts	3,149	2,783	8,744	7,544
Interchange revenue	Interchange revenue	3,609	3,531	10,717	10,401
Interchange revenue					
Interchange revenue					
Residential mortgage banking revenue					
Residential mortgage banking revenue					
Residential mortgage banking revenue					
Income on company-owned life insurance					
Income on company-owned life insurance					
Income on company-owned life insurance					
Loss on sales of investment securities, net					
Loss on sales of investment securities, net					
Loss on sales of investment securities, net	Loss on sales of investment securities, net	(4,961)	(129)	(6,478)	(230)
Impairment on commercial mortgage servicing rights		—	—	—	(1,263)
Company-owned life insurance		7,558	929	9,325	2,788
Other income					
Other income					
Other income	Other income	2,035	2,303	9,989	6,138
Total noninterest income	Total noninterest income	18,185	15,826	52,717	46,052
Total noninterest income					
Total noninterest income					
Noninterest expense:					
Noninterest expense:					
Noninterest expense:	Noninterest expense:				
Salaries and employee benefits	Salaries and employee benefits	22,307	22,889	69,407	67,404
Salaries and employee benefits					
Salaries and employee benefits					
Occupancy and equipment					
Occupancy and equipment					
Occupancy and equipment	Occupancy and equipment	3,730	3,850	12,052	11,094

Data processing	Data processing	6,468	6,093	19,323	18,048
Data processing					
Data processing					
FDIC insurance	FDIC insurance	1,107	977	3,632	2,633
Professional		1,554	1,693	4,977	5,181
FDIC insurance					
FDIC insurance					
Professional services					
Professional services					
Professional services					
Marketing					
Marketing					
Marketing	Marketing	950	1,026	2,323	2,447
Communications	Communications	507	587	1,514	1,934
Communications					
Communications					
Loan expense	Loan expense	866	1,137	3,104	3,379
Loan expense					
Loan expense					
Amortization of intangible assets					
Amortization of intangible assets					
Amortization of intangible assets	Amortization of intangible assets	1,129	1,361	3,628	4,077
Other expense	Other expense	3,420	3,883	9,454	9,522
Other expense					
Other expense					
Total noninterest expense					
Total noninterest expense					
Total noninterest expense	Total noninterest expense	42,038	43,496	129,414	125,719
Income before income taxes	Income before income taxes	29,575	29,380	87,061	85,936
Income before income taxes					
Income before income taxes					
Income taxes					
Income taxes					
Income taxes	Income taxes	11,533	5,859	25,672	19,783
Net income	Net income	18,042	23,521	61,389	66,153
Net income					
Net income					
Preferred dividends					
Preferred dividends					
Preferred dividends	Preferred dividends	2,229	—	6,685	—
Net income available to common shareholders	Net income available to common shareholders	\$ 15,813	\$ 23,521	\$ 54,704	\$ 66,153
Net income available to common shareholders					
Net income available to common shareholders					
Per common share data:					
Per common share data:					
Per common share data:	Per common share data:				
Basic earnings per common share	Basic earnings per common share	\$ 0.71	\$ 1.04	\$ 2.43	\$ 2.93

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

Recapture of credit loss expense		—	—	—	(221)
Reclassification adjustment for realized net losses on sales of investment securities included in net income					
Reclassification adjustment for realized net losses on sales of investment securities included in net income	Reclassification adjustment for realized net losses on sales of investment securities included in net income	4,961	129	6,478	230
Income tax effect	Income tax effect	6,032	8,134	6,340	31,111
Income tax effect					
Income tax effect					
Change in investment securities available for sale, net of tax					
Change in investment securities available for sale, net of tax					
Change in investment securities available for sale, net of tax	Change in investment securities available for sale, net of tax	(16,312)	(23,501)	(17,143)	(84,079)
Cash flow hedges:	Cash flow hedges:				
Net unrealized derivative (losses) gains on cash flow hedges		(205)	(2,501)	(330)	594
Cash flow hedges:					
Cash flow hedges:					
Net unrealized derivative gains on cash flow hedges					
Net unrealized derivative gains on cash flow hedges					
Net unrealized derivative gains on cash flow hedges					
Income tax effect					
Income tax effect					
Income tax effect	Income tax effect	55	716	89	(135)
Change in cash flow hedges, net of tax	Change in cash flow hedges, net of tax	(150)	(1,785)	(241)	459
Other comprehensive loss, net of tax		(16,462)	(25,286)	(17,384)	(83,620)
Total comprehensive income (loss)		\$ 1,580	\$ (1,765)	\$ 44,005	\$ (17,467)
Change in cash flow hedges, net of tax					
Change in cash flow hedges, net of tax					
Other comprehensive (loss) income, net of tax					
Other comprehensive (loss) income, net of tax					
Other comprehensive (loss) income, net of tax					
Total comprehensive income					
Total comprehensive income					
Total comprehensive income					

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

MIDLAND STATES BANCORP, INC.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY — (UNAUDITED)
(dollars in thousands, except per share data)

		Common stock	Capital surplus	Retained earnings	Accumulated other comprehensive (loss) income	Total shareholders' equity
Preferred stock	Preferred stock					

		Accumulated					
		Preferred	Common	Capital	Retained	other comprehensive	Total
		stock	stock	surplus	earnings	(loss) income	shareholders' equity
Balances, June 30, 2023		\$110,548	\$ 218	\$442,886	\$307,888	\$ (84,719)	\$ 776,821
Balances, December 31, 2023							
Balances, December 31, 2023							
Balances, December 31, 2023							
Net income	Net income	—	—	—	18,042	—	18,042
Other comprehensive loss	Other comprehensive loss	—	—	—	—	(16,462)	(16,462)
Common dividends declared (\$0.30 per share)		—	—	—	(6,600)	—	(6,600)
Common dividends declared (\$0.31 per share)							
Common dividends declared (\$0.31 per share)							
Common dividends declared (\$0.31 per share)							
Preferred dividends declared (\$19.375 per share)	Preferred dividends declared (\$19.375 per share)	—	—	—	(2,229)	—	(2,229)
Common stock repurchased	Common stock repurchased	—	(3)	(6,055)	—	—	(6,058)
Share-based compensation expense	Share-based compensation expense	—	—	604	—	—	604
Issuance of common stock under employee benefit plans	Issuance of common stock under employee benefit plans	—	1	131	—	—	132
Balances, September 30, 2023		\$110,548	\$ 216	\$437,566	\$317,101	\$ (101,181)	\$ 764,250
Balances, March 31, 2024							
Balances, December 31, 2022	Balances, December 31, 2022	\$110,548	\$ 222	\$449,196	\$282,405	\$ (83,797)	\$ 758,574
Balances, December 31, 2022							
Balances, December 31, 2022							
Net income	Net income	—	—	—	61,389	—	61,389
Other comprehensive loss		—	—	—	—	(17,384)	(17,384)
Other comprehensive income							
Common dividends declared (\$0.90 per share)		—	—	—	(20,008)	—	(20,008)
Preferred dividends declared (\$58.125 per share)		—	—	—	(6,685)	—	(6,685)
Common dividends declared (\$0.30 per share)							
Common dividends declared (\$0.30 per share)							
Common dividends declared (\$0.30 per share)							
Preferred dividends declared (\$19.375 per share)							

Common stock repurchased	Common stock repurchased	—	(7)	(15,018)	—	—	(15,025)
Share-based compensation expense	Share-based compensation expense	—	—	1,796	—	—	1,796
Issuance of common stock under employee benefit plans	Issuance of common stock under employee benefit plans	—	1	1,592	—	—	1,593
Balances, September 30, 2023		\$ 110,548	\$ 216	\$ 437,566	\$ 317,101	\$ (101,181)	\$ 764,250
Balances, June 30, 2022		\$ —	\$ 221	\$ 446,894	\$ 242,170	\$ (53,097)	\$ 636,188
Net income		—	—	—	23,521	—	23,521
Other comprehensive loss		—	—	—	—	(25,286)	(25,286)
Issuance of preferred stock, net of offering costs		110,548	—	—	—	—	110,548
Common dividends declared (\$0.29 per share)		—	—	—	(6,470)	—	(6,470)
Share-based compensation expense		—	—	501	—	—	501
Issuance of common stock under employee benefit plans		—	—	277	—	—	277
Balances, September 30, 2022		\$ 110,548	\$ 221	\$ 447,672	\$ 259,221	\$ (78,383)	\$ 739,279
Balances, December 31, 2021		\$ —	\$ 221	\$ 445,907	\$ 212,472	\$ 5,237	\$ 663,837
Balances, March 31, 2023							
Net income		—	—	—	66,153	—	66,153
Other comprehensive loss		—	—	—	—	(83,620)	(83,620)
Issuance of preferred stock, net of offering costs		110,548	—	—	—	—	110,548
Common dividends declared (\$0.87 per share)		—	—	—	(19,404)	—	(19,404)
Common stock repurchased		—	(1)	(1,108)	—	—	(1,109)
Share-based compensation expense		—	—	1,547	—	—	1,547
Issuance of common stock under employee benefit plans		—	1	1,326	—	—	1,327
Balances, September 30, 2022		\$ 110,548	\$ 221	\$ 447,672	\$ 259,221	\$ (78,383)	\$ 739,279

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

MIDLAND STATES BANCORP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS — (UNAUDITED)
(dollars in thousands)

		Three Months Ended March 31,
		Three Months Ended March 31,
		Three Months Ended March 31,
	2024	
Cash flows from operating activities:		
Cash flows from operating activities:		
Cash flows from operating activities:		
Net income		
Net income		
Net income		

Adjustments to reconcile net income to net cash provided by operating activities:					
Adjustments to reconcile net income to net cash provided by operating activities:					
Adjustments to reconcile net income to net cash provided by operating activities:					
Provision for credit losses on loans					
Provision for credit losses on loans					
Provision for credit losses on loans					
Depreciation on premises and equipment					
Depreciation on premises and equipment					
Depreciation on premises and equipment					
Amortization of intangible assets					
Amortization of intangible assets					
Amortization of intangible assets					
Amortization of operating lease right-of-use asset					
Amortization of operating lease right-of-use asset					
Amortization of operating lease right-of-use asset					
Amortization of loan servicing rights					
Amortization of loan servicing rights					
Amortization of loan servicing rights					
Share-based compensation expense					
Share-based compensation expense					
Share-based compensation expense					
Increase in cash surrender value of life insurance					
Increase in cash surrender value of life insurance					
Increase in cash surrender value of life insurance					
Investment securities accretion, net					
Investment securities accretion, net					
Investment securities accretion, net					
Loss on sales of investment securities, net					
Loss on sales of investment securities, net					
Loss on sales of investment securities, net					
Gain on sales of other real estate owned					
Gain on sales of other real estate owned					
Gain on sales of other real estate owned					
Origination of loans held for sale					
Origination of loans held for sale					
Origination of loans held for sale					
Proceeds from sales of loans held for sale					
Proceeds from sales of loans held for sale					
Proceeds from sales of loans held for sale					
Gain on sale of loans held for sale					
Gain on sale of loans held for sale					
Gain on sale of loans held for sale					

Provision for credit losses	14,182	16,582
Depreciation on premises and equipment	3,567	3,665
Amortization of intangible assets	3,628	4,077
Amortization of operating lease right-of-use asset	1,241	1,373
Amortization of loan servicing rights	861	2,202
Share-based compensation expense	1,796	1,547
Increase in cash surrender value of life insurance	(9,325)	(2,524)
Gain on proceeds from company-owned life insurance	—	(264)
Investment securities (accretion) amortization, net	(1,424)	1,923
Net change in operating assets and liabilities:		
Loss on sales of investment securities, net	6,478	230
Gain on repurchase of subordinated debt	(676)	—
(Loss) gain on sales of other real estate owned	(819)	131
Impairment on other real estate owned	—	743
Origination of loans held for sale	(45,690)	(123,602)
Proceeds from sales of loans held for sale	65,291	252,078
Gain on sale of loans held for sale	(1,712)	(1,035)
Impairment on commercial mortgage servicing rights	—	1,263
Net change in operating assets and liabilities:		
Net change in operating assets and liabilities:	Net change in operating assets and liabilities:	
Accrued interest receivable	Accrued interest receivable	(3,970) 1,969
Accrued interest receivable		
Accrued interest receivable		
Other assets		
Other assets		
Other assets	Other assets	(58,408) (37,032)
Accrued expenses and other liabilities	Accrued expenses and other liabilities	30,874 16,593
Accrued expenses and other liabilities		
Accrued expenses and other liabilities		
Net cash provided by operating activities		
Net cash provided by operating activities		
Net cash provided by operating activities	Net cash provided by operating activities	67,283 206,072
Cash flows from investing activities:	Cash flows from investing activities:	
Cash flows from investing activities:		
Cash flows from investing activities:		
Purchases of investment securities available for sale		
Purchases of investment securities available for sale		
Purchases of investment securities available for sale	Purchases of investment securities available for sale	(305,021) (100,115)
Proceeds from sales of investment securities available for sale	Proceeds from sales of investment securities available for sale	165,871 136,403
Proceeds from sales of investment securities available for sale		
Proceeds from sales of investment securities available for sale		
Maturities and payments on investment securities available for sale		
Maturities and payments on investment securities available for sale		
Maturities and payments on investment securities available for sale	Maturities and payments on investment securities available for sale	43,838 71,305

Purchases of equity securities	Purchases of equity securities	(244)	(441)
Proceeds from sales of equity securities		5,148	—
Net increase in loans		(6,195)	(1,065,192)
Purchases of equity securities			
Purchases of equity securities			
Net decrease (increase) in loans			
Net decrease (increase) in loans			
Net decrease (increase) in loans			
Purchases of premises and equipment			
Purchases of premises and equipment			
Purchases of premises and equipment	Purchases of premises and equipment	(7,064)	(2,088)
Proceeds from sale of premises and equipment	Proceeds from sale of premises and equipment	104	158
Proceeds from sale of premises and equipment			
Proceeds from sale of premises and equipment			
Purchases of nonmarketable equity securities	Purchases of nonmarketable equity securities	(157,382)	(6,360)
Purchases of nonmarketable equity securities			
Purchases of nonmarketable equity securities			
Proceeds from redemptions of nonmarketable equity securities			
Proceeds from redemptions of nonmarketable equity securities			
Proceeds from redemptions of nonmarketable equity securities	Proceeds from redemptions of nonmarketable equity securities	158,372	3,005
Proceeds from sales of other real estate owned	Proceeds from sales of other real estate owned	7,346	561
(Purchases of) proceeds from company-owned life insurance, net		(48,622)	1,518
Net cash acquired in acquisitions		—	60,275
Net cash used in investing activities		(143,849)	(900,971)
Proceeds from sales of other real estate owned			
Proceeds from sales of other real estate owned			
Net cash provided by (used in) investing activities			
Net cash provided by (used in) investing activities			
Net cash provided by (used in) investing activities			
Cash flows from financing activities:			
Cash flows from financing activities:			
Cash flows from financing activities:	Cash flows from financing activities:		
Net increase in deposits	Net increase in deposits	40,350	204,810
Net decrease in short-term borrowings		(24,313)	(18,285)
Proceeds from FHLB borrowings		15,996,000	1,900,000
Payments made on FHLB borrowings and other borrowings		(15,918,000)	(1,850,000)
Net increase in deposits			
Net increase in deposits			
Net increase (decrease) in short-term borrowings			
Net increase (decrease) in short-term borrowings			
Net increase (decrease) in short-term borrowings			
Net (decrease) increase in short-term FHLB borrowings			
Net (decrease) increase in short-term FHLB borrowings			
Net (decrease) increase in short-term FHLB borrowings			
Proceeds from long-term FHLB borrowings			
Proceeds from long-term FHLB borrowings			

Proceeds from long-term FHLB borrowings			
Payments made on long-term FHLB borrowings			
Payments made on long-term FHLB borrowings			
Payments made on long-term FHLB borrowings			
Payments made on subordinated debt		(5,845)	—
Proceeds from issuance of preferred stock		—	110,548
Cash dividends paid on preferred stock			
Cash dividends paid on preferred stock			
Cash dividends paid on preferred stock	Cash dividends paid on preferred stock	(6,685)	—
Cash dividends paid on common stock	Cash dividends paid on common stock	(20,008)	(19,404)
Redemption of Series G preferred stock		—	(171)
Cash dividends paid on common stock			
Cash dividends paid on common stock			
Common stock repurchased			
Common stock repurchased			
Common stock repurchased	Common stock repurchased	(15,025)	(1,109)
Proceeds from issuance of common stock under employee benefit plans	Proceeds from issuance of common stock under employee benefit plans	1,593	1,327
Net cash provided by financing activities		48,067	327,716
Net decrease in cash and cash equivalents		(28,499)	(367,183)
Proceeds from issuance of common stock under employee benefit plans			
Proceeds from issuance of common stock under employee benefit plans			
Net cash (used in) provided by financing activities			
Net cash (used in) provided by financing activities			
Net cash (used in) provided by financing activities			
Net increase (decrease) in cash and cash equivalents			
Net increase (decrease) in cash and cash equivalents			
Net increase (decrease) in cash and cash equivalents			
Cash and cash equivalents:			
Cash and cash equivalents:			
Cash and cash equivalents:	Cash and cash equivalents:		
Beginning of period	Beginning of period	160,631	680,371
Beginning of period			
Beginning of period			
End of period			
End of period			
End of period	End of period	\$ 132,132	\$ 313,188
Supplemental disclosures of cash flow information:	Supplemental disclosures of cash flow information:		
Supplemental disclosures of cash flow information:			
Supplemental disclosures of cash flow information:			
Cash payments for:			
Cash payments for:			
Cash payments for:	Cash payments for:		
Interest paid on deposits and borrowed funds	Interest paid on deposits and borrowed funds	\$ 114,011	\$ 29,449
Interest paid on deposits and borrowed funds			

Interest paid on deposits and borrowed funds		
Income tax paid (net of refunds)		
Income tax paid (net of refunds)		
Income tax paid (net of refunds)	Income tax paid (net of refunds)	22,014
Supplemental disclosures of noncash investing and financing activities:	Supplemental disclosures of noncash investing and financing activities:	
Transfer of loans to loans held for sale	—	99,505
Supplemental disclosures of noncash investing and financing activities:		
Supplemental disclosures of noncash investing and financing activities:		
Transfer of loans to other real estate owned	Transfer of loans to other real estate owned	517
Transfer of loans to other real estate owned		
Transfer of loans to other real estate owned		
Right of use assets obtained in exchange for lease obligations		
Right of use assets obtained in exchange for lease obligations		
Right of use assets obtained in exchange for lease obligations	Right of use assets obtained in exchange for lease obligations	502
Transfer of loan servicing rights, at lower of cost or market to loan servicing rights held for sale	—	23,995
Transfer of loan servicing rights held for sale to loan servicing rights, at lower of cost or market	20,745	—

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

MIDLAND STATES BANCORP, INC.

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NOTE 1 – BUSINESS DESCRIPTION SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Midland States Bancorp, Inc. (the “Company,” “we,” “our,” or “us”) is a diversified financial holding company headquartered in Effingham, Illinois. Our wholly owned banking subsidiary, Midland States Bank, (the “Bank”), has branches across Illinois and in Missouri, and provides a full range of commercial and consumer banking products and services, business equipment financing, merchant credit card services, trust and investment management services, and insurance and financial planning services.

Our principal business activity has been lending to and accepting deposits from individuals, businesses, municipalities and other entities. We have derived income principally from interest charged on loans and, to a lesser extent, from interest and dividends earned on investment securities. We have also derived income from noninterest sources, such as: fees received in connection with various lending and deposit services; wealth management services; commercial Federal Housing Administration (“FHA”) mortgage loan servicing; residential mortgage loan originations, sales and servicing; and, from time to time, gains on sales of assets. Our principal expenses include interest expense on deposits and borrowings, operating expenses, such as salaries and employee benefits, occupancy and equipment expenses, data processing costs, professional fees and other noninterest expenses, provisions for credit losses and income tax expense.

NOTE 2 – BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in GAAP and guidance provided by the United States of America (“GAAP”) and conform to predominant practices within SEC for interim financial information. Accordingly, the banking industry. Management condensed financial statements do not include all of the Company has made a number information and footnotes required by GAAP for completed financial statements. The preparation of estimates and assumptions related to the reporting of assets and liabilities to prepare the consolidated financial statements in conformity with GAAP. GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results may differ from those these estimates. In the opinion of management, all adjustments, consisting of normal recurring accruals considered necessary for a fair presentation

The consolidated financial statements of the results of operations Company should be read in conjunction with the consolidated financial statements and related notes contained in the Company's Annual Report on Form 10-K for annual periods presented herein, have been included, the year ended December 31, 2023, filed with the SEC on February 23, 2024. Certain reclassifications of 2022 2023 amounts have been made to conform to the 2023 presentation but do not have an effect on net income or shareholders' equity.

Principles of Consolidation

The consolidated financial statements include the accounts of the parent company and its subsidiaries. 2024 presentation. All significant intercompany transactions and accounts and transactions between subsidiaries have been eliminated. Assets held for customers in a fiduciary or agency capacity are not assets of the Company and, accordingly, other than trust cash on deposit with the Bank, are not assets of the Company and, accordingly, are not included in the accompanying consolidated financial statements. unaudited balance sheets. Management has evaluated subsequent events for potential recognition or disclosure. Operating results for the three months ended March 31, 2024 are not necessarily indicative of the results that may be expected for the year ending December 31, 2024 or any other period.

Accounting Guidance Adopted in 2023 2024

FASB ASU No. 2022-02, Financial Instruments—Credit Losses 2023-02, Investments—Equity Method and Joint Ventures (Topic 326) 323): Troubled Debt Restructurings and Vintage Disclosures Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method – In March 2022, 2023, the FASB issued ASU No. 2022-02, 2023-02, which 1) eliminates allows for reporting entities to elect to account for qualifying tax equity investments using the accounting guidance for troubled debt restructurings (“TDRs”) by creditors while enhancing proportional amortization method, regardless of the disclosure requirements for certain loan refinancings and restructurings by creditors when a borrower is experiencing financial difficulty; and 2) requires that an entity disclose current-period gross write-offs by year type of origination for financing receivables and net investments in leases, program the tax credits are related to. The ASU 2022-02 is effective for fiscal years beginning after December 15, 2022 and the amendments should be applied prospectively, although the entity has the option to apply a modified retrospective transition method for the recognition and measurement of TDRs, resulting in a cumulative-effect adjustment to retained earnings in the period of adoption. December 15, 2023. The Company adopted this guidance on January 1, 2023 and elected to apply January 1, 2024 on a prospective basis. The adoption of this accounting pronouncement did not have an a material impact on the consolidated financial statements aside from additional and revised disclosures. statements.

Accounting Guidance Issued But Not Yet Adopted

FASB ASU No. 2020-04, "Reference Rate Reform 2023-07, Segment Reporting (Topic 848) 280): Facilitation of the Effects of Reference Rate Reform on Financial Reporting Improvements to Reportable Segment Disclosures - In March 2020, December 2023, the FASB issued ASU No. 2020-04, allowing 2023-07, which requires public entities to disclose significant segment expenses, an amount and description for optional expedients other segment items, the title and exceptions for accounting related to contracts, hedging relationships and other transactions, subject to meeting certain criteria, that reference LIBOR or another reference rate expected to be discontinued. The objective position of the guidance in Topic 848 entity's chief operating decision maker and an explanation of how the chief operating decision maker uses the reported measures of profit or loss to assess segment performance, and, on an interim basis, certain segment related disclosures that previously were required only on an annual basis. The ASU is to provide relief during effective for fiscal years beginning after December 15, 2023 and interim periods within fiscal years beginning after December 15, 2024. The Company will update the temporary transition period, so the FASB included a sunset provision based on the expectations of when LIBOR would cease being published. In 2021, the UK Financial Conduct Authority delayed the intended cessation date of certain tenors of LIBOR to June 30, 2023. related disclosures upon adoption.

FASB ASU No. 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures - In December 2022, to ensure the relief in Topic 848 covers the period of time during which a significant number of modifications may take place, 2023, the FASB issued ASU No. 2022-06, 2023-09, which defers requires public entities to disclose in their rate reconciliation table additional categories of information about federal, state and foreign income taxes and to provide more details about the sunset date reconciling items in some categories if items meet a quantitative threshold. The pronouncement also requires entities to disclose income taxes paid, net of Topic 848 from December 31, 2022 refunds, disaggregated by federal, state and foreign taxes for annual periods and to disaggregate the information by jurisdiction based on a quantitative threshold, among other things. The ASU is effective for fiscal years beginning after December 15, 2024, to December 31, 2024, after which entities will no longer be permitted to apply the relief in Topic 848.

with early adoption permitted. The Company has been monitoring its volume of commercial loans tied to LIBOR. In 2021, will update the Company began prioritizing SOFR as the preferred alternative reference rate with plans to cease booking LIBOR based commitments after the end of 2021. Loans with a maturity after June 2023 are being reviewed and monitored to ensure there is appropriate fallback language in place when LIBOR is no longer published. Loans with a maturity date before that time should naturally mature and be re-underwritten with the alternative index rate. related disclosures upon adoption.

The Company believes the adoption of this guidance will not have a material impact on the consolidated financial statements.

NOTE 32 – INVESTMENT SECURITIES

Investment Securities Available for Sale

Investment securities available for sale at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 were as follows:

		September 30, 2023											
		March 31, 2024											
		March 31, 2024											
		March 31, 2024											
(dollars in thousands)	(dollars in thousands)	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value	(dollars in thousands)	Amortized cost	Gross unrealized gains		Gross unrealized losses		Fair value	
Investment securities available for sale	Investment securities available for sale												
U.S. Treasury securities		\$ 1,582	\$ —	\$ 19	\$ 1,563								
U.S. government sponsored entities and U.S. agency securities													
U.S. government sponsored entities and U.S. agency securities													

U.S. government sponsored entities and U.S. agency securities	U.S. government sponsored entities and U.S. agency securities	93,291	171	4,424	89,038
Mortgage-backed securities - agency	Mortgage-backed securities - agency	613,484	13	96,106	517,391
Mortgage-backed securities - non-agency	Mortgage-backed securities - non-agency	77,617	13	4,965	72,665
State and municipal securities	State and municipal securities	59,521	3	9,787	49,737
Collateralized loan obligations	Collateralized loan obligations	22,662	—	277	22,385
Corporate securities	Corporate securities	95,124	—	12,894	82,230
Total available for sale securities	Total available for sale securities	<u>\$ 963,281</u>	<u>\$ 200</u>	<u>\$ 128,472</u>	<u>\$ 835,009</u>

December 31, 2022									
December 31, 2023									
December 31, 2023									
December 31, 2023									
(dollars in thousands)	(dollars in thousands)	Gross		Gross	Fair	(dollars in thousands)	Amortized	Gross	Gross
		Amortized	unrealized	unrealized	value		cost	unrealized	unrealized
		cost	gains	losses				gains	losses
Investment securities available for sale	Investment securities available for sale								
U.S. Treasury securities	U.S. Treasury securities								
U.S. Treasury securities	U.S. Treasury securities	\$ 86,313	\$ 113	\$ 5,196	\$ 81,230				
U.S. government sponsored entities and U.S. agency securities	U.S. government sponsored entities and U.S. agency securities	41,775	71	4,337	37,509				
Mortgage-backed securities - agency	Mortgage-backed securities - agency	522,028	268	74,146	448,150				

Mortgage-backed securities - non-agency	Mortgage-backed securities - non-agency	24,922	—	4,168	20,754
State and municipal securities	State and municipal securities	102,719	149	8,232	94,636
Collateralized loan obligations					
Corporate securities	Corporate securities	95,266	—	9,311	85,955
Total available for sale securities	Total available for sale securities	\$ 873,023	\$ 601	\$ 105,390	\$ 768,234

The following is a summary of the amortized cost and fair value of the investment securities available for sale, by maturity, at **September 30, 2023** **March 31, 2024**. Expected maturities may differ from contractual maturities in mortgage-backed securities because the mortgages underlying the securities may be prepaid without penalties. The maturities of all other investment securities available for sale are based on final contractual maturity.

(dollars in thousands)	(dollars in thousands)	Amortized cost	Fair value	(dollars in thousands)	Amortized cost	Fair value
Investment securities available for sale	Investment securities available for sale					
Within one year						
Within one year						
Within one year	Within one year	\$ 23,769	\$ 23,543			
After one year through five years	After one year through five years	108,735	103,973			
After five years through ten years	After five years through ten years	118,486	99,614			
After ten years	After ten years	21,190	17,823			
Mortgage-backed securities	Mortgage-backed securities	691,101	590,056			
Total available for sale securities	Total available for sale securities	\$ 963,281	\$ 835,009			

Proceeds and gross realized gains and losses on sales of investment securities available for sale for the three **and nine** months ended **September 30, 2023** **March 31, 2024** and **2022** **2023** are summarized as follows:

Three Months Ended September 30,	Nine Months Ended September 30,
Three Months Ended March 31,	
Three Months Ended March 31,	
Three Months Ended March 31,	
(dollars in thousands)	

(dollars in thousands)									
(dollars in thousands)	(dollars in thousands)	2023		2022		2023		2022	
Investment securities available for sale	Investment securities available for sale								
Investment securities available for sale									
Investment securities available for sale									
Proceeds from sales									
Proceeds from sales									
Proceeds from sales	Proceeds from sales	\$	65,911	\$	28,663	\$	165,871	\$	136,403
Gross realized gains on sales	Gross realized gains on sales		—		113		338		829
Gross realized gains on sales									
Gross realized gains on sales									
Gross realized losses on sales	Gross realized losses on sales		(4,961)		(242)		(6,816)		(1,059)
Gross realized losses on sales									
Gross realized losses on sales									

Unrealized losses and fair values for investment securities available for sale as of **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, are summarized as follows:

September 30, 2023							
Less than 12 Months		12 Months or more		Total			
March 31, 2024							
Less than 12 Months							
(dollars in thousands)	(dollars in thousands)	Fair value	Unrealized loss	Fair value	Unrealized loss	Fair value	Unrealized loss
Investment securities available for sale	Investment securities available for sale						
U.S. Treasury securities		\$ 828	\$ 9	\$ 735	\$ 10	\$ 1,563	\$ 19
U.S. government sponsored entities and U.S. agency securities							
U.S. government sponsored entities and U.S. agency securities							
U.S. government sponsored entities and U.S. agency securities	U.S. government sponsored entities and U.S. agency securities	56,835	251	23,787	4,173	80,622	4,424
Mortgage-backed securities - agency	Mortgage-backed securities - agency	175,194	10,090	337,263	86,016	512,457	96,106

Mortgage-backed securities - non-agency	Mortgage-backed securities - non-agency	49,181	359	18,736	4,606	67,917	4,965
State and municipal securities	State and municipal securities	48,303	9,787	—	—	48,303	9,787
Collateralized loan obligations	Collateralized loan obligations	22,385	277	—	—	22,385	277
Corporate securities	Corporate securities	—	—	82,230	12,894	82,230	12,894
Total available for sale securities	Total available for sale securities	\$352,726	\$ 20,773	\$462,751	\$ 107,699	\$815,477	\$ 128,472

December 31, 2022							
		Less than 12 Months		12 Months or more		Total	

December 31, 2023								December 31, 2023							
Less than 12 Months								Less than 12 Months				12 Months or more		Total	
(dollars in thousands)	(dollars in thousands)	Fair value	Unrealized loss	Fair value	Unrealized loss	Fair value	Unrealized loss	(dollars in thousands)	Fair value	Unrealized loss	Fair value	Unrealized loss	Fair value	Unrealized loss	

Investment securities available for sale	Investment securities available for sale						
--	--	--	--	--	--	--	--

U.S. Treasury securities	U.S. Treasury securities						
--------------------------	--------------------------	--	--	--	--	--	--

U.S. Treasury securities	U.S. Treasury securities	\$ 1,839	\$ 24	\$ 59,865	\$ 5,172	\$ 61,704	\$ 5,196
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U.S. government sponsored entities and U.S. agency securities	U.S. government sponsored entities and U.S. agency securities	10,288	40	23,453	4,297	33,741	4,337
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Mortgage-backed securities - agency	Mortgage-backed securities - agency	152,657	9,736	273,353	64,410	426,010	74,146
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Mortgage-backed securities - non-agency	Mortgage-backed securities - non-agency	1,924	270	18,830	3,898	20,754	4,168
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State and municipal securities	State and municipal securities	35,603	1,662	41,538	6,570	77,141	8,232
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Collateralized loan obligations	Collateralized loan obligations						
---------------------------------	---------------------------------	--	--	--	--	--	--

Corporate securities	Corporate securities	39,595	3,400	46,360	5,911	85,955	9,311
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Consumer:	Consumer:		
Consumer			
Consumer			
Consumer	Consumer	111,432	105,880
Consumer	Consumer		
other	other	908,576	1,074,134
Lease	Lease		
financing	financing	485,460	491,744
Total loans	Total loans	\$6,280,883	\$6,306,467

Total loans include net deferred loan costs of \$5.1 million \$3.5 million and \$4.4 million \$3.8 million at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively, and unearned discounts of \$67.1 million \$64.4 million and \$62.6 million \$66.4 million within the lease financing portfolio at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively.

At September 30, 2023 March 31, 2024, the Company had residential real estate loans held for sale totaling \$6.1 million \$5.0 million, compared to \$1.3 million \$3.8 million at December 31, 2022 December 31, 2023. The Company sold loans and leases with proceeds totaling \$28.0 million \$17.6 million and \$65.3 million \$6.3 million during the three and nine months ended September 30, 2023, respectively, March 31, 2024 and \$48.5 million and \$252.1 million during the three and nine months ended September 30, 2022, 2023, respectively.

Classifications of Loan Portfolio

The Company monitors and assesses the credit risk of its loan portfolio using the classes set forth below. These classes also represent the segments by which the Company monitors the performance of its loan portfolio and estimates its allowance for credit losses on loans.

Commercial—Loans to varying types of businesses, including municipalities, school districts and nonprofit organizations, for the purpose of supporting working capital, operational needs and term financing of equipment. Repayment of such loans is generally provided through operating cash flows of the business. Commercial loans are predominately secured by equipment, inventory, accounts receivable, and other sources of repayment. Commercial FHA warehouse lines of \$48.5 million and \$25.0 million \$8.0 million as of September 30, 2023 and December 31, 2022, respectively, March 31, 2024 were included in this classification.

Commercial real estate—Loans secured by real estate occupied by the borrower for ongoing operations, including loans to borrowers engaged in agricultural production, and non-owner occupied real estate leased to one or more tenants, including commercial office, industrial, special purpose, retail and multi-family residential real estate loans.

Construction and land development—Secured loans for the construction of business and residential properties. Real estate construction loans often convert to a real estate commercial loan at the completion of the construction period. Secured development loans are made to borrowers for the purpose of infrastructure improvements to vacant land to create finished marketable residential and commercial lots/land. Most land development loans are originated with the intention that the loans

will be paid through the sale of developed lots/land by the developers within twelve months of the completion date. Interest reserves may be established on real estate construction loans.

Residential real estate—Loans, secured by residential properties, that generally do not qualify for secondary market sale; however, the risk to return and/or overall relationship are considered acceptable to the Company. This category also includes loans whereby consumers utilize equity in their personal residence, generally through a second mortgage, as collateral to secure the loan.

Consumer—Loans to consumers primarily for the purpose of home improvements or acquiring automobiles, recreational vehicles and boats. Consumer loans consist of relatively small amounts that are spread across many individual borrowers.

Lease financing—Our equipment leasing business provides financing leases to varying types of businesses, nationwide, for purchases of business equipment and software. The financing is secured by a first priority interest in the financed assets and generally requires monthly payments.

Commercial, commercial real estate, and construction and land development loans are collectively referred to as the Company's commercial loan portfolio, while residential real estate, consumer loans and lease financing receivables are collectively referred to as the Company's other loan portfolio.

We have extended loans to certain of our directors, executive officers, principal shareholders and their affiliates. These loans were made in the ordinary course of business upon substantially the same terms, including collateralization and interest rates prevailing at the time. The aggregate loans outstanding to the Company's directors, executive officers, principal shareholders and their affiliates totaled \$21.3 million and \$19.8 million at September 30, 2023 and December 31, 2022, respectively. The new loans, other additions, repayments and other reductions for the three and nine months ended September 30, 2023 March 31, 2024 and 2022, 2023, are summarized as follows:

Three Months Ended September 30,

Nine Months Ended September 30,

		Three Months Ended March 31,		Three Months Ended March 31,		Three Months Ended March 31,	
(dollars in thousands)							
(dollars in thousands)							
(dollars in thousands)	(dollars in thousands)	2023	2022	2023	2022		
Beginning balance	Beginning balance	\$ 21,569	\$ 23,097	\$ 19,776	\$ 13,869		
New loans and other additions		—	—	2,368	9,804		
Beginning balance							
Beginning balance							
Repayments and other reductions							
Repayments and other reductions							
Repayments and other reductions	Repayments and other reductions	(287)	(3,081)	(862)	(3,657)		
Ending balance	Ending balance	\$ 21,282	\$ 20,016	\$ 21,282	\$ 20,016		
Ending balance							
Ending balance							

The following table represents, by loan portfolio segment, a summary of changes in the allowance for credit losses on loans for the three and nine months ended September 30, 2023, March 31, 2024 and 2022-2023:

Commercial Loan Portfolio										Other Loan Portfolio				
Commercial Loan Portfolio														
		Commercial			Construction and land development		Residential real estate		Lease financing	Total				
(dollars in thousands)	(dollars in thousands)	Commercial	real estate	and land development	real estate	Consumer	financing			Total				
Changes in allowance for credit losses on loans for the three months ended September 30, 2023:														
(dollars in thousands)														
										Commercial	Construction and land development	Residential real estate	Lease financing	Total
(dollars in thousands)														
Changes in allowance for credit losses on loans for the three months ended March 31, 2024:											Changes in allowance for credit losses on loans for the three months ended March 31, 2024:			
Balance, beginning of period	Balance, beginning of period	\$ 15,290	\$ 29,425	\$ 3,189	\$ 5,551	\$ 3,953	\$ 7,542	\$64,950						
Provision for credit losses on loans	Provision for credit losses on loans	7,289	(6,176)	385	209	228	3,233	5,168						
Charge-offs	Charge-offs	(3,249)	(2,316)	(44)	(95)	(250)	(1,394)	(7,348)						
Recoveries	Recoveries	80	3,678	—	33	53	55	3,899						
Balance, end of period	Balance, end of period	\$ 19,410	\$ 24,611	\$ 3,530	\$ 5,698	\$ 3,984	\$ 9,436	\$66,669						

										Changes in allowance for credit losses on loans for the nine months ended September 30, 2023:									
Balance, beginning of period		\$	14,639	\$	29,290	\$	2,435	\$	4,301	\$	3,599	\$	6,787	\$	61,051				
Provision for credit losses on loans		9,483		(4,079)		1,441		1,479		932		4,926		14,182					
Charge-offs		(5,289)		(4,606)		(378)		(180)		(773)		(2,555)		(13,781)					
Recoveries		577		4,006		32		98		226		278		5,217					
Balance, end of period		\$	19,410	\$	24,611	\$	3,530	\$	5,698	\$	3,984	\$	9,436	\$	\$66,669				
										Changes in allowance for credit losses on loans for the three months ended September 30, 2022:									
Balance, beginning of period		\$	12,748	\$	27,874	\$	1,101	\$	3,416	\$	2,994	\$	6,765	\$	\$54,898				
Provision for credit losses on loans		3,226		1,787		472		852		606		31		6,974					
Charge-offs		(1,655)		(1,232)		—		(166)		(316)		(485)		(3,854)					
Recoveries		45		1		18		69		121		367		621					
Balance, end of period		\$	14,364	\$	28,430	\$	1,591	\$	4,171	\$	3,405	\$	6,678	\$	\$58,639				
										Changes in allowance for credit losses on loans for the nine months ended September 30, 2022:									
Changes in allowance for credit losses on loans for the three months ended March 31, 2023:																			
Changes in allowance for credit losses on loans for the three months ended March 31, 2023:																			
Changes in allowance for credit losses on loans for the three months ended March 31, 2023:																			
Balance, beginning of period	Balance, beginning of period	\$	14,375	\$	22,993	\$	972	\$	2,695	\$	2,558	\$	7,469	\$	\$51,062				
Provision for credit losses on loans	Provision for credit losses on loans	3,504		9,515		595		1,569		1,278		(614)		15,847					
Charge-offs	Charge-offs	(3,869)		(4,084)		(6)		(315)		(812)		(1,190)		(10,276)					
Recoveries	Recoveries	354		6		30		222		381		1,013		2,006					
Balance, end of period	Balance, end of period	\$	14,364	\$	28,430	\$	1,591	\$	4,171	\$	3,405	\$	6,678	\$	\$58,639				

The Company utilizes a combination of models which measure probability of default and loss given default methodology in determining expected future credit losses.

The probability of default is the risk that the borrower will be unable or unwilling to repay its debt in full or on time. The risk of default is derived by analyzing the obligor's capacity to repay the debt in accordance with contractual terms. Probability of default is generally associated with financial characteristics such as inadequate cash flow to service debt, declining revenues or operating margins, high leverage, declining or marginal liquidity, and the inability to successfully implement a business plan. In addition to these quantifiable factors, the borrower's willingness to repay also must be evaluated.

The probability of default is forecasted, for most commercial and retail loans, using a regression model that determines the likelihood of default within the twelve month time horizon. The regression model uses forward-looking economic forecasts including variables such as gross domestic product, housing price index, and real disposable income to predict default rates. The forecasting method for the equipment financing portfolio assumes a rolling twelve-month average of the through-the-cycle default rate, to predict default rates for the twelve month time horizon.

The loss given default component is the percentage of defaulted loan balance that is ultimately charged off. As a method for estimating the allowance, a form of migration analysis is used that combines the estimated probability of loans experiencing default events and the losses ultimately associated with the loans experiencing those defaults. Multiplying one by the other gives the Company its loss rate, which is then applied to the loan portfolio balance to determine expected future losses.

Within the model, the loss given default approach produces segmented loss given default estimates using a loss curve methodology, which is based on historical net losses from charge-off and recovery information. The main principle of a loss curve model is that the loss follows a steady timing schedule based on how long the defaulted loan has been on the books.

The Company's expected loss estimate is anchored in historical credit loss experience, with an emphasis on all available portfolio data. The Company's historical look-back period includes January 2012 through the current period on a monthly basis. When historical credit loss experience is not sufficient for a specific portfolio, the Company may supplement its own portfolio data with external models or data.

Historical data is evaluated in multiple components of the expected credit loss, including the reasonable and supportable forecast and the post-reversion period of each loan segment. The historical experience is used to infer probability of default and loss given default in the reasonable and supportable forecast period. In the post-reversion period, long-term average loss rates are segmented by loan pool.

Qualitative reserves reflect management's overall estimate of the extent to which current expected credit losses on collectively evaluated loans will differ from historical loss experience. The analysis takes into consideration other analytics performed within the organization, such as enterprise and concentration management, along with other credit-related analytics as deemed appropriate. Management attempts to quantify qualitative reserves whenever possible.

The Company segments the loan portfolio into pools based on the following risk characteristics: financial asset type, collateral type, loan characteristics, credit characteristics, outstanding loan balances, contractual terms and prepayment assumptions, industry of borrower and concentrations, historical or expected credit loss patterns, and reasonable and supportable forecast periods. Within the probability of default segmentation, credit metrics are identified to further segment the financial assets. The Company utilizes risk ratings for the commercial portfolios and days past due for the consumer and the lease financing portfolios.

Within the probability of default segmentation, credit metrics are identified to further segment the financial assets. The Company utilizes risk ratings for the commercial portfolios and days past due for the consumer and the lease financing portfolios.

The Company has defined five transitioning risk states for each asset pool within the expected credit loss model. The below table illustrates the transition matrix:

Risk state	Commercial loans	Consumer loans and equipment finance loans and leases
	risk rating	days past due
1	0-5	0-14
2	6	15-29
3	7	30-59
4	8	60-89
Default	9+ and nonaccrual	90+ and nonaccrual

Expected Credit Losses

In calculating expected credit losses, the Company individually evaluates loans on nonaccrual status with a balance greater than \$500,000, loans past due 90 days or more and still accruing interest, and loans that do not share risk characteristics

with other loans in the pool. The following table presents the amortized cost basis of individually evaluated loans on nonaccrual status as of September 30, 2023, March 31, 2024 and December 31, 2022, December 31, 2023:

September 30, 2023								December 31, 2022									
March 31, 2024								March 31, 2024								December 31, 2023	
(dollars in thousands)	(dollars in thousands)	Nonaccrual			Nonaccrual			(dollars in thousands)	Nonaccrual with allowance	Nonaccrual with no allowance	Total nonaccrual	Nonaccrual with allowance	Nonaccrual with no allowance	Total nonaccrual			
		with allowance	with no allowance	Total nonaccrual	with allowance	with no allowance	Total nonaccrual										
Commercial:	Commercial:																
Commercial	Commercial	\$ 2,877	\$ 979	\$ 3,856	\$ 1,910	\$ 1,111	\$ 3,021										
Commercial	Commercial																
Commercial other	Commercial other	4,180	—	4,180	3,169	—	3,169										
Commercial real estate:	Commercial real estate:																
Commercial real estate non-owner occupied	Commercial real estate non-owner occupied																

Commercial real estate non-owner occupied							
Commercial real estate non-owner occupied	Commercial real estate non-owner occupied	1,427	17,658	19,085	1,345	11,899	13,244
Commercial real estate owner occupied	Commercial real estate owner occupied	2,168	9,285	11,453	7,118	—	7,118
Multi-family	Multi-family	252	2,641	2,893	154	8,949	9,103
Farmland	Farmland	172	—	172	25	—	25
Construction and land development	Construction and land development	2,025	—	2,025	202	—	202
Total commercial loans	Total commercial loans	13,101	30,563	43,664	13,923	21,959	35,882
Residential real estate:	Residential real estate:						
Residential first lien	Residential first lien	2,659	495	3,154	2,925	572	3,497
Residential first lien							
Residential first lien							
Other residential	Other residential	702	—	702	871	—	871
Consumer:	Consumer:						
Consumer	Consumer	103	—	103	120	—	120
Consumer							
Consumer							
Lease financing	Lease financing	7,558	—	7,558	1,606	—	1,606
Lease financing							
Lease financing							
Total loans	Total loans	\$ 24,123	\$ 31,058	\$ 55,181	\$ 19,445	\$ 22,531	\$ 41,976

There was no interest income recognized on nonaccrual loans during the three and nine months ended September 30, 2023, March 31, 2024 and 2022, 2023 while the loans were in nonaccrual status. Additional interest income that would have been recorded on nonaccrual loans had they been current in accordance with their original terms was \$0.8 million, \$1.3 million and \$2.5 million, \$0.8 million for the three and nine months ended September 30, 2023, respectively, March 31, 2024 and \$0.8 million and \$1.9 million for the three and nine months ended September 30, 2022, 2023, respectively.

Collateral Dependent Financial Assets

A collateral dependent financial loan relies solely on the operation or sale of the collateral for repayment. In evaluating the overall risk associated with a loan, the Company considers character, overall financial condition and resources, and payment record of the borrower; the prospects for support from any financially responsible guarantors; and the nature and degree of protection provided by the cash flow and value of any underlying collateral. However, as other sources of repayment become inadequate over time, the significance of the collateral's value increases and the loan may become collateral dependent.

The table below presents the value of individually evaluated, collateral dependent loans by loan class, for borrowers experiencing financial difficulty, as of September 30, 2023, March 31, 2024 and December 31, 2022, December 31, 2023:

Type of Collateral
Type of Collateral
Type of Collateral
Type of Collateral

(dollars in thousands)	(dollars in thousands)	Real Estate	Blanket Lien	Equipment	Total
September 30, 2023					
(dollars in thousands)					
(dollars in thousands)					
March 31, 2024					
Commercial:	Commercial:				
Commercial:					
Commercial:					
Commercial					
Commercial					
Commercial	Commercial \$	—	\$	—	\$ 1,973 \$ 1,973
Commercial other	Commercial other	—	—	344	344
Commercial real estate:	Commercial real estate:				
Non-owner occupied					
Non-owner occupied					
Non-owner occupied	Non-owner occupied	17,515	—	—	17,515
Owner occupied	Owner occupied	9,275	—	—	9,275
Multi-family	Multi-family	2,642	—	—	2,642
Construction and land development	Construction and land development	2,021	—	—	2,021
Total collateral dependent loans	Total collateral dependent loans	\$31,453	\$	—	\$ 2,317 \$33,770
December 31, 2022					
Total collateral dependent loans					
Total collateral dependent loans					
December 31, 2023					
December 31, 2023					
December 31, 2023					
Commercial:					
Commercial:					
Commercial	Commercial \$	—	\$ 1,604	\$	— \$ 1,604
Commercial					
Commercial					
Commercial other					
Commercial real estate:	Commercial real estate:				
Non-owner occupied					
Non-owner occupied					
Non-owner occupied	Non-owner occupied	13,033	—	—	13,033

Owner occupied	Owner occupied	3,874	—	—	3,874
Multi-family	Multi-family	8,950	—	—	8,950
Residential real estate					
Residential first lien		220	—	—	220
Total collateral dependent loans	Total collateral dependent loans	\$26,077	\$1,604	\$—	\$27,681
Total collateral dependent loans					
Total collateral dependent loans					

The aging status of the recorded investment in loans by portfolio as of **September 30, 2023** **March 31, 2024** was as follows:

Accruing loans									
Accruing loans									
(dollars in thousands)									
(dollars in thousands)									
		Past due							
		30-59	60-89	90	Total				
(dollars in thousands)	(dollars in thousands)	days past due	days past due	or more	past due	Nonaccrual	Current	Total	30-59 days past due
									60-89 days past due
									Past due 90 days or more
									Total past due
									Nonaccrual
									Current
									Total
Commercial:	Commercial:								
Commercial	Commercial	\$ 188	\$ —	\$ —	\$ 188	\$ 3,856	\$ 869,960	\$ 874,004	
Commercial	Commercial								
Commercial	Commercial								
Commercial other	Commercial other	11,615	5,630	800	18,045	4,180	675,010	697,235	
Commercial real estate:	Commercial real estate:								
Commercial real estate non-owner occupied	Commercial real estate non-owner occupied								
Commercial real estate non-owner occupied	Commercial real estate non-owner occupied								
Commercial real estate non-owner occupied	Commercial real estate non-owner occupied	263	5,715	—	5,978	19,085	1,611,105	1,636,168	
Commercial real estate owner occupied	Commercial real estate owner occupied	373	—	—	373	11,453	427,816	439,642	
Multi-family	Multi-family	—	—	—	—	2,893	266,815	269,708	
Farmland	Farmland	86	122	—	208	172	66,266	66,646	
Construction and land development	Construction and land development	—	—	—	—	2,025	414,776	416,801	
Total commercial loans	Total commercial loans	12,525	11,467	800	24,792	43,664	4,331,748	4,400,204	
Residential real estate:	Residential real estate:								

Residential first lien	Residential first lien	314	—	—	314	3,154	310,170	313,638
Residential first lien								
Residential first lien								
Other residential	Other residential	120	—	—	120	702	60,751	61,573
Consumer:								
Consumer								
Consumer								
Consumer	Consumer	272	84	—	356	103	110,973	111,432
Consumer other	Consumer other	7,264	4,128	—	11,392	—	897,184	908,576
Lease financing	Lease financing	7,065	3,369	—	10,434	7,558	467,468	485,460
Total loans	Total loans	\$27,560	\$19,048	\$800	\$47,408	\$ 55,181	\$6,178,294	\$6,280,883

The aging status of the recorded investment in loans by portfolio as of **December 31, 2022** **December 31, 2023** was as follows:

Accruing loans													
Accruing loans													
(dollars in thousands)													
(dollars in thousands)													
(dollars in thousands)	(dollars in thousands)	Past due				Total past due	Nonaccrual	Current	Total	30-59 days past due	60-89 days past due	Past due 90 days or more	Total past due
		30-59 days past due	60-89 days past due	90 days or more	Total								
Commercial:	Commercial:												
Commercial	Commercial	\$ 7	\$ 112	\$ —	\$ 119	\$ 3,021	\$ 783,737	\$ 786,877					
Commercial													
Commercial													
Commercial other	Commercial other	6,035	2,365	—	8,400	3,169	716,128	727,697					
Commercial real estate:	Commercial real estate:												
Commercial real estate non-owner occupied													
Commercial real estate non-owner occupied													
Commercial real estate non-owner occupied	Commercial real estate non-owner occupied	1,008	999	—	2,007	13,244	1,576,148	1,591,399					
Commercial real estate owner occupied	Commercial real estate owner occupied	73	—	—	73	7,118	489,595	496,786					
Multi-family	Multi-family	—	—	—	—	9,103	268,786	277,889					
Farmland	Farmland	—	—	—	—	25	67,060	67,085					
Construction and land development	Construction and land development	—	6,000	—	6,000	202	314,680	320,882					
Total commercial loans	Total commercial loans	7,123	9,476	—	16,599	35,882	4,216,134	4,268,615					

Residential real estate:	Residential real estate:							
Residential first lien	Residential first lien	82	456	428	966	3,497	299,780	304,243
Residential first lien								
Residential first lien								
Other residential	Other residential	188	13	—	201	871	60,779	61,851
Consumer:	Consumer:							
Consumer								
Consumer								
Consumer	Consumer	139	18	12	169	120	105,591	105,880
Consumer other	Consumer other	5,381	3,559	733	9,673	—	1,064,461	1,074,134
Lease financing	Lease financing	4,415	1,522	—	5,937	1,606	484,201	491,744
Total loans	Total loans	\$17,328	\$15,044	\$1,173	\$33,545	\$ 41,976	\$6,230,946	\$6,306,467

Loan Restructurings

The Company adopted the accounting guidance in ASU No. 2022-02, effective as of January 1, 2023, which eliminated the recognition and measurement of a troubled debt restructuring ("TDR"). TDR. Due to the removal of the TDR designation, the Company evaluates all loan restructurings according to the accounting guidance for loan modifications to determine if the restructuring results in a new loan or a continuation of the existing loan. Loan modifications to borrowers experiencing financial difficulties that result in a direct change in the timing or amount of contractual cash flows include situations where there is principal forgiveness, interest rate reductions, other-than-insignificant payment delays, term extensions, and combinations of the listed modifications. Therefore, the disclosures related to loan restructurings are for modifications which have a direct impact on cash flows.

The Company may offer various types of concessions when modifying a loan. Commercial and industrial loans modified in a loan restructuring often involve temporary interest-only payments, term extensions, and converting revolving credit lines to term loans. Additional collateral, a co-borrower, or a guarantor is often requested.

Loans modified in a loan restructuring for the Company may have the financial effect of increasing the specific allowance associated with the loan. An allowance for loans that have been modified in a loan restructuring is measured based on the probability of default and loss given default model, the loan's observable market price, or the estimated fair value of the collateral, less any selling costs, if the loan is collateral dependent. Management exercises significant judgment in developing these estimates.

Commercial and consumer loans modified in a loan restructuring are closely monitored for delinquency as an early indicator of possible future default. If loans modified in a loan restructuring subsequently default, the Company evaluates the loan for possible further loss. The allowance may be increased, adjustments may be made in the allocation of the allowance, or partial charge-offs may be taken to further write-down the carrying value of the loan.

In some cases, the Company will modify a loan by providing multiple types of concessions. Typically, one type of concession, such as a term extension, is granted initially. If the borrower continues to experience financial difficulty, another concession such as an interest rate reduction or principal forgiveness, may be granted. During the three months ended September 30, 2023 March 31, 2024 the Company restructured two four loans and one lease three leases for borrowers experiencing financial difficulties with principal balances totaling \$0.5 \$1.5 million. The restructured loans were provided term extensions and the restructured lease was provided a term extension with an increased interest rate. During the nine months ended September 30, 2023 the Company restructured seven loans and one lease for borrowers experiencing financial difficulties with principal balances totaling \$1.2 million. Five Each of the restructured loans and leases were provided a term extension with the other two receiving an interest rate reduction and a term extension. The lease was provided Company has not committed to lend any additional amounts to the borrowers that have been granted a term extension with an increased interest rate. loan modification.

Credit Quality Monitoring

The Company maintains loan policies and credit underwriting standards as part of the process of managing credit risk. These standards include making loans generally within the Company's four main regions, which include eastern, northern and southern Illinois and the St. Louis metropolitan area. geographic regions. In addition, our specialty finance division does nationwide bridge lending for FHA and HUD developments and originates loans for multifamily, assisted and senior living and multi-use properties. Our equipment leasing business provides financing to business customers across the country.

The Company has a loan approval process involving underwriting and individual and group loan approval authorities to consider credit quality and loss exposure at loan origination. The loans in the Company's commercial loan portfolio are risk rated at origination based on the grading system set forth below. All loan authority is based on the aggregate credit to a borrower and its related entities.

The Company's consumer loan portfolio is primarily comprised of both secured and unsecured loans that are relatively small and are evaluated at origination on a centralized basis against standardized underwriting criteria. The ongoing measurement of credit quality of the consumer loan portfolio is largely done on an exception basis. If payments are made on schedule, as agreed, then no further monitoring is performed. However, if delinquency occurs, the delinquent loans are turned over to the Company's

Consumer Collections Group for resolution. Credit quality for the entire consumer loan portfolio is measured by the periodic delinquency rate, nonaccrual amounts and actual losses incurred.

Loans in the commercial loan portfolio tend to be larger and more complex than those in the other loan portfolio, and therefore, are subject to more intensive monitoring. All loans in the commercial loan portfolio have an assigned relationship manager, and most borrowers provide periodic financial and operating information that allows the relationship managers to stay abreast of credit quality during the life of the loans. The risk ratings of loans in the commercial loan portfolio are reassessed at least annually, with loans below an acceptable risk rating reassessed more frequently and reviewed by various individuals within the Company at least quarterly.

The Company maintains a centralized independent loan review function that monitors the approval process and ongoing asset quality of the loan portfolio, including the accuracy of loan grades. The Company also maintains an independent appraisal review function that participates in the review of all appraisals obtained by the Company.

Credit Quality Indicators

The Company uses a ten grade risk rating system to monitor the ongoing credit quality of its commercial loan portfolio. These loan grades rank the credit quality of a borrower by measuring liquidity, debt capacity, and coverage and payment behavior as shown in the borrower's financial statements. The risk grades also measure the quality of the borrower's management and the repayment support offered by any guarantors.

The Company considers all loans with Risk Grades 1 - 6 as acceptable credit risks and structures and manages such relationships accordingly. Periodic financial and operating data combined with regular loan officer interactions are deemed adequate to monitor borrower performance. Loans with Risk Grades of 7 are considered "watch credits" categorized as special mention and the frequency of loan officer contact and receipt of financial data is increased to stay abreast of borrower performance. Loans with Risk Grades of 8 - 10 are considered problematic and require special care. Risk Grade 8 is categorized as substandard, 9 as substandard - nonaccrual and 10 as doubtful. Further, loans with Risk Grades of 7 - 10 are managed regularly through a number of processes, procedures and committees, including oversight by a loan administration committee comprised of executive and senior management of the Company, which includes highly structured reporting of financial and operating data, intensive loan officer intervention and strategies to exit, as well as potential management by the Company's Special Assets Group. Loans not graded in the commercial loan portfolio are monitored by aging status and payment activity.

The following tables present the recorded investment of the commercial loan portfolio by risk category as of **September 30, 2023**, **March 31, 2024** and **December 31, 2022**.

September 30, 2023																			
Term Loans																			
Amortized Cost Basis by Origination Year																			
March 31, 2024																			
Term Loans																			
Amortized Cost Basis by Origination Year																			
(dollars in thousands)																			
(dollars in thousands)																			
(dollars in thousands)	(dollars in thousands)	Revolving																	
(dollars in thousands)	(dollars in thousands)	2023	2022	2021	2020	2019	Prior	loans	Total	2024	2023	2022	2021	2020	Prior	Revolving loans		Total	
Commercial	Commercial	Acceptable credit quality	\$143,718	\$ 103,740	\$ 87,777	\$ 45,059	\$ 15,507	\$ 44,549	\$ 391,270	\$ 831,620									
		Special mention																	
		Substandard																	
		Substandard – nonaccrual																	
		Doubtful																	
		Not graded																	
		Subtotal																	
		Special mention	—	450	8,022	—	193	46	325	9,036									
		Substandard	4,056	13,131	970	—	258	5,028	6,049	29,492									
		Substandard – nonaccrual	1,238	—	1,331	4	80	526	677	3,856									
		Doubtful	—	—	—	—	—	—	—	—									
		Not graded	—	—	—	—	—	—	—	—									

		Subtotal	149,012	117,321	98,100	45,063	16,038	50,149	398,321	874,004
	Commercial other	Acceptable credit quality	139,732	212,686	113,154	70,132	39,647	33,582	80,837	689,770
		Special mention	440	—	121	122	118	10	1,183	1,994
		Substandard	39	370	—	—	—	—	808	1,217
		Substandard – nonaccrual	928	865	1,159	633	492	103	—	4,180
		Doubtful	—	—	—	—	—	—	—	—
		Not graded	74	—	—	—	—	—	—	74
		Subtotal	141,213	213,921	114,434	70,887	40,257	33,695	82,828	697,235

Commercial other
Commercial other
Commercial other
Commercial other
Special mention
Substandard
Substandard – nonaccrual
Doubtful
Not graded
Subtotal

Commercial real estate	Commercial real estate	Non-owner occupied	Acceptable credit quality	165,208	661,014	347,744	128,655	83,459	138,837	6,830	1,531,747
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Commercial real estate
Commercial real estate
Special mention
Substandard
Substandard – nonaccrual
Doubtful
Not graded
Subtotal

		Special mention	10,284	—	183	462	159	229	—	11,317
--	--	-----------------	--------	---	-----	-----	-----	-----	---	--------

Owner occupied
Owner occupied
Owner occupied
Special mention
Substandard
Substandard – nonaccrual
Doubtful
Not graded
Subtotal

		Substandard	30,358	1,874	—	—	22,764	19,023	—	74,019
--	--	-------------	--------	-------	---	---	--------	--------	---	--------

Multi-family
Multi-family
Multi-family
Special mention

		Substandard – nonaccrual	—	—	—	—	—	2,025	—	2,025
		Doubtful	—	—	—	—	—	—	—	—
		Not graded	1,012	1,350	357	6	—	26	—	2,751
		Subtotal	60,692	202,603	115,926	6	678	3,236	33,660	416,801
Construction and land development										
Construction and land development										
		Special mention								
		Substandard								
		Substandard – nonaccrual								
		Doubtful								
		Not graded								
		Subtotal								
Total	Total	Acceptable credit quality	555,006	1,441,703	813,733	335,836	177,394	330,639	516,727	4,171,038
		Special mention	10,724	450	9,907	584	546	15,154	1,519	38,884
		Substandard	42,640	23,104	7,251	43	23,767	40,131	6,857	143,793
		Substandard – nonaccrual	2,308	10,308	4,086	1,819	8,417	15,697	1,029	43,664
		Doubtful	—	—	—	—	—	—	—	—
		Not graded	1,086	1,350	357	6	—	26	—	2,825
Total										
Total										
		Special mention								
		Substandard								
		Substandard – nonaccrual								
		Doubtful								
		Not graded								
Total commercial loans	Total commercial loans		\$ 611,764	\$ 1,476,915	\$ 835,334	\$ 338,288	\$ 210,124	\$ 401,647	\$ 526,132	\$ 4,400,204

December 31, 2022										
Term Loans										
Amortized Cost Basis by Origination Year										
December 31, 2023										
Term Loans										
Amortized Cost Basis by Origination Year										
(dollars in thousands)										
(dollars in thousands)										
(dollars in thousands)	(dollars in thousands)	2022	2021	2020	2019	2018	Prior	Revolving loans	Total	
Commercial	Commercial	Acceptable credit quality	\$ 111,087	\$ 102,966	\$ 61,751	\$ 28,063	\$ 12,547	\$ 45,168	\$ 404,100	\$ 765,682
		Special mention								
		Substandard								

Category	Owner	occupied	Special mention
1			
2			
3			
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100			

Substandard									
Substandard – nonaccrual									
Doubtful									
Not graded									
Subtotal									
	Substandard	569	—	7,458	32,731	1,587	29,655	—	72,000
Multi-family									
Multi-family									
Multi-family									
Special mention									
Substandard									
Substandard – nonaccrual									
Doubtful									
Not graded									
Subtotal									
Substandard – nonaccrual									
Doubtful									
Not graded									
Subtotal									
Owner occupied	Acceptable credit quality	120,141	122,321	64,720	31,916	29,454	88,928	4,305	461,785
	Special mention	—	1,161	—	7,917	—	12,161	22	21,261
	Substandard	141	272	79	1,984	—	3,771	375	6,622
	Substandard – nonaccrual	155	4,165	225	146	333	1,790	304	7,118
	Doubtful	—	—	—	—	—	—	—	—
	Not graded	—	—	—	—	—	—	—	—
	Subtotal	120,437	127,919	65,024	41,963	29,787	106,650	5,006	496,786
	Acceptable credit quality	163,647	31,605	29,458	208	24,490	14,574	1,101	265,083
	Special mention	—	—	—	—	—	—	—	—
	Substandard	—	—	—	—	—	3,703	—	3,703
Multi-family	Substandard – nonaccrual	—	927	—	113	—	8,063	—	9,103
	Doubtful	—	—	—	—	—	—	—	—
	Not graded	—	—	—	—	—	—	—	—
	Subtotal	163,647	32,532	29,458	321	24,490	26,340	1,101	277,889
	Acceptable credit quality	8,659	16,138	13,467	4,117	3,129	19,102	1,593	66,205
	Special mention	—	—	—	—	—	159	—	159
	Substandard	—	14	—	23	113	347	199	696
	Substandard – nonaccrual	—	—	—	—	—	25	—	25
	Doubtful	—	—	—	—	—	—	—	—
	Not graded	—	—	—	—	—	—	—	—
Farmland	Subtotal	8,659	16,152	13,467	4,140	3,242	19,633	1,792	67,085
	Farmland								
	Farmland								
	Farmland								
	Special mention								

		Substandard								
		Substandard – nonaccrual								
		Doubtful								
		Not graded								
		Subtotal								
Construction and land development	Construction and land development	Acceptable credit quality	171,243	79,747	10,676	8,388	98	1,420	37,997	309,569
		Special mention	—	—	—	—	—	210	—	210
		Substandard	—	6,000	—	—	2,415	—	—	8,415
		Substandard – nonaccrual	—	—	—	202	—	—	—	202
		Doubtful	—	—	—	—	—	—	—	—
		Not graded	2,112	337	8	—	—	29	—	2,486
		Subtotal	173,355	86,084	10,684	8,590	2,513	1,659	37,997	320,882
Construction and land development										
Construction and land development										
		Special mention								
		Substandard								
		Substandard – nonaccrual								
		Doubtful								
		Not graded								
		Subtotal								
Total	Total	Acceptable credit quality	1,537,282	910,517	431,287	209,414	103,426	330,347	550,438	4,072,711
		Special mention	4,966	3,453	1,231	21,108	1,201	24,136	236	56,331
		Substandard	960	6,286	7,537	34,956	5,917	41,391	3,997	101,044
		Substandard – nonaccrual	679	7,380	669	1,104	11,153	12,373	2,524	35,882
		Doubtful	—	—	—	—	—	—	—	—
		Not graded	2,273	337	8	—	—	29	—	2,647
Total										
Total										
		Special mention								
		Substandard								
		Substandard – nonaccrual								
		Doubtful								
		Not graded								
Total commercial loans	Total commercial loans		\$1,546,160	\$927,973	\$440,732	\$266,582	\$121,697	\$408,276	\$557,195	\$4,268,615

The following table presents the gross charge-offs by class of loan and year of origination on the commercial loan portfolio for the three and nine months ended September 30, 2023 March 31, 2024:

Term Loans by Origination Year	
Term Loans by Origination Year	

(dollars in thousands)	(dollars in thousands)	2023	2022	2021	2020	2019	Prior	Revolving Loans	Total
For the three months ended September 30, 2023									
Commercial	Commercial	\$ —	\$ —	\$ —	\$ 28	\$ 49	\$ —	\$ 2,122	\$ 2,199
	Commercial								
	Other	1	728	106	75	121	19	—	1,050
	Non-owner								
Commercial Real Estate	occupied	—	—	—	—	—	2,292	—	2,292
(dollars in thousands)									
(dollars in thousands)									
	Owner								
	occupied	—	—	—	—	—	21	—	21
	Multi-family	—	—	—	—	—	3	—	3
	Farmland	—	—	—	—	—	—	—	—
Construction and land development		—	—	—	—	42	2	—	44
Total gross commercial charge-offs		\$ 1	\$ 728	\$ 106	\$ 103	\$ 212	\$ 2,337	\$ 2,122	\$ 5,609
For the nine months ended September 30, 2023									
Commercial	Commercial	\$ —	\$ —	\$ —	\$ 49	\$ 78	\$ 21	\$ 2,122	\$ 2,270
	Commercial								
	Other	47	1,936	272	180	190	394	—	3,019
	Non-owner								
Commercial Real Estate	occupied	—	—	—	—	—	2,292	—	2,292
	Owner								
	occupied	—	—	—	—	—	1,502	—	1,502
	Multi-family	—	—	—	—	—	812	—	812
	Farmland	—	—	—	—	—	—	—	—
For the three months ended March 31, 2024									
For the three months ended March 31, 2024									
For the three months ended March 31, 2024									
Commercial									
	Commercial Other								
Commercial									
Real Estate									
	Owner occupied								
	Multi-family								
Construction and land development									
Construction and land development									
Construction and land development	Construction and land development	—	—	—	—	42	336	—	378
Total gross									
commercial	Total gross commercial								
charge-offs	charge-offs	\$ 47	\$ 1,936	\$ 272	\$ 229	\$ 310	\$ 5,357	\$ 2,122	\$ 10,273

The Company evaluates the credit quality of its other loan portfolios, which includes residential real estate, consumer and lease financing loans, based primarily on the aging status of the loan and payment activity. Accordingly, loans on nonaccrual status and loans past due 90 days or more and still accruing interest are considered to be nonperforming for purposes of credit quality evaluation. The following tables present the recorded investment of our other loan portfolio based on the credit risk profile of loans that are performing and loans that are nonperforming as of **September 30, 2023**, **March 31, 2024** and **December 31, 2022**, **December 31, 2023**:

September 30, 2023	
Term Loans	
Amortized Cost Basis by Origination Year	
March 31, 2024	
Term Loans	
Amortized Cost Basis by Origination Year	
(dollars in thousands)	

(dollars in thousands)																		
(dollars in thousands)	(dollars in thousands)		2023	2022	2021	2020	2019	Prior	Revolving									
									Loans	Total								
Residential	Residential	Residential																
real estate	real estate	first lien	Performing	\$ 33,360	\$ 74,199	\$ 37,744	\$ 30,017	\$19,931	\$115,228	\$ 5	\$ 310,484							
Nonperforming																		
Subtotal																		
			Nonperforming	185	50	—	—	140	2,779	—	3,154							
			Subtotal	33,545	74,249	37,744	30,017	20,071	118,007	5	313,638							
			Other															
			residential	Performing	1,992	1,212	428	441	897	2,182	53,719	60,871						
				Nonperforming	—	—	—	—	—	181	521	702						
			Subtotal	1,992	1,212	428	441	897	2,363	54,240	61,573							
			Other															
			residential															
			Other															
			residential															
			Other															
			residential															
			Nonperforming															
			Subtotal															
Consumer	Consumer		Performing	29,362	25,959	33,375	6,950	2,523	11,714	1,446	111,329							
Consumer																		
Consumer																		
			Nonperforming															
			Subtotal															
			Nonperforming	—	18	13	—	3	67	2	103							
			Subtotal	29,362	25,977	33,388	6,950	2,526	11,781	1,448	111,432							
			Consumer															
			other	Performing	241,712	407,370	162,400	62,840	23,906	8,284	2,064	908,576						
				Nonperforming	—	—	—	—	—	—	—	—						
			Subtotal	241,712	407,370	162,400	62,840	23,906	8,284	2,064	908,576							
			Consumer															
			other															
			Consumer															
			other															
			Consumer															
			other															
			Nonperforming															
			Subtotal															
Leases	Leases																	
financing	financing		Performing	119,863	170,289	82,538	58,436	35,734	11,042	—	477,902							
			Nonperforming	311	3,757	1,969	454	864	203	—	7,558							
			Subtotal	120,174	174,046	84,507	58,890	36,598	11,245	—	485,460							
Leases financing																		
Leases financing																		
			Nonperforming															
			Subtotal															
Total	Total		Performing	426,289	679,029	316,485	158,684	82,991	148,450	57,234	1,869,162							
			Nonperforming	496	3,825	1,982	454	1,007	3,230	523	11,517							
Total																		
Total																		
			Nonperforming															

Total other										
loans	Total other loans	\$426,785	\$682,854	\$318,467	\$159,138	\$83,998	\$151,680	\$ 57,757	\$1,880,679	

December 31, 2022										
Term Loans										
Amortized Cost Basis by Origination Year										
December 31, 2023										
Term Loans										
Amortized Cost Basis by Origination Year										
(dollars in thousands)										
(dollars in thousands)										
(dollars in thousands)	(dollars in thousands)	2022	2021	2020	2019	2018	Prior	Revolving loans	Total	
Residential	Residential									
real estate	real estate first lien	Performing								
		\$ 75,449	\$ 38,774	\$ 31,566	\$ 20,780	\$21,691	\$109,067	\$ 336	\$ 297,663	
	Nonperforming									
	Subtotal									
	Nonperforming	101	—	104	414	987	4,974	—	6,580	
	Subtotal	75,550	38,774	31,670	21,194	22,678	114,041	336	304,243	
	Other									
	residential	Performing	1,722	496	534	1,060	1,496	53,159	59,982	
	Nonperforming	17	—	—	7	18	208	1,619	1,869	
	Subtotal	1,739	496	534	1,067	1,514	1,723	54,778	61,851	
	Other									
	residential									
	Other									
	residential									
	Other									
	residential									
	Nonperforming									
	Subtotal									
Consumer	Consumer	Performing	32,561	40,374	9,411	3,476	2,768	14,756	2,346	105,692
Consumer										
Consumer										
	Nonperforming									
	Subtotal									
	Nonperforming	33	50	7	1	13	79	5	188	
	Subtotal	32,594	40,424	9,418	3,477	2,781	14,835	2,351	105,880	
	Consumer									
	other	Performing	669,015	260,360	92,148	34,501	6,637	5,430	5,310	1,073,401
	Nonperforming	733	—	—	—	—	—	—	733	
	Subtotal	669,748	260,360	92,148	34,501	6,637	5,430	5,310	1,074,134	
	Consumer									
	other									
	Consumer									
	other									
	Consumer									
	other									
	Nonperforming									
	Subtotal									

Residential										
Residential real estate	first lien	\$ —	\$ —	\$ 9	\$ 36	\$ 17	\$ 52	\$ —	\$ 114	
	Other									
	residential	—	—	—	—	—	9	57	66	
Consumer	Consumer	—	27	17	18	31	34	—	127	
	Consumer									
	other	32	96	41	18	35	424	—	646	
Lease financing		228	1,101	549	140	346	191	—	2,555	
Total gross other										
charge-offs		\$260	\$1,224	\$616	\$212	\$429	\$710	\$ 57	\$3,508	

NOTE 54 – PREMISES, EQUIPMENT AND LEASES

A summary of premises, equipment and equipment leases at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 is as follows:

		September 30, 2023	December 31, 2022			March 31, 2024	December 31, 2023
(dollars in thousands)	(dollars in thousands)	2023	2022	(dollars in thousands)	2024	2023	
Land	Land	\$ 15,968	\$ 16,004				
Buildings and improvements	Buildings and improvements	77,270	71,837				
Furniture and equipment	Furniture and equipment	34,967	34,081				
Lease right-of-use assets	Lease right-of-use assets	8,057	7,001				
Total	Total	136,262	128,923				
Accumulated depreciation	Accumulated depreciation	(53,521)	(50,630)				
Premises and equipment, net	Premises and equipment, net	\$ 82,741	\$ 78,293				

Depreciation expense for the three and nine months ended September 30, 2023 March 31, 2024 and 2023 was \$1.1 million and \$3.6 million, respectively, and \$1.2 million and \$3.7 million for the three and nine months ended September 30, 2022, respectively, each period.

The Company has entered into operating leases, primarily for banking offices and operating facilities, which have remaining lease terms of 57 months to 14 years, some of which may include options to extend the lease terms for up to an additional 10 years. The options to extend are included in the remaining lease term if they are reasonably certain to be exercised. The Company had operating lease right-of-use assets of \$8.1 million \$7.5 million and \$7.0 million \$7.7 million as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively, included in premises and equipment on our consolidated balance sheets. The operating lease liabilities of the Company were \$9.8 million \$9.0 million and \$8.9 million \$9.3 million as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively, and are included in accrued interest payable and other liabilities on our consolidated balance sheets.

Information related to operating leases for the three and nine months ended September 30, 2023 March 31, 2024 and 2022 2023 was as follows:

		Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
		Three Months Ended March 31, 2024	Three Months Ended March 31, 2023	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023
(dollars in thousands)	(dollars in thousands)				
(dollars in thousands)	(dollars in thousands)				
(dollars in thousands)	(dollars in thousands)				

Operating lease cost	Operating lease cost	\$ 472	\$ 533	\$ 1,449	\$ 1,576
Operating lease cost	Operating lease cost				
Operating lease cost	Operating lease cost				
Operating cash flows from leases	Operating cash flows from leases	529	638	1,709	1,874
Operating cash flows from leases	Operating cash flows from leases				
Operating cash flows from leases	Operating cash flows from leases				
Right-of-use assets obtained in exchange for lease obligations	Right-of-use assets obtained in exchange for lease obligations				
Right-of-use assets obtained in exchange for lease obligations	Right-of-use assets obtained in exchange for lease obligations				
Right-of-use assets obtained in exchange for lease obligations	Right-of-use assets obtained in exchange for lease obligations	1,112	80	2,459	502
Weighted average remaining lease term	Weighted average remaining lease term	7.8 years	7.3 years	7.8 years	7.3 years
Weighted average remaining lease term	Weighted average remaining lease term				
Weighted average remaining lease term	Weighted average remaining lease term				
Weighted average discount rate	Weighted average discount rate	3.39 %	2.88 %	3.39 %	2.88 %
Weighted average discount rate	Weighted average discount rate				
Weighted average discount rate	Weighted average discount rate				

The projected minimum rental payments under the terms of the leases as of **September 30, 2023** **March 31, 2024** were as follows:

(dollars in thousands)	(dollars in thousands)	Amount (dollars in thousands)	Amount
Year ending December 31:	Year ending December 31:		
2023 remaining	\$ 365		
2024	2,175		
2024 remaining			
2024 remaining			
2024 remaining			
2025	2025	1,322	
2026	2026	1,197	
2027	2027	1,101	
2028			
Thereafter	Thereafter	5,051	
Total future minimum lease payments	Total future minimum lease payments	11,211	
Less imputed interest	Less imputed interest	(1,436)	

Total	Total	
operating	operating	
lease	lease	
liabilities	liabilities	\$ 9,775

NOTE 6 – LOAN SERVICING RIGHTS

A summary of loan servicing rights at September 30, 2023 and December 31, 2022 is as follows:

(dollars in thousands)	September 30, 2023		December 31, 2022	
	Serviced Loans	Carrying Value	Serviced Loans	Carrying Value
Commercial FHA	\$ 2,131,126	\$ 19,873	\$ —	\$ —
SBA	\$ 45,192	\$ 600	\$ 46,081	\$ 656
Residential	232,064	460	255,298	549
Commercial FHA held for sale	—	—	2,255,617	20,745
Total	\$ 2,408,382	\$ 20,933	\$ 2,556,996	\$ 21,950

Commercial FHA Mortgage Loan Servicing

During the third quarter of 2022, the Company committed to a plan to sell our commercial FHA servicing portfolio and, therefore, transferred \$24.0 million to commercial FHA servicing rights held for sale. At June 30, 2023, the Company abandoned its plans to sell this servicing asset and removed this asset from held for sale at lower of cost or fair value with no gain or loss recognized.

NOTE 7 5 – DERIVATIVE INSTRUMENTS

As part of the Company's overall interest rate risk management, the Company utilizes derivative instruments to minimize significant, unanticipated earnings fluctuations caused by interest rate volatility, including interest rate lock commitments, forward commitments to sell mortgage-backed securities, cash flow hedges and interest rate swap contracts. The notional amount does not represent amounts exchanged by the parties, rather the amount exchanged is determined by reference to the notional amount and the other terms of the individual agreements.

Interest Rate Lock Commitments / Forward Commitments to Sell Mortgage-Backed Securities

The Company issues interest rate lock commitments on originated fixed-rate commercial and residential real estate loans to be sold. The interest rate lock commitments and loans held for sale are hedged with forward contracts to sell mortgage-backed securities. The fair value of the interest rate lock commitments and forward contracts to sell mortgage-backed securities are included in other assets or other liabilities in the consolidated balance sheets. Changes in the fair value of derivative financial instruments are recognized in commercial FHA revenue and residential mortgage banking revenue in the consolidated statements of income.

The following table summarizes the interest rate lock commitments and forward commitments to sell mortgage-backed securities held by the Company, their notional amount and estimated fair values at September 30, 2023, March 31, 2024 and December 31, 2022, December 31, 2023:

		Notional amount		Fair value gain					
		Notional amount				Notional amount		Fair value gain	
(dollars in thousands)	(dollars in thousands)	September 30, 2023	December 31, 2022	September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023	March 31, 2024	December 31, 2023
Derivative instruments (included in other assets):	Derivative instruments (included in other assets):								
Interest rate lock commitments	Interest rate lock commitments	\$ 3,712	\$ 2,078	\$ 60	\$ 49				
Forward commitments to sell mortgage-backed securities		8,299	—	91	—				
Total		\$ 12,011	\$ 2,078	\$ 151	\$ 49				
Interest rate lock commitments									
Interest rate lock commitments									

(dollars in thousands)	Notional amount		Fair value loss	
	September 30,	December 31,	September 30,	December 31,
	2023	2022	2023	2022
Derivative instruments (included in other liabilities):				
Interest rate lock commitments	\$ —	\$ 4,419	\$ —	\$ 15
Forward commitments to sell mortgage-backed securities	—	6,669	—	—
Total	\$ —	\$ 11,088	\$ —	\$ 15

(dollars in thousands)	Notional amount		Fair value loss	
	March 31,	December 31,	March 31,	December 31,
	2024	2023	2024	2023
Derivative instruments (included in other liabilities):				
Forward commitments to sell mortgage-backed securities	\$ 8,500	\$ 5,000	\$ 19	\$ 83

During both the nine three months ended September 30, 2023, March 31, 2024 and 2023, the Company recognized net gains of \$0.1 million \$0.1 million on derivative instruments in commercial FHA revenue and residential mortgage banking revenue in the consolidated statements of income.

During the three and nine months ended September 30, 2022, the Company recognized net losses of \$0.2 million and \$0.6 million, respectively, on derivative instruments in commercial FHA revenue and residential mortgage banking revenue in the consolidated statements of income.

Cash Flow Hedges

The Company periodically enters into interest rate swap agreements, which qualify as cash flow hedges, to manage the risk of changes in future cash flows due to interest rate fluctuations. The following table summarizes the Company's receive-fixed, pay-variable interest rate swaps on certain pools of loans indexed to prime at September 30, 2023 March 31, 2024 and December 31, 2022: December 31, 2023

(dollars in thousands)	September 30,		December 31,	
(dollars in thousands)	(dollars in thousands)	2023	(dollars in thousands)	2022
(dollars in thousands)				
(dollars in thousands)				
Notional Amount				
Notional Amount				
Notional Amount	Notional Amount	\$ 225,000	\$ 200,000	
Fair value loss included in other liabilities	Fair value loss included in other liabilities	(10,330)	(9,999)	
Fair value loss included in other liabilities				
Fair value loss included in other liabilities				
Tax effected amount included in accumulated other comprehensive (loss) income				
Tax effected amount included in accumulated other comprehensive (loss) income				
Tax effected amount included in accumulated other comprehensive (loss) income	Tax effected amount included in accumulated other comprehensive (loss) income	(7,541)	(7,300)	
Average remaining life	Average remaining life	2.84	3.37	
Average remaining life				
Average remaining life				
Weighted average pay rate				
Weighted average pay rate				
Weighted average pay rate	Weighted average pay rate	7.93 %	7.23 %	
Weighted average receive rate	Weighted average receive rate	5.46 %	5.48 %	
Weighted average receive rate				
Weighted average receive rate				

Interest Rate Swap Contracts Not Designated as Hedges

The Company entered into interest rate swap contracts sold to commercial customers who wish to modify their interest rate sensitivity. These swaps are offset by contracts simultaneously purchased by the Company from other financial dealer institutions with mirror-image terms. Because of the mirror-image terms of the offsetting contracts, in addition

to collateral provisions which mitigate the impact of non-performance risk, changes in the fair value subsequent to initial recognition have a minimal effect on earnings. These derivative contracts do not qualify for hedge accounting.

The notional amounts of the customer derivative instruments and the offsetting counterparty derivative instruments were \$7.0 million \$6.8 million and \$7.4 million \$6.9 million at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively. The fair value of the customer derivative instruments and the offsetting counterparty derivative instruments was \$0.5 million \$0.4 million and \$0.3 million at both September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively, which are included in other assets and other liabilities, respectively, on the consolidated balance sheets.

NOTE 86 – DEPOSITS

The following table summarizes the classification of deposits as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023:

(dollars in thousands)	(dollars in thousands)	September 30, 2023	December 31, 2022	(dollars in thousands)	March 31, 2024	December 31, 2023
Noninterest-bearing demand	Noninterest-bearing demand	\$1,154,515	\$1,362,158			
Interest-bearing:	Interest-bearing:					
Checking	Checking	2,572,224	2,494,073			
Checking						
Checking						
Money market	Money market	1,090,962	1,184,101			
Savings	Savings	582,359	661,932			
Time	Time	1,004,942	662,388			
Total deposits	Total deposits	\$6,405,002	\$6,364,652			

NOTE 97 – SHORT-TERM BORROWINGS

The following table presents the distribution of short-term borrowings securities sold under agreements to repurchase and federal funds purchased and the related weighted average interest rates as of September 30, 2023 and December 31, 2022 March 31, 2024:

(dollars in thousands)	Repurchase agreements	
	As of and for the nine months ended September 30, 2023	As of and for the year ended December 31, 2022
Outstanding at period-end	\$ 17,998	\$ 42,311
Average amount outstanding	26,865	58,688
Maximum amount outstanding at any month end	43,718	76,807
Weighted average interest rate:		
During period	0.26 %	0.18 %
End of period	0.26 %	0.26 %

Securities sold under agreements to repurchase, which are classified as secured borrowings, generally mature within one to four days from the transaction date. Securities sold under agreements to repurchase are reflected at the amount of cash received in connection with the transaction, which represents the amount of the Bank's obligation. The Bank may be required to provide additional collateral based on the fair value of the underlying securities. Investment securities with a carrying amount of \$27.8 million and \$46.1 million at September 30, 2023 and December 31, 2022, respectively, were pledged for securities sold under agreements to repurchase.

The Company had available lines of credit of \$759.8 million and \$12.2 million at September 30, 2023 and December 31, 2022, respectively, from the Federal Reserve Discount Window. The lines are collateralized by a collateral agreement with respect to a pool of commercial loans and investment securities totaling \$914.5 million and \$14.3 million at September 30, 2023 and December 31, 2022, respectively. There were no outstanding borrowings under these lines at September 30, 2023 and December 31, 2022.

At September 30, 2023, the Company had available federal funds lines of credit totaling \$364.0 million. These lines of credit were unused at September 30, 2023.

As of and for the quarter ended
March 31, 2024

(dollars in thousands)	Repurchase agreements		Federal funds purchased	
Outstanding at period-end	\$	7,446	\$	207,000
Average amount outstanding		7,347		57,835
Maximum amount outstanding at any month end		7,446		207,000
Weighted average interest rate:				
During period		0.26 %		5.78 %
End of period		0.25 %		5.44 %

NOTE 10 8 – FHLB ADVANCES AND OTHER BORROWINGS

The following table summarizes our FHLB advances and other borrowings as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023:

(dollars in thousands)	September 30, 2023		December 31, 2022	
FHLB advances – fixed rate, fixed term at rates averaging 4.18% at September 30, 2023 - maturing through February 2028	\$	55,000	\$	—
FHLB advances – putable fixed rate at rates averaging 2.76% and 2.35% at September 30, 2023 and December 31, 2022, respectively – maturing through August 2028 with call provisions through February 2024		160,000		110,000
FHLB advances –SOFR floater at rates averaging 6.94% and 5.92% at September 30, 2023 and December 31, 2022, respectively – maturing in October 2023		100,000		100,000
FHLB advances – Short term fixed rate at rates averaging 5.46% and 4.31% at September 30, 2023 and December 31, 2022, respectively– maturing in October 2023		223,000		250,000
Total FHLB advances and other borrowings	\$	538,000	\$	460,000

(dollars in thousands)	March 31, 2024		December 31, 2023	
FHLB advances – fixed rate, fixed term at rates averaging 4.64% and 4.94% at March 31, 2024 and December 31, 2023 - maturing through February 2029	\$	100,000	\$	150,000
FHLB advances – putable fixed rate at rates averaging 3.11% and 3.07% at March 31, 2024 and December 31, 2023, respectively – maturing through February 2028 with call provisions through October 2024		155,000		160,000
FHLB advances – Short term fixed rate at rates averaging 5.45% at December 31, 2023 – matured January 2024		—		166,000
Total FHLB advances and other borrowings	\$	255,000	\$	476,000

The Company's advances from the FHLB are collateralized by a blanket collateral agreement of qualifying mortgage and home equity line of credit loans and certain commercial real estate loans totaling approximately \$2.97 billion \$3.01 billion and \$2.90 billion \$2.98 billion at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively.

NOTE 11 9 – SUBORDINATED DEBT

The following table summarizes the Company's subordinated debt at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023:

(dollars in thousands)	Subordinated debt			
	Fixed to Float		Fixed	
	Issued September 2019	Issued September 2019	Issued June 2015	Total
At September 30, 2023				
Outstanding amount	\$ 66,750	\$ 27,250	\$ —	\$ 94,000
Carrying amount	66,514	26,961	—	93,475
Current rate	5.00 %	5.50 %	N/A	
At December 31, 2022				
Outstanding amount	\$ 72,750	\$ 27,250	\$ 550	\$ 100,550
Carrying amount	72,300	26,925	547	99,772
Current rate	5.00 %	5.50 %	6.50 %	
Maturity date	9/30/2029	9/30/2034	6/18/2025	
Optional redemption date	9/30/2024	9/30/2029	N/A	
Fixed to variable conversion date	9/30/2024	9/30/2029	N/A	
Variable rate	3-month SOFR plus 3.61%	3-month SOFR plus 4.05%	N/A	
Interest payment terms	Semiannually	Semiannually	Semiannually	

During the second quarter of 2023, the Company repurchased \$6.0 million of the outstanding Fixed to Float Subordinated Notes due September 30, 2029. The Company recognized a gain of \$0.7 million, which included the discount realized on the repurchase, offset by the remaining unamortized debt issuance costs on the repurchase.

The Company also repurchased the outstanding Fixed Rate Subordinated Notes due June 18, 2025, having an aggregate principal amount of \$0.6 million, during the second quarter of 2023. The aggregate repurchase price was 100% of the aggregate principal amount of the subordinated notes, plus accrued and unpaid interest.

(dollars in thousands)	Subordinated debt		
	Fixed to Float		Total
	Issued September 2019	Issued September 2019	
At March 31, 2024			
Outstanding amount	\$ 66,750	\$ 27,250	\$ 94,000
Carrying amount	66,632	26,985	93,617
Current rate	5.00 %	5.50 %	
At December 31, 2023			
Outstanding amount	\$ 66,750	\$ 27,250	\$ 94,000
Carrying amount	66,573	26,973	93,546
Current rate	5.00 %	5.50 %	
Maturity date	9/30/2029	9/30/2034	
Optional redemption date	9/30/2024	9/30/2029	
Fixed to variable conversion date	9/30/2024	9/30/2029	
Variable rate	3-month SOFR plus 3.61%	3-month SOFR plus 4.05%	
Interest payment terms	Semiannually	Semiannually	

The value of subordinated debentures have been reduced by the debt issuance costs, which are being amortized on a straight line basis through the earlier of the redemption option or maturity date. All of the subordinated debentures above may be included in Tier 2 capital (with certain limitations applicable) under current regulatory guidelines and interpretations.

NOTE 12 10 – EARNINGS PER COMMON SHARE

Earnings per common share is calculated utilizing the two-class method. Basic earnings per common share is calculated by dividing the sum of distributed earnings to common shareholders and undistributed earnings allocated to common shareholders by the weighted average number of common shares outstanding. Diluted earnings per common share is calculated by dividing the sum of distributed earnings to common shareholders and undistributed earnings allocated to common shareholders by the weighted average number of shares adjusted for the dilutive effect of common stock awards. Presented

below are the calculations for basic and diluted earnings per common share for the three and nine months ended September 30, 2023 March 31, 2024 and 2022: 2023:

		Three Months Ended September 30,		Nine Months Ended September 30,	
		Three Months Ended March 31,		Three Months Ended March 31,	
		Three Months Ended March 31,		Three Months Ended March 31,	
		Three Months Ended March 31,		Three Months Ended March 31,	
(dollars in thousands, except per share data)					
(dollars in thousands, except per share data)					
(dollars in thousands, except per share data)	(dollars in thousands, except per share data)	2023	2022	2023	2022
Net income	Net income	\$ 18,042	\$ 23,521	\$ 61,389	\$ 66,153
Net income					
Net income					
Preferred dividends declared					
Preferred dividends declared					
Preferred dividends declared	Preferred dividends declared	(2,229)	—	(6,685)	—
Net income available to common shareholders	Net income available to common shareholders	15,813	23,521	54,704	66,153
Net income available to common shareholders					
Net income available to common shareholders					
Common shareholder dividends					
Common shareholder dividends					

Common shareholder dividends	Common shareholder dividends	(6,524)	(6,400)	(19,772)	(19,186)
Unvested restricted stock award dividends	Unvested restricted stock award dividends	(76)	(70)	(236)	(218)
Unvested restricted stock award dividends					
Unvested restricted stock award dividends					
Undistributed earnings to unvested restricted stock awards					
Undistributed earnings to unvested restricted stock awards					
Undistributed earnings to unvested restricted stock awards	Undistributed earnings to unvested restricted stock awards	(105)	(185)	(405)	(519)
Undistributed earnings to common shareholders	Undistributed earnings to common shareholders	\$ 9,108	\$ 16,866	\$ 34,291	\$ 46,230
Undistributed earnings to common shareholders					
Undistributed earnings to common shareholders					
Basic					
Basic					
Basic	Basic				
Distributed earnings to common shareholders	Distributed earnings to common shareholders	\$ 6,524	\$ 6,400	\$ 19,772	\$ 19,186
Distributed earnings to common shareholders					
Distributed earnings to common shareholders					
Undistributed earnings to common shareholders					
Undistributed earnings to common shareholders					
Undistributed earnings to common shareholders	Undistributed earnings to common shareholders	9,108	16,866	34,291	46,230
Total common shareholders earnings, basic	Total common shareholders earnings, basic	\$ 15,632	\$ 23,266	\$ 54,063	\$ 65,416
Total common shareholders earnings, basic					
Total common shareholders earnings, basic					
Diluted					
Diluted					
Diluted	Diluted				
Distributed earnings to common shareholders	Distributed earnings to common shareholders	\$ 6,524	\$ 6,400	\$ 19,772	\$ 19,186
Distributed earnings to common shareholders					
Distributed earnings to common shareholders					
Undistributed earnings to common shareholders					
Undistributed earnings to common shareholders					
Undistributed earnings to common shareholders	Undistributed earnings to common shareholders	9,108	16,866	34,291	46,230
Total common shareholders earnings	Total common shareholders earnings	15,632	23,266	54,063	65,416
Total common shareholders earnings					
Total common shareholders earnings					
Add back:					
Add back:					
Add back:	Add back:				

Undistributed earnings reallocated from unvested restricted stock awards	Undistributed earnings reallocated from unvested restricted stock awards	—	—	—	1
Undistributed earnings reallocated from unvested restricted stock awards					
Undistributed earnings reallocated from unvested restricted stock awards					
Total common shareholders earnings, diluted					
Total common shareholders earnings, diluted					
Total common shareholders earnings, diluted	Total common shareholders earnings, diluted	\$ 15,632	\$ 23,266	\$ 54,063	\$ 65,417
Weighted average common shares outstanding, basic	Weighted average common shares outstanding, basic	21,970,372	22,338,828	22,214,862	22,306,323
Weighted average common shares outstanding, basic					
Weighted average common shares outstanding, basic					
Options					
Options					
Options	Options	6,824	51,610	9,124	60,772
Weighted average common shares outstanding, diluted	Weighted average common shares outstanding, diluted	21,977,196	22,390,438	22,223,986	22,367,095
Weighted average common shares outstanding, diluted					
Weighted average common shares outstanding, diluted					
Basic earnings per common share	Basic earnings per common share	\$ 0.71	\$ 1.04	\$ 2.43	\$ 2.93
Basic earnings per common share					
Basic earnings per common share					
Diluted earnings per common share					
Diluted earnings per common share					
Diluted earnings per common share	Diluted earnings per common share	0.71	1.04	2.43	2.92
Antidilutive stock options ⁽¹⁾	Antidilutive stock options ⁽¹⁾	305,051	45,698	305,051	45,698
Antidilutive stock options ⁽¹⁾					
Antidilutive stock options ⁽¹⁾					

(1) The diluted earnings per common share computation excludes antidilutive stock options because the exercise prices of these stock options exceeded the average market prices of the Company's common shares for those respective periods.

NOTE 13.11 – FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is defined as the exchange price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date reflecting assumptions that a market participant would use when pricing an asset or liability. The hierarchy uses three levels of inputs to measure the fair value of assets and liabilities as follows:

- Level 1: Unadjusted quoted prices for identical assets or liabilities traded in active markets.
- Level 2: Significant other observable inputs other than Level 1, including quoted prices for similar assets and liabilities in active markets, quoted prices in less active markets, or other observable inputs that 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:

Investment securities. The fair value of investment securities available for sale are determined by quoted market prices, if available (Level 1). For investment securities available for sale where quoted prices are not available, fair values are

calculated based on market prices of similar securities (Level 2). For investment securities available for sale where quoted

prices or market prices of similar securities are not available, fair values are calculated using discounted cash flows or other market indicators (Level 3). Securities classified as Level 3 are not actively traded, and as a result, fair value is determined utilizing third-party valuation services through consensus pricing. There were no transfers between Levels 1, 2 or 3 during the period presented for assets measured at fair value on a recurring basis. The fair value of equity securities is determined using quoted prices or market prices for similar securities (Level 2).

Loans held for sale. The fair value of loans held for sale is determined using quoted prices for a similar asset, adjusted for specific attributes of that loan (Level 2).

Derivative instruments. The fair value of derivative instruments are determined based on derivative valuation models using observable market data as of the measurement date (Level 2).

Loan servicing rights. In accordance with GAAP, the Company records impairment charges on loan servicing rights on a non-recurring basis when the carrying value exceeds the estimated fair value. The fair value of our servicing rights is estimated by using a cash flow valuation model which calculates the present value of estimated future net servicing cash flows, taking into consideration expected mortgage loan prepayment rates, discount rates, servicing costs, replacement reserves and other economic factors which are estimated based on current market conditions (Level 3).

Mortgage servicing rights held for sale. Mortgage servicing rights held for sale consist of commercial FHA mortgage servicing rights that management has committed to a plan to sell and has the ability to sell them to a buyer in their present condition. Mortgage servicing rights held for sale are carried at the lower of their carrying value or fair value less estimated costs to sell (Level 2).

Nonperforming loans. Nonperforming loans are measured and recorded at fair value on a non-recurring basis. All of our nonaccrual loans and restructured loans are considered nonperforming and are reviewed individually for the amount of impairment, if any. Most of our loans are collateral dependent and, accordingly, we measure nonperforming loans based on the estimated fair value of such collateral. In cases where the Company has an agreed upon selling price for the collateral, the fair value is set at the selling price (Level 1). The fair value of each loan's collateral is generally based on estimated market prices from an independently prepared appraisal, which is then adjusted for the cost related to liquidating such collateral (Level 2). When adjustments are made to an appraised value to reflect various factors such as the age of the appraisal or known changes in the market or the collateral, such valuation inputs are considered unobservable (Level 3). The nonperforming loans categorized as Level 3 also include unsecured loans and other secured loans whose fair values are based significantly on unobservable inputs such as the strength of a guarantor, cash flows discounted at the effective loan rate, and management's judgment.

Other Real Estate Owned. OREO is initially recorded at fair value at the date of foreclosure less estimated costs of disposal, which establishes a new cost basis. After foreclosure, OREO is held for sale and is carried at the lower of cost or fair value less estimated costs of disposal. Fair value for OREO is based on an appraisal performed upon foreclosure. Adjustments are routinely made in the appraisal process by the independent appraisers to adjust for differences between comparable sales and income data available. Property is evaluated regularly to ensure the recorded amount is supported by its fair value less estimated costs to dispose. After the initial foreclosure appraisal, fair value is generally determined by an annual appraisal unless known events warrant adjustments to the recorded value.

Assets held for sale. Assets held for sale represent the fair value of the banking facilities that are expected to be sold. The fair value of the assets held for sale was based on estimated market prices from independently prepared current appraisals (Level 2).

Assets and liabilities measured and recorded at fair value, including financial assets for which the Company has elected the fair value option, on a recurring and nonrecurring basis at September 30, 2023, March 31, 2024 and December 31, 2022, December 31, 2023, are summarized below:

September 30, 2023	
March 31, 2024	March 31, 2024

(dollars in thousands)	(dollars in thousands)	Carrying amount	Quoted prices in active markets for identical assets			(dollars in thousands)	Carrying amount	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
			assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)					
Assets and liabilities measured at fair value on a recurring basis:	Assets and liabilities measured at fair value on a recurring basis:									
Assets	Assets									
Assets										
Assets										
Investment securities available for sale:	Investment securities available for sale:									
U.S. Treasury securities		\$ 1,563	\$ 1,563	\$ —	\$ —					
Investment securities available for sale:										
Investment securities available for sale:										
U.S. government sponsored entities and U.S. agency securities										
U.S. government sponsored entities and U.S. agency securities										
U.S. government sponsored entities and U.S. agency securities	U.S. government sponsored entities and U.S. agency securities	89,038	—	89,038	—					
Mortgage-backed securities - agency	Mortgage-backed securities - agency	517,391	—	517,391	—					
Mortgage-backed securities - non-agency	Mortgage-backed securities - non-agency	72,665	—	72,665	—					
State and municipal securities	State and municipal securities	49,737	—	49,737	—					
Collateralized loan obligations	Collateralized loan obligations	22,385	—	22,385	—					
Corporate securities	Corporate securities	82,230	—	82,230	—					
Equity securities	Equity securities	4,335	4,335	—	—					
Loans held for sale	Loans held for sale	6,089	—	6,089	—					

Derivative assets	Derivative assets	646	—	646	—
Total	Total	\$ 846,079	\$ 5,898	\$ 840,181	\$ —
Total					
Total					
Liabilities	Liabilities				
Derivative liabilities					
Derivative liabilities					
Derivative liabilities	Derivative liabilities	\$ 10,825	\$ —	\$ 10,825	\$ —
Total	Total	\$ 10,825	\$ —	\$ 10,825	\$ —
Total					
Total					
Assets measured at fair value on a non-recurring basis:	Assets measured at fair value on a non-recurring basis:				
Loan servicing rights		\$ 20,933	\$ —	\$ —	\$ 20,933
Assets measured at fair value on a non-recurring basis:					
Assets measured at fair value on a non-recurring basis:					
Nonperforming loans					
Nonperforming loans					
Nonperforming loans	Nonperforming loans	55,981	—	39,485	16,496
Other real estate owned	Other real estate owned	480	201	279	—
Assets held for sale		182	—	182	—

December 31, 2022						December 31, 2023				
December 31, 2023						December 31, 2023				
		Quoted prices in active markets for identical assets	Significant other inputs	Significant unobservable inputs		Quoted prices in active markets for identical assets	Significant other observable inputs	Significant unobservable inputs		
(dollars in thousands)	(dollars in thousands)	Carrying amount (Level 1)	inputs (Level 2)	inputs (Level 3)	(dollars in thousands)	Carrying amount (Level 1)	inputs (Level 2)	inputs (Level 3)		
Assets and liabilities measured at fair value on a recurring basis:	Assets and liabilities measured at fair value on a recurring basis:									
Assets	Assets									
Assets										
Assets										
Investment securities available for sale:	Investment securities available for sale:									

Investment securities available for sale:						
Investment securities available for sale:						
U.S. Treasury securities						
U.S. Treasury securities						
U.S. Treasury securities	U.S. Treasury securities	\$ 81,230	\$81,230	\$ —	\$ —	—
U.S. government sponsored entities and U.S. agency securities	U.S. government sponsored entities and U.S. agency securities	37,509	—	37,509	—	—
Mortgage-backed securities - agency	Mortgage-backed securities - agency	448,150	—	448,150	—	—
Mortgage-backed securities - non-agency	Mortgage-backed securities - non-agency	20,754	—	20,754	—	—
State and municipal securities	State and municipal securities	94,636	—	94,636	—	—
Corporate securities	Corporate securities	85,955	—	85,955	—	—
Equity securities	Equity securities	8,626	8,626	—	—	—
Loans held for sale	Loans held for sale	1,286	—	1,286	—	—
Derivative assets	Derivative assets	481	—	481	—	—
Total	Total	\$778,627	\$89,856	\$ 688,771	\$ —	—
Total						
Total						
Liabilities						
Derivative liabilities						
Derivative liabilities						
Derivative liabilities	Derivative liabilities	\$ 10,446	\$ —	\$ 10,446	\$ —	—
Total	Total	\$ 10,446	\$ —	\$ 10,446	\$ —	—
Total						
Total						
Assets measured at fair value on a non-recurring basis:						
Loan servicing rights	Assets measured at fair value on a non-recurring basis:	\$ 1,205	\$ —	\$ —	\$ 1,205	—
Mortgage servicing rights held for sale		20,745	—	20,745	—	—
Assets measured at fair value on a non-recurring basis:						
Assets measured at fair value on a non-recurring basis:						
Nonperforming loans						

Nonperforming loans					
Nonperforming loans	Nonperforming loans	49,423	5,478	34,406	9,539
Other real estate owned	Other real estate owned	6,729	—	6,729	—
Assets held for sale		356	—	356	—

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

The following table presents losses recognized on assets measured on a nonrecurring basis for the three and nine months ended September 30, 2023 March 31, 2024 and 2022: 2023:

(dollars in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Commercial mortgage servicing rights	\$ —	\$ —	\$ —	\$ 1,263
Nonperforming loans	10,085	1,423	14,761	6,381
Other real estate owned	—	339	—	743
Total losses on assets measured on a nonrecurring basis	\$ 10,085	\$ 1,762	\$ 14,761	\$ 8,387

(dollars in thousands)	Three Months Ended March 31,	
	2024	2023
Nonperforming loans	\$ 4,834	\$ 1,103

The following tables present quantitative information about significant unobservable inputs used in fair value measurements of Level 3 assets measured on a nonrecurring basis at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023:

(dollars in thousands)	Fair value	Valuation technique	Unobservable input / assumptions	Range (weighted average) ⁽¹⁾
September 30, 2023 March 31, 2024				
Loan servicing rights: Nonperforming loans				
Commercial FHA servicing rights	30,914	Discounted cash flow	Prepayment speed	4.00% - 100.00% (8.26%)
			Discount rate	8.00% - 15.00% (8.19%)
SBA servicing rights	\$ 818 1,625	Discounted cash flow Collateral based measurements	Prepayment speed Discount to reflect current market conditions and ultimate collectability	15.62% 25.80% - 16.02% (15.87% 100.00% (51.90%))
Residential servicing rights	2,488	Discounted cash flow	Discount rate	No range (14.25%)
			Prepayment speed	7.20% -26.28% (7.50%)
			Discount rate	9.25% - 11.75% (10.38%)
December 31, 2022 2023				
Loan servicing rights: Nonperforming loans				
SBA servicing rights \$	876 669	Discounted cash flow Collateral based measurements	Prepayment speed Discount to reflect current market conditions and ultimate collectability	14.49% 24.38% - 15.44% (15.00% 100.00% (27.46%))
Residential servicing rights	2,770	Discounted cash flow	Prepayment speed	7.56% - 26.28% (7.92%)
			Discount rate	9.00% - 11.50% (10.13%)

(1) Unobservable inputs were weighted by the relative fair value of the instruments.

ASC Topic 825, *Financial Instruments*, requires disclosure of the estimated fair value of certain financial instruments and the methods and significant assumptions used to estimate such fair values. Additionally, certain financial instruments and all nonfinancial instruments are excluded from the applicable disclosure requirements.

The Company has elected the fair value option for newly originated residential loans held for sale. These loans are intended for sale and are hedged with derivative instruments. We have elected the fair value option to mitigate accounting mismatches in cases where hedge accounting is complex and to achieve operational simplification.

The following table presents the difference between the aggregate fair value and the aggregate remaining principal balance for loans for which the fair value option has been elected as of **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**:

		September 30, 2023				December 31, 2022				March 31, 2024				December 31, 2023			
(dollars in thousands)	(dollars in thousands)	Aggregate fair value	Difference	Contractual principal	Aggregate fair value	Difference	Contractual principal	(dollars in thousands)	Aggregate fair value	Difference	Contractual principal	Aggregate fair value	Difference	Contractual principal	Aggregate fair value	Difference	Contractual principal
Residential loans held for sale	Residential loans held for sale	\$ 6,089	\$ 142	\$ 5,947	\$ 1,286	\$ 42	\$ 1,244										
Residential loans held for sale	Residential loans held for sale																
Residential loans held for sale	Residential loans held for sale																

The following table presents the amount of gains (losses) from fair value changes included in income before income taxes for financial assets carried at fair value for the three and nine months ended **September 30, 2023** **March 31, 2024** and **2022: 2023**:

Three Months Ended September 30,	Nine Months Ended September 30,
Three Months Ended March 31,	

Three Months Ended March 31,			
Three Months Ended March 31,			
(dollars in thousands)			
(dollars in thousands)			
(dollars in thousands)	(dollars in thousands)	2023	2022
(dollars in thousands)	(dollars in thousands)	2023	2022
Residential loans held for sale	Residential loans held for sale	(37)	(280)
Total loans held for sale		\$ (37)	\$ (280)
Residential loans held for sale			
Residential loans held for sale			

The carrying values and estimated fair value of certain financial instruments not carried at fair value at **September 30, 2023** March 31, 2024 and **December 31, 2022** December 31, 2023 were as follows:

September 30, 2023												
March 31, 2024							March 31, 2024					
				Quoted prices in active markets for identical assets	Significant other observable inputs	Significant unobservable inputs				Quoted prices in active markets for identical assets	Significant other observable inputs	Significant unobservable inputs
(dollars in thousands)	(dollars in thousands)	Carrying amount	Fair value	(Level 1)	(Level 2)	(Level 3)	(dollars in thousands)	Carrying amount	Fair value	(Level 1)	(Level 2)	(Level 3)
Assets	Assets											
Cash and due from banks	Cash and due from banks											
Cash and due from banks	Cash and due from banks											
Cash and due from banks	Cash and due from banks	\$ 131,179	\$ 131,179	\$131,179	\$ —	\$ —						
Federal funds sold	Federal funds sold	953	953	953	—	—						
Loans	Loans	6,280,883	6,176,092	—	—	6,176,092						
Loans	Loans											
Loans	Loans											
Accrued interest receivable	Accrued interest receivable	24,283	24,283	—	24,283	—						
Liabilities	Liabilities											
Liabilities	Liabilities											
Liabilities	Liabilities											
Deposits	Deposits											
Deposits	Deposits											
Deposits	Deposits	\$6,405,002	\$6,392,040	\$ —	\$6,392,040	\$ —						
Short-term borrowings	Short-term borrowings	17,998	17,998	—	17,998	—						
FHLB and other borrowings	FHLB and other borrowings	538,000	533,614	—	533,614	—						
Subordinated debt	Subordinated debt	93,475	87,263	—	87,263	—						
Trust preferred debentures	Trust preferred debentures	50,457	50,717	—	50,717	—						

	December 31, 2022				
	Carrying amount	Fair value	Quoted prices	Significant	Significant
			in active	other	Significant
			markets	observable	unobservable
(dollars in thousands)			for identical	inputs	inputs
			assets	(Level 2)	(Level 3)
			(Level 1)		
Assets					
Cash and due from banks	\$ 143,035	\$ 143,035	\$ 143,035	\$ —	\$ —
Federal funds sold	7,286	7,286	7,286	—	—
Loans	6,306,467	6,121,026	—	—	6,121,026
Accrued interest receivable	20,313	20,313	—	20,313	—
Liabilities					
Deposits	\$ 6,364,652	\$ 6,344,534	\$ —	\$ 6,344,534	\$ —
Short-term borrowings	42,311	42,311	—	42,311	—
FHLB and other borrowings	460,000	457,998	—	457,998	—
Subordinated debt	99,772	95,301	—	95,301	—
Trust preferred debentures	49,975	54,668	—	54,668	—

	December 31, 2023				
			Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
(dollars in thousands)	Carrying amount	Fair value			
Assets					
Cash and due from banks	\$ 134,212	\$ 134,212	\$ 134,212	\$ —	\$ —
Federal funds sold	849	849	849	—	—
Loans	6,131,079	6,129,244	—	—	6,129,244
Accrued interest receivable	24,934	24,934	—	24,934	—
Liabilities					
Deposits	\$ 6,309,529	\$ 6,294,979	\$ —	\$ 6,294,979	\$ —
Short-term borrowings	34,865	34,865	25,000	9,865	—
FHLB and other borrowings	476,000	475,240	—	475,240	—
Subordinated debt	93,546	90,253	—	90,253	—
Trust preferred debentures	50,616	51,626	—	51,626	—

The methods utilized to measure fair value of financial instruments at **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023** represent an approximation of exit price; however, an actual exit price may differ.

NOTE 14 12 – COMMITMENTS, CONTINGENCIES AND CREDIT RISK

In the normal course of business, there are outstanding various contingent liabilities such as claims and legal actions, which are not reflected in the consolidated financial statements. No material losses are anticipated as a result of these actions or claims.

We are a party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of our customers. These financial instruments include commitments to extend credit and standby letters of credit. Those instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized in the balance sheet. The contract amounts of those instruments reflect the extent of involvement we have in particular classes of financial instruments.

Our exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit and standby letters of credit is represented by the contractual amount of those instruments. The Bank used the same credit policies in making commitments and conditional obligations as it does for on-balance

sheet instruments. The commitments are principally tied to variable rates. Loan commitments as of **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023** were as follows:

(dollars in thousands)	(dollars in thousands)	September 30, 2023	December 31, 2022	(dollars in thousands)	March 31, 2024	December 31, 2023
Commitments to extend credit	Commitments to extend credit	\$1,001,228	\$1,276,263			
Financial guarantees – standby letters of credit	Financial guarantees – standby letters of credit	27,302	23,748			

The Company establishes a mortgage repurchase liability to reflect management's estimate of losses on loans for which the Company could have a repurchase obligation based on the volume of loans sold in **2023** **2024** and years prior, borrower default expectations, historical investor repurchase demand and appeals success rates, and estimated loss severity. Loans repurchased from investors are initially recorded at fair value, which becomes the Company's new accounting basis. Any difference between the loan's fair value and the outstanding principal amount is charged or credited to the mortgage repurchase liability, as appropriate. Subsequent to repurchase, such loans are carried in loans receivable. There were no losses as a result of make-whole requests and loan repurchases for the three and nine months ended **September 30, 2023** **March 31, 2024** and **2022** **2023**. The liability for unresolved repurchase demands totaled **\$0.2 million** **\$0.1 million** at **September 30, 2023** **both March 31, 2024** and **December 31, 2022** **December 31, 2023**.

NOTE 15 13 – SEGMENT INFORMATION

Our business The Company's reportable segments are defined as comprised of strategic business units primarily based upon industry categories and, to a lesser extent, the core competencies relating to product origination, distribution methods, operations and servicing. Segment determination also considers organizational structure and is consistent with the presentation of financial information to the chief operating decision maker to evaluate segment performance, develop strategy and allocate resources. The Company's chief operating decision maker is the Chief Executive Officer of the Company. Management has determined that the Company has three reportable segments consisting of Banking, Wealth Management and **Other**. The reportable business segments are consistent with the internal reporting and evaluation of the principle lines of business of the Company. **Corporate**.

The Banking segment provides a wide range of financial products and services to consumers and businesses, including commercial, commercial real estate, mortgage and other consumer loan products; commercial equipment financing; mortgage loan sales and servicing; letters of credit; various types of deposit products, including checking, savings and time deposit accounts; merchant services; and corporate treasury management services.

The Wealth Management segment consists of trust and fiduciary services, brokerage and retirement planning services.

The **Other Corporate** segment includes the operating results holding company financing and investment activities, administrative expenses, as well as the elimination of the parent company, intercompany transactions. The Corporate segment also included our captive insurance business unit for the three months ended March 31, 2023. This business was dissolved as of December 31, 2023.

Reported segments and the elimination financial information of intercompany transactions, the reported segments are not necessarily comparable with similar information reported by other financial institutions. Additionally, because of the interrelationships of the various segments, the information presented is not indicative of how the segments would perform if they operated as independent entities. Changes in management structure or allocation methodologies and procedures may result in future changes to previously reported segment financial data. The accounting policies of the segments are substantially the same as those described in the "Summary of Significant Accounting Policies" in Note 1 of the Company's 2023 Form 10-K.

Transactions between segments consist primarily of borrowed funds and servicing fees. Noninterest income and expense directly attributable to a segment are assigned to it with various shared service costs such as human resources, accounting, finance, risk management and information technology expense assigned to the Banking segment.

Selected business segment financial information for the three and nine months ended **September 30, 2023** **March 31, 2024** and **2022** **2023** were as follows:

(dollars in thousands)	(dollars in thousands)	Banking	Wealth Management	Other	Total
Three Months Ended					
September 30, 2023					
(dollars in thousands)					

(dollars in thousands)		Banking		Wealth Management		Corporate		Total	
Three Months Ended March 31, 2024									
Net interest income (expense)	Net interest income (expense)	\$ 60,817	\$ (3)	\$ (2,218)	\$ 58,596				
Provision for credit losses		5,168	—	—	5,168				
Noninterest income		12,007	6,288	(110)	18,185				
Noninterest expense		37,272	5,023	(257)	42,038				
Income (loss) before income taxes (benefit)		30,384	1,262	(2,071)	29,575				
Income taxes (benefit)		11,475	913	(855)	11,533				
Net income (loss)		\$ 18,909	\$ 349	\$ (1,216)	\$ 18,042				
Total assets		\$ 7,964,147	\$ 30,860	\$ (19,082)	\$ 7,975,925				
Nine Months Ended September 30, 2023									
Net interest income (expense)	Net interest income (expense)	\$ 184,460	\$ (3)	\$ (6,517)	\$ 177,940				
Provision for credit losses		14,182	—	—	14,182				
Noninterest income		33,502	18,968	247	52,717				
Noninterest expense		115,669	14,539	(794)	129,414				
Income (loss) before income taxes (benefit)		88,111	4,426	(5,476)	87,061				
Income taxes (benefit)		26,007	1,797	(2,132)	25,672				
Net income (loss)		\$ 62,104	\$ 2,629	\$ (3,344)	\$ 61,389				
Total assets		\$ 7,964,147	\$ 30,860	\$ (19,082)	\$ 7,975,925				
Three Months Ended September 30, 2022									
Net interest income (expense)		\$ 66,846	\$ —	\$ (2,822)	\$ 64,024				
Provision for credit losses		6,974	—	—	6,974				
Noninterest income		9,646	6,199	(19)	15,826				
Noninterest expense		39,338	4,364	(206)	43,496				
Income (loss) before income taxes (benefit)		30,180	1,835	(2,635)	29,380				
Income taxes (benefit)		9,238	498	(3,877)	5,859				
Net income (loss)		\$ 20,942	\$ 1,337	\$ 1,242	\$ 23,521				
Total assets		\$ 7,809,280	\$ 29,166	\$ (16,569)	\$ 7,821,877				
Nine Months Ended September 30, 2022									
Net interest income (expense)	Net interest income (expense)	\$ 190,162	\$ —	\$ (7,977)	\$ 182,185				
Provision for credit losses	Provision for credit losses	16,582	—	—	16,582				

Noninterest income	Noninterest income	26,547	19,481	24	46,052
Noninterest expense	Noninterest expense	112,947	13,130	(358)	125,719
Income (loss) before income taxes (benefit)	Income (loss) before income taxes (benefit)	87,180	6,351	(7,595)	85,936
Income taxes (benefit)	Income taxes (benefit)	23,498	1,761	(5,476)	19,783
Net income (loss)	Net income (loss)	\$ 63,682	\$ 4,590	\$ (2,119)	\$ 66,153
Total assets	Total assets	\$7,809,280	\$ 29,166	\$ (16,569)	\$7,821,877
Three Months Ended					
March 31, 2023					
Three Months Ended					
March 31, 2023					
Three Months Ended					
March 31, 2023					
Net interest income (expense)					
Net interest income (expense)					
Net interest income (expense)					
Provision for credit losses					
Noninterest income					
Noninterest expense					
Income (loss) before income taxes (benefit)					
Income taxes (benefit)					
Net income (loss)					
Total assets					

NOTE 16 14 – REVENUE FROM CONTRACTS WITH CUSTOMERS

The Company's revenue from contracts with customers in the scope of Topic 606 is recognized within noninterest income in the consolidated statements of income. The following presents noninterest income, segregated by revenue streams in-scope and out-of-scope of Topic 606, for the three and nine months ended September 30, 2023 March 31,

2024 and 2022, 2023.

		Three Months Ended September 30,		Nine Months Ended September 30,	
		Three Months Ended March 31,		Three Months Ended March 31,	
		Three Months Ended March 31,		Three Months Ended March 31,	
		Three Months Ended March 31,		Three Months Ended March 31,	
(dollars in thousands)					
(dollars in thousands)					
(dollars in thousands)	(dollars in thousands)	2023	2022	2023	2022
Noninterest income - in-scope of Topic 606	Noninterest income - in-scope of Topic 606				
Noninterest income - in-scope of Topic 606					
Noninterest income - in-scope of Topic 606					
Wealth management revenue:					
Wealth management revenue:					
Wealth management revenue:	Wealth management revenue:				
Trust management/administration fees	Trust management/administration fees	\$ 5,470	\$ 5,241	\$ 16,462	\$ 16,362
Trust management/administration fees					
Trust management/administration fees					
Investment advisory and brokerage fees					
Investment advisory and brokerage fees					
Investment advisory and brokerage fees					
Investment brokerage fees		420	482	1,281	1,623
Other					
Other					
Other	Other	398	476	1,225	1,496
Service charges on deposit accounts:	Service charges on deposit accounts:				
Service charges on deposit accounts:					
Service charges on deposit accounts:					
Nonsufficient fund fees					
Nonsufficient fund fees					
Nonsufficient fund fees	Nonsufficient fund fees	1,950	1,775	5,389	4,631
Other	Other	1,199	1,008	3,355	2,913
Other					
Other					
Interchange revenues					
Interchange revenues					
Interchange revenues	Interchange revenues	3,609	3,531	10,717	10,401
Other income:	Other income:				
Other income:					
Other income:					
Merchant services revenue					
Merchant services revenue					
Merchant services revenue	Merchant services revenue	409	448	1,165	1,203
Other	Other	(66)	661	1,618	1,711
Other					
Other					
Noninterest income - out-of-scope of Topic 606					
Noninterest income - out-of-scope of Topic 606					
Noninterest income - out-of-scope of Topic 606	Noninterest income - out-of-scope of Topic 606	4,796	2,204	11,505	5,712

Total noninterest income	Total noninterest income	\$ 18,185	\$ 15,826	\$ 52,717	\$ 46,052
Total noninterest income					
Total noninterest income					

Topic 606 does not apply to revenue associated with financial instruments, including revenue from loans and investment securities. In addition, certain noninterest income streams such as commercial FHA revenue, residential mortgage banking revenue and gain on sales of investment securities, net, are also not in scope of Topic 606. Topic 606 is applicable to noninterest income streams such as wealth management revenue, service charges on deposit accounts, interchange revenue, gain on sales of other real estate owned, and certain other noninterest income streams. The noninterest income streams considered in-scope by Topic 606 are discussed below.

Wealth Management Revenue

Wealth management revenue is primarily comprised of fees earned from the management and administration of trusts and other customer assets. Previously, the The Company also earned earns investment advisory fees through its SEC registered investment advisory subsidiary. The Company's performance obligation in both of these instances is generally satisfied over time and the resulting fees are recognized monthly, based upon the month-end market value of the assets under management and contractually determined fee schedules. Payment is generally received a few days after month end through a direct charge to each customer's account. The Company does not earn performance-based incentives. Optional services such as real estate sales and tax return preparation services are also available to existing trust and asset management customers. The Company's performance obligation for these transactional-based services is generally satisfied, and related revenue recognized, at a point in time (i.e., as incurred). Payment is received shortly after services are rendered. Fees generated from transactions executed by the Company's third party broker dealer are remitted to the Company on a monthly basis for that month's transactional activity.

Service Charges on Deposit Accounts

Service charges on deposit accounts consist of fees received under depository agreements with customers to provide access to deposited funds, serve as custodian of deposited funds, and when applicable, pay interest on deposits. These service charges primarily include non-sufficient fund fees and other account related service charges. Non-sufficient fund fees are earned when a depositor presents an item for payment in excess of available funds, and the Company, at its discretion, provides the necessary funds to complete the transaction. The Company generates other account related service charge revenue by providing depositors proper safeguard and remittance of funds as well as by delivering optional services for depositors, such as check imaging or treasury management, that are performed upon the depositor's request. The Company's performance obligation for the proper safeguard and remittance of funds, monthly account analysis and any other monthly service fees is generally satisfied, and the related revenue recognized, over the period in which the service is provided. Payment for service charges on deposit accounts is typically received immediately or in the following month through a direct charge to a customer's account.

Interchange Revenue

Interchange revenue includes debit / credit card income and ATM user fees. Card income is primarily comprised of interchange fees earned for standing ready to authorize and providing settlement on card transactions processed through the MasterCard interchange network. The levels and structure of interchange rates are set by MasterCard and can vary based on cardholder purchase volumes. Interchange fees from cardholder transactions represent a percentage of the underlying transaction value and are recognized daily, concurrently with completion of the Company's performance obligation, the transaction processing services provided to the cardholder. Payment is typically received immediately or in the following month. ATM fees are primarily generated when a Company cardholder withdraws funds from a non-Company ATM or a non-Company cardholder withdraws funds from a Company ATM. The Company satisfies its performance obligation for each transaction at the point in time when the ATM withdrawal is processed.

Other Noninterest Income

The other noninterest income revenue streams within the scope of Topic 606 consist of merchant services revenue, safe deposit box rentals, wire transfer fees, paper statement fees, check printing commissions, gain on sales of other real estate owned and other noninterest related fees. Revenue from the Company's merchant services business consists principally of transaction and account management fees charged to merchants for the electronic processing of transactions. These fees are net of interchange fees paid to the credit card issuing bank, card company assessments, and revenue sharing amounts. Account management fees are considered earned at the time the merchant's transactions are processed or other services are performed. Fees related to the other components of other noninterest income within the scope of Topic 606 are largely transactional based, and therefore, the Company's performance obligation is satisfied and related revenue recognized, at the point in time the customer uses the selected service to execute a transaction.

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

The following is management's discussion and analysis of certain significant factors which have affected the financial condition and results of operations of the Company as reflected in the unaudited consolidated balance sheet as of September 30, 2023 March 31, 2024, as compared to December 31, 2022 December 31, 2023, and operating results for the three and nine months ended September 30, 2023 March 31, 2024 and 2022 2023. These comments should be read in conjunction with the Company's unaudited consolidated financial statements and accompanying notes appearing elsewhere herein and our Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023, filed with the SEC on February 24, 2023 February 23, 2024.

In addition to the historical information contained herein, this Form 10-Q includes "forward-looking statements" within the meaning of such term under the Private Securities Litigation Reform Act of 1995. These statements are subject to many risks and uncertainties, including changes in interest rates and other general economic, business and political conditions, including prevailing interest rates and the rate of inflation; the continuing effects of the recent failures of Silicon Valley Bank and Signature Bank, including increased deposit volatility and potential regulatory developments; changes in the financial markets; changes in business plans as circumstances warrant; risks related to mergers and

acquisitions and the integration of acquired businesses; changes to U.S. tax laws, regulations and guidance; and other risks detailed from time to time in filings made by the Company with the SEC. Readers should note that the forward-looking statements included herein are not a guarantee of future events, and that actual events may differ materially from those made in or suggested by the forward-looking statements. Forward-looking statements generally can be identified by the use of forward-looking terminology such as “will,” “propose,” “may,” “plan,” “seek,” “expect,” “intend,” “estimate,” “anticipate,” “believe,” or “continue,” or similar terminology. Any forward-looking statements presented herein are made only as of the date of this document, and we do not undertake any obligation to update or revise any forward-looking statements to reflect changes in assumptions, the occurrence of unanticipated events, or otherwise.

Critical Accounting Policies

The preparation of our consolidated financial statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses. These estimates are based upon historical experience and on various other assumptions that management believes are reasonable under current circumstances. These estimates form the basis for making judgments about the carrying value of certain assets and liabilities that are not readily available from other sources. Actual results may differ from these estimates under different assumptions or conditions. The estimates and judgments that management believes have the most effect on the Company's reported financial position and results of operations are set forth in “Note 21 – Basis of Presentation and Summary of Significant Accounting Policies” of the Notes to Consolidated Financial Statements, included in our Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023. There have been no significant changes in critical accounting policies or the assumptions and judgments utilized in applying these policies since December 31, 2022 December 31, 2023.

Significant Developments and Transactions

Each item listed below affects the comparability of our results of operations for the three and nine months ended September 30, 2023 March 31, 2024 and 2022, 2023, and our financial condition as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, and may affect the comparability of financial information we report in future fiscal periods.

Balance sheet repositioning. The Company took advantage of certain market conditions during 2023 to reposition out of lower yielding securities into other structures, which were expected to result in improved overall margin, liquidity and capital allocations. These transactions resulted in losses of \$0.6 million in the three months ended March 31, 2023.

In addition, in the third quarter of 2023, the Company recognized a one-time enhancement fee of \$6.6 million from surrender and replacement of surrendered certain company-owned low-yielding life insurance policies which was intended to offset an increase in and purchased additional policies. The Company recognized a \$4.5 million tax expense charge related to the surrender. The tax expense associated with the surrender of the policies totaled \$4.5 million. In addition, the Company sold \$65.9 million of investment securities, recognizing a loss of \$4.9 million, and repaid \$17.0 million of FHLB advances. policies.

Redemption of Subordinated Notes. In the second quarter of 2023, the Company redeemed \$6.6 million of outstanding subordinated notes. The weighted average redemption price was 89.2% of the aggregate principal amount of the subordinated notes, plus accrued and unpaid interest. The Company recorded gains totaling \$0.7 million on these redemptions.

On October 15, 2022, the Company redeemed the outstanding Fixed-to-Floating Rate Subordinated Notes due October 15, 2027, having an aggregate principal amount of \$40.0 million, in accordance with the terms of the notes. The aggregate redemption price was 100% of the aggregate principal amount of the subordinated notes, plus accrued and unpaid interest.

Preferred Stock Issuance. On August 24, 2022, the Company issued and sold 4,600,000 depositary shares, each representing a 1/40th ownership interest in a share of the Company's 7.75% fixed rate reset non-cumulative, non-convertible, perpetual preferred stock, Series A. The net proceeds were \$110.5 million.

Commercial FHA Mortgage Loan Servicing Rights. During the third quarter of 2022, we committed to a plan to sell the commercial servicing rights asset and transferred \$24.0 million of commercial FHA loan servicing rights to held for sale. At June 30, 2023, the Company abandoned its plans to sell this servicing asset and removed this asset from held for sale at lower of cost or fair value with no gain or loss recognized.

Recent Acquisitions. On June 17, 2022, the Company completed its acquisition of the deposits and certain loans and other assets associated with FNBC's branches in Mokena and Yorkville, Illinois. The Company acquired \$79.8 million in assets, including \$60.3 million in cash and \$16.6 million in loans, and assumed \$79.8 million in deposits.

Results of Operations

Overview. The following table sets forth condensed income statement information of the Company for the three and nine months ended September 30, 2023 March 31, 2024 and 2022, 2023:

	Three Months Ended September 30,	Nine Months Ended September 30,
	Three Months Ended March 31,	
	Three Months Ended March 31,	
	Three Months Ended March 31,	
(dollars in thousands, except per share data)		

(dollars in thousands, except per share data)					
(dollars in thousands, except per share data)	(dollars in thousands, except per share data)	2023	2022	2023	2022
Income Statement Data:	Income Statement Data:				
Interest income	Interest income				
Interest income	Interest income	\$ 103,585	\$ 79,556	\$ 299,615	\$ 211,540
Interest expense	Interest expense	44,989	15,532	121,675	29,355
Interest expense	Interest expense				
Net interest income	Net interest income				
Net interest income	Net interest income	58,596	64,024	177,940	182,185
Provision for credit losses	Provision for credit losses	5,168	6,974	14,182	16,582
Provision for credit losses	Provision for credit losses				
Noninterest income	Noninterest income				
Noninterest income	Noninterest income	18,185	15,826	52,717	46,052
Noninterest expense	Noninterest expense	42,038	43,496	129,414	125,719
Noninterest expense	Noninterest expense				
Income before income taxes	Income before income taxes				
Income before income taxes	Income before income taxes	29,575	29,380	87,061	85,936
Income taxes	Income taxes	11,533	5,859	25,672	19,783
Income taxes	Income taxes				
Net income	Net income				
Net income	Net income	18,042	23,521	61,389	66,153
Preferred dividends	Preferred dividends	2,229	—	6,685	—
Preferred dividends	Preferred dividends				
Net income available to common shareholders	Net income available to common shareholders				
Net income available to common shareholders	Net income available to common shareholders	\$ 15,813	\$ 23,521	\$ 54,704	\$ 66,153
Per Share Data:	Per Share Data:				
Per Share Data:	Per Share Data:				
Basic earnings per common share	Basic earnings per common share				
Basic earnings per common share	Basic earnings per common share	\$ 0.71	\$ 1.04	\$ 2.43	\$ 2.93
Diluted earnings per common share	Diluted earnings per common share	\$ 0.71	\$ 1.04	2.43	2.92

Diluted earnings per common share									
Diluted earnings per common share									
Performance Metrics:									
Performance Metrics:									
Performance Metrics:									
Performance Metrics:									
Return on average assets	Return on average assets	0.91	%	1.22	%	1.04	%	1.19	%
Return on average assets									
Return on average assets									
Return on average shareholders' equity	Return on average shareholders' equity	9.28	%	13.31	%	10.63	%	13.26	%
Return on average shareholders' equity									
Return on average shareholders' equity									

During the three months ended **September 30, 2023** **March 31, 2024**, we generated net income of **\$18.0 million** **\$13.9 million**, or diluted earnings per common share of **\$0.71** **\$0.53**, compared to net income of **\$23.5 million** **\$21.8 million**, or diluted earnings per common share of **\$1.04** **\$0.86**, in the three months ended **September 30, 2022** **March 31, 2023**. Earnings for the **third****first** quarter of **2023** **2024** compared to the **third****first** quarter of **2022** **2023** decreased primarily due to a **\$5.4 million** **\$4.6 million** decrease in net interest income, a **\$10.9 million increase in provision for credit losses**, and a **\$5.7 million** **\$0.4 million** increase in **income tax** **noninterest** expense. These results were partially offset by a **\$1.8 million decrease in provision for credit losses**, a **\$2.4 million** **\$5.4 million** increase in noninterest income and a **\$1.5 million** **\$2.5 million** decrease in noninterest expense.

During the nine months ended September 30, 2023, we generated net income of \$61.4 million, or diluted earnings per common share of \$2.43, compared to net income of \$66.2 million, or diluted earnings per common share of \$2.92, in the nine months ended September 30, 2022. Earnings for the nine months ended September 30, 2023 compared to nine months ended September 30, 2022 decreased primarily due to a \$4.2 million decrease in net interest income, a \$3.7 million increase in noninterest expense and a \$5.9 million increase in income tax expense. These results were partially offset by a \$2.4 million decrease in provision for credit losses and a \$6.7 million increase in noninterest income.

Net Interest Income and Margin. Our primary source of revenue is net interest income, which is the difference between interest income from interest-earning assets (primarily loans and securities) and interest expense of funding sources (primarily interest-bearing deposits and borrowings). Net interest income is influenced by many factors, primarily the volume and mix of interest-earning assets, funding sources, and interest rate fluctuations. Noninterest-bearing sources of funds, such as demand deposits and shareholders' equity, also support earning assets. Net interest margin is calculated as net interest income divided by average interest-earning assets. Net interest margin is presented on a tax-equivalent basis, which means that tax-free

Interest income has been adjusted to a pretax-equivalent income, assuming a federal income tax rate of 21% for three 2024 and nine months ended September 30, 2023 and 2022, 2023.

On July 26, 2023, At its March 20, 2024 meeting, the Federal Reserve approved held its 11th key interest rate increase steady for the fifth consecutive meeting, as the central bank awaits more data to determine when, and if, to cut rates. Federal Reserve officials also released an updated set of economic projections that show they now expect fewer rate cuts in just over a year. The increase moved the coming years than they estimated in December 2023. A majority of policymakers continue to expect three rate cuts this year, but they now see fewer in 2025 and 2026. They expect interest rates in the longer run to be slightly higher than they projected in December. Economic growth is also expected to be much higher this year than officials previously estimated. In 2023, the Federal Reserve increased the federal funds rate 100 basis points to a target range of 5.25%-5.50%, the highest since August 2007. At its September meeting, the Federal Reserve decided to leave interest rates unchanged. Minutes from that meeting indicated that the Federal Reserve officials believed that rates would need to stay elevated until they are convinced inflation is heading back to 2%. The benchmark federal funds rate remains at a target range between 5.25%-5.50%, compared to a target rate range of 0.00%-0.25% 4.25%-4.50% at the beginning of 2022, 2023.

During the three months ended September 30, 2023, March 31, 2024, net interest income, on a tax-equivalent basis, decreased to \$58.8 million \$56.1 million compared to \$64.3 million \$60.7 million for the three months ended September 30, 2022, March 31, 2023. The tax-equivalent net interest margin decreased to 3.20% 3.18% for the third first quarter of 2023 2024 compared to 3.63% in 3.39% for the third first quarter of 2022, 2023.

During the nine months ended September 30, 2023, net interest income, on a tax-equivalent basis, decreased to \$178.6 million with a tax-equivalent net interest margin of 3.27% compared to net interest income, on a tax-equivalent basis, of \$183.2 million and a tax-equivalent net interest margin of 3.60% for the nine months ended September 30, 2022.


Average Balance Sheet, Interest and Yield/Rate Analysis. The following tables present the average balance sheets, interest income, interest expense and the corresponding average yields earned and rates paid for the three and nine months ended September 30, 2023, March 31, 2024 and 2022, 2023. The average balances are principally daily averages and, for loans, include both performing and nonperforming balances. Interest income on loans includes the effects of discount accretion and net deferred loan origination costs accounted for as yield adjustments.

Interest-bearing liabilities:													
Interest-bearing liabilities:	Interest-bearing liabilities:												
Deposits:	Deposits:												
Deposits:													
Deposits:													
Checking and money market deposits													
Checking and money market deposits													
Checking and money market deposits	Checking and money market deposits	\$ 3,770,735	\$ 29,401	3.09 %	\$ 3,558,696	\$ 9,032	1.01 %	\$ 3,605,946	\$ 29,237	3.26	3.26 %	\$ 3,686,192	\$ 22,955
Savings deposits	Savings deposits	604,475	506	0.33	718,970	149	0.08						
Time deposits	Time deposits	865,263	6,441	2.95	630,201	1,018	0.64						
Brokered time deposits	Brokered time deposits	113,883	1,421	4.95	14,478	50	1.35						
Total interest-bearing deposits	Total interest-bearing deposits	5,354,356	37,769	2.80	4,922,345	10,249	0.83						
Short-term borrowings	Short-term borrowings	20,127	14	0.28	58,271	28	0.19						
FHLB advances and other borrowings	FHLB advances and other borrowings	402,500	4,557	4.49	340,163	2,424	2.83						
Subordinated debt	Subordinated debt	93,441	1,280	5.43	139,324	2,010	5.77						
Trust preferred debentures	Trust preferred debentures	50,379	1,369	10.78	49,751	821	6.54						
Total interest-bearing liabilities	Total interest-bearing liabilities	5,920,803	44,989	3.01	5,509,854	15,532	1.12						
Noninterest-bearing liabilities:	Noninterest-bearing liabilities:												
Noninterest-bearing deposits	Noninterest-bearing deposits	1,116,988			1,372,626								
Noninterest-bearing deposits													
Noninterest-bearing deposits													
Other noninterest-bearing liabilities													
Other noninterest-bearing liabilities													
Other noninterest-bearing liabilities	Other noninterest-bearing liabilities	97,935			63,638								
Total noninterest-bearing liabilities	Total noninterest-bearing liabilities	1,214,923			1,436,264								
Total noninterest-bearing liabilities													
Total noninterest-bearing liabilities													
Shareholders' equity													

- (1) Interest income and average rates for tax-exempt loans and securities are presented on a tax-equivalent basis, assuming a federal income tax rate of 21%. Tax-equivalent adjustments totaled \$0.2 million and \$0.3 million for each of the three months ended September 30, 2023, March 31, 2024 and 2022, respectively, 2023.
- (2) Average loan balances include nonaccrual loans. Interest income on loans includes amortization of deferred loan fees, net of deferred loan costs.
- (3) Net interest margin during the periods presented represents: (i) the difference between interest income on interest-earning assets and the interest expense on interest-bearing liabilities, divided by (ii) average interest-earning assets for the period.

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Total interest-bearing deposits	5,223,852	97,791	2.50	4,717,610	16,220	0.46
Short-term borrowings	26,865	53	0.26	62,495	73	0.16
FHLB advances and other borrowings	471,084	15,959	4.53	319,791	5,071	2.12
Subordinated debt	96,820	3,985	5.49	139,233	6,032	5.78
Trust preferred debentures	50,216	3,887	10.35	49,603	1,959	5.28
Total interest-bearing liabilities	5,868,837	121,675	2.77	5,288,732	29,355	0.74
Noninterest-bearing liabilities:						
Noninterest-bearing deposits	1,184,410			1,402,900		
Other noninterest-bearing liabilities	84,650			70,427		
Total noninterest-bearing liabilities	1,269,060			1,473,327		
Shareholders' equity	771,883			667,225		
Total liabilities and shareholders' equity	\$ 7,909,780			\$ 7,429,284		
Net interest income / net interest margin ⁽³⁾		\$ 178,584	3.27 %		\$ 183,182	3.60 %

- (1) Interest income and average rates for tax-exempt loans and securities are presented on a tax-equivalent basis, assuming a federal income tax rate of 21%. Tax-equivalent adjustments totaled \$0.6 million and \$1.0 million for the nine months ended September 30, 2023 and 2022, respectively.
- (2) Average loan balances include nonaccrual loans. Interest income on loans includes amortization of deferred loan fees, net of deferred loan costs.
- (3) Net interest margin during the periods presented represents: (i) the difference between interest income on interest-earning assets and the interest expense on interest-bearing liabilities, divided by (ii) average interest-earning assets for the period.

Interest Rates and Operating Interest Differential. Increases and decreases in interest income and interest expense result from changes in average balances (volume) of interest-earning assets and interest-bearing liabilities, as well as changes in average interest rates. The following table shows the effect that these factors had on the interest earned on our interest-earning assets and the interest incurred on our interest-bearing liabilities. The effect of changes in volume is determined by multiplying the change in volume by the previous period's average rate. Similarly, the effect of rate changes is calculated by multiplying the change in average rate by the previous period's volume. Changes which are not due solely to volume or rate have been allocated proportionally to the change due to volume and the change due to rate.

Three Months Ended September 30, 2023 compared with Three Months Ended September 30, 2022				Nine Months Ended September 30, 2023 compared with Nine Months Ended September 30, 2022			
Change due to:				Change due to:			
Three Months Ended March 31, 2024 compared with Three Months Ended March 31, 2023				Three Months Ended March 31, 2024 compared with Three Months Ended March 31, 2023			
Variance				Variance			
Three Months Ended March 31, 2024 compared with Three Months Ended March 31, 2023				Three Months Ended March 31, 2024 compared with Three Months Ended March 31, 2023			
Variance				Variance			
Three Months Ended March 31, 2024 compared with Three Months Ended March 31, 2023				Three Months Ended March 31, 2024 compared with Three Months Ended March 31, 2023			
Variance				Variance			
Change due to:				Change due to:			
Change due to:				Change due to:			
Change due to:				Change due to:			
(tax-equivalent basis, dollars in thousands)	(tax-equivalent basis, dollars in thousands)	Volume	Rate	Interest Variance	Volume	Rate	Interest Variance
EARNING ASSETS:							
(tax-equivalent basis, dollars in thousands)							
(tax-equivalent basis, dollars in thousands)							
Earning assets:							
Earning assets:							
Earning assets:							
Federal funds sold and cash investments							
Federal funds sold and cash investments							

Federal funds sold and cash investments	Federal funds sold and cash investments	\$ (1,112)	\$ 1,023	\$ (89)	\$ (4,189)	\$ 5,293	\$ 1,104
Investment securities:	Investment securities:						
Investment securities:	Investment securities:						
Investment securities:	Investment securities:						
Taxable investment securities	Taxable investment securities						
Taxable investment securities	Taxable investment securities						
Taxable investment securities	Taxable investment securities	1,204	2,506	3,710	1,579	6,448	8,027
Investment securities exempt from federal income tax	Investment securities exempt from federal income tax						
Investment securities exempt from federal income tax	Investment securities exempt from federal income tax	(355)	(93)	(448)	(1,210)	(167)	(1,377)
Investment securities exempt from federal income tax	Investment securities exempt from federal income tax						
Investment securities exempt from federal income tax	Investment securities exempt from federal income tax						
Total securities	Total securities						
Total securities	Total securities						
Total securities	Total securities	849	2,413	3,262	369	6,281	6,650
Loans:	Loans:						
Loans:	Loans:						
Loans:	Loans:						
Loans	Loans						
Loans	Loans						
Loans	Loans	3,693	16,894	20,587	26,178	53,689	79,867
Loans exempt from federal income tax	Loans exempt from federal income tax						
Loans exempt from federal income tax	Loans exempt from federal income tax	(160)	123	(37)	(460)	156	(304)
Loans exempt from federal income tax	Loans exempt from federal income tax						
Loans exempt from federal income tax	Loans exempt from federal income tax						
Total loans	Total loans						
Total loans	Total loans						
Total loans	Total loans	3,533	17,017	20,550	25,718	53,845	79,563
Loans held for sale	Loans held for sale	—	44	44	(403)	225	(178)
Loans held for sale	Loans held for sale						
Loans held for sale	Loans held for sale						
Nonmarketable equity securities	Nonmarketable equity securities						
Nonmarketable equity securities	Nonmarketable equity securities						
Nonmarketable equity securities	Nonmarketable equity securities	26	134	160	321	262	583
Total earning assets	Total earning assets	\$ 3,296	\$ 20,631	\$ 23,927	\$ 21,816	\$ 65,906	\$ 87,722
INTEREST-BEARING LIABILITIES:	INTEREST-BEARING LIABILITIES:						
Total earning assets	Total earning assets						
Total earning assets	Total earning assets						
Interest-bearing liabilities:	Interest-bearing liabilities:						
Interest-bearing liabilities:	Interest-bearing liabilities:						
Interest-bearing liabilities:	Interest-bearing liabilities:						
Checking and money market deposits	Checking and money market deposits						

Checking and money market deposits													
Checking and money market deposits	Checking and money market deposits												
		\$	1,090	\$	19,279	\$	20,369	\$	4,780	\$	61,890	\$	66,670
Savings deposits	Savings deposits		(60)		417		357		(94)		952		858
Savings deposits													
Savings deposits													
Time deposits	Time deposits		1,065		4,358		5,423		1,899		10,207		12,106
Brokered deposits			789		582		1,371		945		992		1,937
Time deposits													
Time deposits													
Brokered time deposits													
Brokered time deposits													
Brokered time deposits													
Total interest-bearing deposits													
Total interest-bearing deposits													
Total interest-bearing deposits	Total interest-bearing deposits		2,884		24,636		27,520		7,530		74,041		81,571
Short-term borrowings	Short-term borrowings		(22)		8		(14)		(55)		35		(20)
Short-term borrowings													
Short-term borrowings													
FHLB advances and other borrowings													
FHLB advances and other borrowings													
FHLB advances and other borrowings	FHLB advances and other borrowings		575		1,558		2,133		3,762		7,126		10,888
Subordinated debt	Subordinated debt		(637)		(93)		(730)		(1,789)		(258)		(2,047)
Subordinated debt													
Subordinated debt													
Trust preferred debentures													
Trust preferred debentures													
Trust preferred debentures	Trust preferred debentures		13		535		548		36		1,892		1,928
Total interest-bearing liabilities	Total interest-bearing liabilities	\$	2,813	\$	26,644	\$	29,457	\$	9,484	\$	82,836	\$	92,320
Total interest-bearing liabilities													
Total interest-bearing liabilities													
Net interest income	Net interest income	\$	483	\$	(6,013)	\$	(5,530)	\$	12,332	\$	(16,930)	\$	(4,598)
Net interest income													
Net interest income													

Interest Income. Interest income, on a tax-equivalent basis, increased \$23.9 million \$6.1 million to \$103.8 million \$101.9 million in the three months ended September 30, 2023 March 31, 2024 as compared to the same quarter in 2022, 2023, primarily due to improved yields on earning assets. The yield on earning assets increased 114 41 basis points to 5.65% 5.76% from 4.51% 5.35% primarily due to the impact of increasing market interest rates.

Average earning assets increased decreased to \$7.28 billion \$7.11 billion in the third first quarter of 2023 2024 from \$7.03 billion \$7.26 billion in the same quarter in 2022. Increases of 2023. Decreases in average loans and investment securities federal funds sold and cash investments of \$257.2 million \$308.4 million and \$114.0 million \$15.8 million, respectively, were partially offset by a decrease \$178.9 million increase in federal funds sold and cash investments of \$117.3 million. investment securities.

Average loans increased \$257.2 million decreased \$308.4 million in the third first quarter of 2023 2024 compared to the same quarter of 2022 across all loan categories, except for commercial FHA warehouse lines and consumer loans. 2023. Average commercial loans increased \$38.5 million decreased \$120.6 million. Included in this category are commercial FHA warehouse lines. Average commercial FHA warehouse lines, which decreased \$37.2 million \$12.1 million to \$20.4 million \$1.2 million in the third first quarter of 2023. Excluding the changes in the commercial FHA warehouse line portfolio, average commercial loans increased \$75.7 million in the third quarter of 2023 compared to the same period one year prior. 2024.

Average commercial real estate loans and leases also decreased this quarter by \$44.8 million and \$37.5 million, respectively, compared to prior year's first quarter. Average construction loans increased this quarter by \$164.7 million \$136.9 million, compared to the prior year's third first quarter, primarily due to funding draws on existing multifamily project lines. Average balances in our consumer loan portfolio decreased this quarter by \$42.2 million \$252.0 million compared to the prior year third first quarter. During the fourth quarter due a decrease in loans originated through the program with GreenSky.

For the nine months ended September 30, 2023, interest income, on a tax-equivalent basis, increased \$87.7 million to \$300.3 million as compared to the same period in 2022, primarily due to improved yields on earning assets. The yield on earning assets increased 133 points to 5.50% from 4.17%, primarily due to the impact of increasing market interest rates.

Average earning assets increased to \$7.29 billion in the first nine months of 2023, from \$6.81 billion in the same period in 2022. An increase in average Company ceased originating consumer loans of \$657.7 million was partially offset by a \$191.2 million decrease in federal funds sold through both Greensky and cash investments.

Average commercial loans increased \$99.1 million for the nine months ended September 30, 2023 compared to the same period of 2022. Commercial FHA warehouse lines decreased \$54.6 million to \$15.7 million during this period. Excluding the changes in the commercial FHA warehouse line portfolio, average commercial loans increased \$153.7 million for the nine months ended September 30, 2023 compared to the same period one year prior.

Average balances in all of our other loan classifications increased for the nine months ended September 30, 2023 compared to the same period of 2022. Average commercial real estate loans, construction loans, and lease portfolios also increased \$253.2 million, \$149.5 million and \$64.6 million, respectively, for the nine months ended September 30, 2023 compared to the same period of 2022. LendingPoint.

Interest Expense. Interest expense increased \$29.5 million \$10.7 million to \$45.0 million \$45.8 million for the three months ended September 30, 2023 March 31, 2024, compared to the three months ended September 30, 2022 March 31, 2023. The cost of interest-bearing liabilities increased to 3.01% 3.22% for the third first quarter of 2023 2024, compared to 1.12% 2.46% for the third first quarter of 2022 2023, due to the increase in deposit costs as a result of the rate increases announced by the Federal Reserve.

Interest expense on deposits increased \$27.5 million \$12.8 million to \$37.8 million \$39.2 million for the three months ended September 30, 2023 March 31, 2024 from the comparable period in 2022, 2023. The increase was primarily due to an increase in rates paid on deposits. Average balances of interest-bearing deposit accounts increased \$432.0 million \$141.2 million, or 8.78% 2.8%, to \$5.35 billion \$5.20 billion for the three months ended September 30, 2023 March 31, 2024 compared to the same period one year earlier. The increase in volume was attributable to increases of retail brokered deposits and brokered reciprocal deposits of \$60.2 million \$194.0 million and \$127.6 million \$227.5 million, respectively. In addition, our Insured Cash Sweep product average balances increased \$538.0 million.

For the nine month period ended September 30, 2023 Our retail, commercial, servicing and public fund deposits decreased \$26.3 million, interest expense increased \$92.3 million to \$121.7 million compared to the nine months ended September 30, 2022. The cost of interest-bearing liabilities increased to 2.77% for the first nine months of 2023 compared to 0.74% for the same period of 2022. Interest expense on deposits increased to \$97.8 million from \$16.2 million for the comparable period in 2022 \$156.8 million, primarily due to increases in interest rates on deposits.

\$49.0 million, and \$48.1 million, respectively.

Interest expense on FHLB advances and other borrowings increased \$2.1 million and \$10.9 million decreased \$3.0 million for the three and nine months ended September 30, 2023, respectively, from the comparable periods in 2022, due to increases in both average balances and the cost of funds. Average balances increased \$62.3 million and \$151.3 million for the three and nine months ended September 30, 2023, respectively, from the comparable periods in 2022. Average costs of funds increased 166 basis points and 241 basis points, respectively, for the three and nine months ended September 30, 2023 March 31, 2024, from the comparable periods period in 2022.

Interest expense on subordinated debt 2023. Average balances decreased \$0.7 million and \$2.0 million \$227.2 million for the three and nine months ended September 30, 2023 March 31, 2024, respectively, from the comparable periods period in 2022. The Company redeemed \$6.6 million of subordinated debt in the second quarter of 2023, as loan paydowns and \$40.0 million of subordinated debt on October 15, 2022.

increases brokered deposits replaced this funding source.

Interest expense on trust preferred debentures increased \$0.5 million and \$1.9 million \$0.2 million for the three and nine months ended September 30, 2023 March 31, 2024, respectively, from the comparable periods period in 2022, 2023, due to interest rate increases, as these debt instruments reprice quarterly.

Provision for Credit Losses. The Company's provision for credit losses on loans totaled \$5.2 million was \$14.0 million for the three months ended September 30, 2023 March 31, 2024, compared to \$7.0 million \$3.1 million for the three months ended September 30, 2022 March 31, 2023. For the Thenine months ended September 30, 2023 and 2022, the Company recorded provision expense a specific reserve of \$14.2 million \$8.0 million on one large construction and \$16.6 million, respectively. land development loan. Net charge-offs for the quarter totaled \$4.4 million compared to \$2.1 million for the comparable quarter of 2023.

The provision for credit losses on loans recognized during the three and nine months ended September 30, 2023 March 31, 2024 was made at a level deemed necessary by management to absorb estimated losses in the loan portfolio. A detailed evaluation of the adequacy of the allowance for credit losses is completed quarterly by management, the results of which are used to determine provision for credit losses. Management estimates the allowance balance required using past loan loss experience, the nature and volume of

the portfolio, information about specific borrower situations and estimated collateral values, economic conditions and reasonable and supportable forecasts along with other qualitative and quantitative factors.

Noninterest Income. Noninterest income increased 14.91% 34.3% for the three months ended September 30, 2023, compared to the same period one year prior, and increased 14.47% for the nine months ended September 30, 2023 March 31, 2024, compared to the same period one year prior. The following table sets forth the major components of our noninterest income for the three and nine months ended September 30, 2023 March 31, 2024 and 2022: 2023:

		Three Months Ended September 30,		Increase	Nine Months Ended September 30,		Increase
		Three Months Ended March 31,		(decrease)	Three Months Ended March 31,		(decrease)
		Three Months Ended March 31,			Three Months Ended March 31,		
		Three Months Ended March 31,			Three Months Ended March 31,		
(dollars in thousands)							
(dollars in thousands)							
(dollars in thousands)	(dollars in thousands)	2023	2022	Increase (decrease)	2023	2022	Increase (decrease)
Noninterest income:	Noninterest income:						
Noninterest income:							
Noninterest income:							
Wealth management revenue	Wealth management revenue	\$ 6,288	\$ 6,199	\$ 89	\$ 18,968	\$ 19,481	\$ (513)
Residential mortgage banking revenue		507	210	297	1,452	1,193	259
Wealth management revenue							
Wealth management revenue							
Service charges on deposit accounts							
Service charges on deposit accounts							
Service charges on deposit accounts	Service charges on deposit accounts	3,149	2,783	366	8,744	7,544	1,200
Interchange revenue	Interchange revenue	3,609	3,531	78	10,717	10,401	316
Interchange revenue							
Interchange revenue							
Residential mortgage banking revenue							
Residential mortgage banking revenue							
Residential mortgage banking revenue							
Income on Company-owned life insurance							
Income on Company-owned life insurance							
Income on Company-owned life insurance							
Loss on sales of investment securities, net	Loss on sales of investment securities, net	(4,961)	(129)	(4,832)	(6,478)	(230)	(6,248)
Impairment on commercial mortgage servicing rights		—	—	—	—	(1,263)	1,263
Company-owned life insurance		7,558	929	6,629	9,325	2,788	6,537
Loss on sales of investment securities, net							
Loss on sales of investment securities, net							
Other income							
Other income							
Other income	Other income	2,035	2,303	(268)	9,989	6,138	3,851

Total noninterest income	Total noninterest income	\$ 18,185	\$ 15,826	\$ 2,359	\$ 52,717	\$ 46,052	\$ 6,665
Total noninterest income							
Total noninterest income							

Wealth management revenue. Income from our wealth management business increased \$0.7 million for the three months ended March 31, 204, as compared to the same period in 2023. Assets under administration increased to \$3.89 billion at March 31, 2024 from \$3.50 billion at March 31, 2023, primarily due to an increase in the market performance as a result of economic growth between the two periods.

Company-owned life insurance income. Income on company-owned life insurance income increased \$0.9 million for the three months ended March 31, 2024, as compared to the same period in 2023. As previously discussed, the Company surrendered certain low-yielding life insurance policies and purchased additional policies in the third quarter of 2023.

Loss on sale of investment securities. The Company took advantage of certain market conditions during the three and nine months ended September 30, 2023 March 31, 2023 to reposition out of lower yielding securities into other structures, which are expected to result in improved overall margin, liquidity and capital allocations. These transactions resulted in net losses of \$5.0 million and \$6.5 million in the three and nine months ended September 30, 2023, with expected paybacks to occur within a one year period. \$0.6 million.

Company-owned life insurance income. Company-owned life insurance income increased \$6.6 million for each the three and nine months ended September 30, 2023, as compared to the same periods in 2022. As previously discussed, the Company recognized a one-time enhancement fee of \$6.6 million from the surrender and replacement of certain life insurance policies.

Other noninterest income. Other income increased \$3.9 million totaled \$5.3 million for the nine three months ended September 30, 2023 March 31, 2024, an increase of \$2.7 million, as compared to the same period of 2023. Other noninterest income in 2022. As mentioned previously, the Company 2024 included incremental servicing revenues of \$3.7 million related to Greensky portfolio. In addition, we recognized a gain amortization expense of \$0.7 million \$0.6 million on the redemption of subordinated debt our commercial serving portfolio in the second current quarter of 2023. Also but no expense in the second first quarter of 2023, we recognized a gain of \$0.8 million on as the sale of OREO. Net unrealized gains on our equity securities increased \$1.4 million for the nine months ended September 30, 2023, compared to the same period in 2022. As a result of designating our commercial FHA loan servicing rights portfolio was classified as held for sale, we did not amortize the servicing asset nor record impairment during the first half of 2023. In the nine months ended September 30, 2023 and 2022, amortization expense totaled \$0.6 million and \$1.9 million, respectively. sale.

Noninterest Expense. The following table sets forth the major components of noninterest expense for the three and nine months ended September 30, 2023 March 31, 2024 and 2022: 2023:

		Three Months Ended September 30,		Increase	Nine Months Ended September 30,		Increase
		Three Months Ended March 31,		(decrease)	Three Months Ended March 31,		(decrease)
		Three Months Ended March 31,			Three Months Ended March 31,		
		Three Months Ended March 31,			Three Months Ended March 31,		
(dollars in thousands)							
(dollars in thousands)							
(dollars in thousands)	(dollars in thousands)	2023	2022	Increase	2023	2022	Increase
Noninterest expense:	Noninterest expense:			(decrease)			(decrease)
Noninterest expense:							
Noninterest expense:							
Salaries and employee benefits							
Salaries and employee benefits							
Salaries and employee benefits	Salaries and employee benefits	\$ 22,307	\$ 22,889	\$ (582)	\$ 69,407	\$ 67,404	\$ 2,003
Occupancy and equipment	Occupancy and equipment	3,730	3,850	(120)	12,052	11,094	958
Occupancy and equipment							
Occupancy and equipment							

Data processing							
Data processing							
Data processing	Data processing	6,468	6,093	375	19,323	18,048	1,275
FDIC insurance	FDIC insurance	1,107	977	130	3,632	2,633	999
Professional		1,554	1,693	(139)	4,977	5,181	(204)
FDIC insurance							
FDIC insurance							
Professional services							
Professional services							
Professional services							
Marketing							
Marketing							
Marketing	Marketing	950	1,026	(76)	2,323	2,447	(124)
Communications	Communications	507	587	(80)	1,514	1,934	(420)
Communications							
Communications							
Loan expense	Loan expense	866	1,137	(271)	3,104	3,379	(275)
Loan expense							
Loan expense							
Amortization of intangible assets							
Amortization of intangible assets							
Amortization of intangible assets	Amortization of intangible assets	1,129	1,361	(232)	3,628	4,077	(449)
Other expense	Other expense	3,420	3,883	(463)	9,454	9,522	(68)
Other expense							
Other expense							
Total noninterest expense	Total noninterest expense	\$ 42,038	\$ 43,496	\$ (1,458)	\$ 129,414	\$ 125,719	\$ 3,695
Total noninterest expense							
Total noninterest expense							

Salaries and employee benefits. For Total noninterest expense increased \$0.4 million, or 0.9%, in the nine three months ended September 30, 2023, salaries and employee benefits expense increased \$2.0 million as compared to the same period in 2022, primarily due to annual salary increases and increased medical insurance expense. The Company employed 911 employees at September 30, 2023 compared to 930 employees at September 30, 2022.

Occupancy and Equipment Expense. For the nine months ended September 30, 2023, occupancy and equipment expense increased \$1.0 million as compared to the same period in 2022 primarily as a result of the non-controllable seasonal expenses in the first quarter of 2023, including snow removal. In addition, the Company transitioned to an outsourced facilities management program and incurred increased repair expenses as a result of deferred maintenance.

Data processing fees. The \$0.4 million and \$1.3 million increases in data processing fees for the three and nine months ended September 30, 2023, respectively, as compared to the same periods in 2022, were primarily the result of our continuing investments in technology to better serve our growing customer base and increased transaction volumes.

FDIC Insurance Expense. For the nine months ended September 30, 2023, FDIC insurance expense increased \$1.0 million March 31, 2024, as compared to the same period in 2022, primarily as a result of the FDIC increasing the base assessment rate by 2 basis points, effective January 1, 2023. 2023.

Income Tax Expense. Expense. The Company's effective Income tax rate expense was 39.0% and 19.9% \$4.4 million for the three months ended September 30, 2023 and 2022, respectively. For March 31, 2024, as compared to \$6.9 million for the nine three months ended September 30, 2023 and 2022, the Company's March 31, 2023. The resulting effective tax rate was 29.5% rates were 23.9% and 23.0%, respectively. The increase in the effective tax rate from 24.0% for the three and nine months ended September 30, 2022 is due primarily to tax expense of \$4.5 million associated with a surrender of company-owned life insurance policies, as previously discussed, March 31, 2024 and a \$1.4 million return to provision adjustment recognized in the third quarter of 2023. 2023, respectively.

Financial Condition

Assets. Total assets increased to \$7.98 billion were \$7.83 billion at September 30, 2023 March 31, 2024, as compared to \$7.86 billion \$7.87 billion at December 31, 2022 December 31, 2023.

Loans. The loan portfolio is the largest category of our assets. At September 30, 2023, total loans were \$6.28 billion as compared to \$6.31 billion at December 31, 2022. The following table shows loans by presents the balance and associated percentage of each major category as of September 30, 2023 in our loan portfolio at March 31, 2024 and December 31, 2022 December 31, 2023:

Total loans decreased \$25.6 million to \$172.6 million to \$6.28 billion to \$5.96 billion at September 30, 2023, March 31, 2024, as compared to December 31, 2022, December 31, 2023, as the Company continued to originate originated loans in a more selective and deliberate approach to balance liquidity and funding costs. An increase in construction and land development loans of \$21.5 million was offset by decreases in all other loan categories. The increase in our construction and land development portfolio of \$95.9 million was primarily driven by draws on existing lines. In addition, our commercial loans and leases increased \$50.4 million.

Consumer loans decreased \$160.0 million \$98.1 million to \$837.1 million at September 30, 2023 primarily March 31, 2024 compared to December 31, 2023, due to loan payoffs and a decrease cessation in loans originated through GreenSky. Our Greensky-originated loan balances decreased \$77.5 million during the program with GreenSky, as expected. On January 24, 2023 first quarter of 2024 to \$606.0 million at March 31, 2024. In addition, during the fourth quarter of 2023, the Company ceased originating loans through LendingPoint. At March 31, 2024, the Company notified GreenSky had \$112.7 million in loans outstanding that effective October 21, 2023, the Company would terminate its participation in GreenSky's loan origination program. Following the termination, GreenSky is expected to continue servicing all loans were originated through the program. LendingPoint, which will continue to be serviced by LendingPoint.

The principal segments of our loan portfolio are discussed below:

Commercial loans. We provide a mix of variable and fixed rate commercial loans. The loans are typically made to small- and medium-sized manufacturing, wholesale, retail and service businesses for working capital needs, business expansions and farm operations. Commercial loans generally include lines of credit and loans with maturities of five years or less. The loans are generally made with business operations as the primary source of repayment, but may also include collateralization by inventory, accounts receivable and equipment, and generally include personal guarantees. The commercial loan category also includes loans originated by the equipment financing business that are secured by the underlying equipment.

Commercial real estate loans. Our commercial real estate loans consist of both real estate occupied by the borrower for ongoing operations and non-owner occupied real estate properties. The real estate securing our existing commercial real estate loans includes a wide variety of property types, such as owner occupied offices, warehouses and production facilities, office buildings, hotels, mixed-use residential and commercial facilities, retail centers, multifamily properties and assisted living facilities. Our commercial real estate loan portfolio also includes farmland loans. Farmland loans are generally made to a borrower actively involved in farming rather than to passive investors.

Construction and land development loans. Our construction and land development loans are comprised of residential construction, commercial construction and land acquisition and development loans. Interest reserves are generally established on real estate construction loans.

The following table presents the balance and associated percentage of the major property types within our commercial real estate and construction and land development loan portfolios at March 31, 2024 and December 31, 2023:

(dollars in thousands)	March 31, 2024		December 31, 2023	
	Balance	Percent	Balance	Percent
Multi-Family	\$ 537,704	18.7 %	\$ 516,295	18.1 %
Skilled Nursing	420,768	14.6	469,096	16.4
Retail	466,572	16.2	454,589	15.9
Industrial/Warehouse	218,399	7.6	217,956	7.6
Hotel/Motel	176,447	6.1	159,707	5.6
Office	154,253	5.4	153,756	5.4
All other	897,098	31.4	888,039	31.0
Total commercial real estate and construction and land development loans	\$ 2,871,241	100.0 %	\$ 2,859,438	100.0 %

Loans secured by office space totaled \$154.3 million and \$153.8 million at March 31, 2024 and December 31, 2023, respectively, primarily located in suburban locations in Illinois and Missouri.

Residential real estate loans. Our residential real estate loans, consist of secured by residential properties, that generally do not qualify for secondary market sale.

Consumer loans. Our consumer loans include direct personal loans, indirect automobile loans, lines of credit and installment loans originated through home improvement specialty retailers and contractors. Personal loans are generally secured by automobiles, boats and other types of personal property and are made on an installment basis.

Lease financing. Our equipment leasing business provides financing leases to varying types of businesses nationwide for purchases of business equipment and software. The financing is secured by a first priority interest in the financed asset and generally requires monthly payments.

The following table shows the contractual maturities of our loan portfolio and the distribution between fixed and adjustable interest rate loans at September 30, 2023 March 31, 2024:

September 30, 2023				
Five Years to 15				
Within One Year	One Year to Five Years	Years	After 15 Years	
March 31, 2024				
March 31, 2024				

Within One Year																			
(dollars in thousands)																			
(dollars in thousands)																			
(dollars in thousands)	(dollars in thousands)	Fixed Rate	Adjustable Rate	Fixed Rate	Adjustable Rate	Fixed Rate	Adjustable Rate	Fixed Rate	Adjustable Rate	Total	Fixed Rate	Adjustable Rate	Fixed Rate	Adjustable Rate	Fixed Rate	Adjustable Rate	Fixed Rate	Adjustable Rate	Total
Commercial	Commercial	\$ 92,106	\$ 476,928	\$ 654,184	\$ 43,224	\$ 160,891	\$ 95,857	\$ —	\$ 48,049	\$1,571,239									
Commercial real estate	Commercial real estate	157,723	295,113	987,952	382,396	380,537	183,848	5,496	19,099	2,412,164									
Construction and land development	Construction and land development	13,662	67,570	107,525	167,375	15,344	42,529	1,013	1,783	416,801									
Total commercial loans	Total commercial loans	263,491	839,611	1,749,661	592,995	556,772	322,234	6,509	68,931	4,400,204									
Residential real estate	Residential real estate	969	3,368	8,530	19,238	26,218	39,106	162,533	115,249	375,211									
Consumer	Consumer	3,314	533	979,100	534	36,526	—	1	—	1,020,008									
Lease financing	Lease financing	13,930	—	365,602	—	105,928	—	—	—	485,460									
Total loans	Total loans	\$281,704	\$ 843,512	\$3,102,893	\$ 612,767	\$725,444	\$ 361,340	\$169,043	\$ 184,180	\$6,280,883									

Loan Quality

We use what we believe is a comprehensive methodology to monitor credit quality and prudently manage credit concentration within our loan portfolio. Our underwriting policies and practices govern the risk profile, credit and geographic concentration for our loan portfolio. We also have what we believe to be a comprehensive methodology to monitor these credit quality standards, including a risk classification system that identifies potential problem loans based on risk characteristics by loan type as well as the early identification of deterioration at the individual loan level.

Analysis of the Allowance for Credit Losses on Loans. The allowance for credit losses on loans was **\$66.7 million** **\$78.1 million**, or **1.06%** **1.31%** of total loans, at **September 30, 2023** **March 31, 2024** compared to **\$61.1 million** **\$68.5 million**, or **0.97%** **1.12%** of total loans, at **December 31, 2022** **December 31, 2023**. The following table allocates the allowance for credit losses on loans by loan category:

March 31, 2024																			
September 30, 2023										December 31, 2022									
March 31, 2024																			
March 31, 2024																			
(dollars in thousands)																			
(dollars in thousands)																			
(dollars in thousands)	(dollars in thousands)	Allowance				Percent ⁽¹⁾				Allowance				Percent ⁽¹⁾					
Commercial	Commercial	\$ 19,410				1.24 %				\$ 14,639				0.97 %					
Commercial	Commercial																		
Commercial real estate	Commercial real estate																		
Commercial real estate	Commercial real estate																		
Commercial real estate	Commercial real estate	24,611				1.02				29,290				1.20					
Construction and land development	Construction and land development	3,530				0.85				2,435				0.76					
Construction and land development	Construction and land development																		
Construction and land development	Construction and land development																		
Total commercial loans	Total commercial loans																		
Total commercial loans	Total commercial loans																		

Total commercial loans	Total commercial loans	47,551	1.08	46,364	1.09
Residential real estate	Residential real estate	5,698	1.52	4,301	1.17
Residential real estate					
Residential real estate					
Consumer					
Consumer					
Consumer	Consumer	3,984	0.39	3,599	0.30
Lease financing	Lease financing	9,436	1.94	6,787	1.38
Lease financing					
Lease financing					
Total allowance for credit losses on loans	Total allowance for credit losses on loans	\$ 66,669	1.06 %	\$ 61,051	0.97 %
Total allowance for credit losses on loans					
Total allowance for credit losses on loans					

(1) Represents the percentage of the allowance to total loans in the respective category.

We measure expected credit losses over the life of each loan utilizing a combination of models which measure probability of default and loss given default, among other things. The measurement of expected credit losses is impacted by loan and borrower attributes and certain macroeconomic variables. Models are adjusted to reflect the impact of certain current macroeconomic variables as well as their expected changes over a reasonable and supportable forecast period.

The allowance allocated to commercial loans totaled \$19.4 million, or 1.24% of total commercial loans, at September 30, 2023, compared to \$14.6 million, or 0.97%, at December 31, 2022. Modeled expected credit losses increased

\$2.5 million and qualitative factor adjustments related to commercial loans increased \$0.9 million. Specific allocations for commercial loans that were evaluated for expected credit losses on an individual basis increased \$1.3 million. There were no specific allocation reserves for commercial loans in prior period.

The allowance allocated to commercial real estate loans totaled \$24.6 million, or 1.02% to total commercial real estate loans, at September 30, 2023, decreasing \$4.7 million, from \$29.3 million, or 1.20% of total commercial real estate loans, at December 31, 2022. Modeled expected credit losses decreased \$2.6 million and qualitative factor adjustments related to commercial real estate loans decreased \$0.6 million. Specific allocations for commercial real estate loans that were evaluated for expected credit losses on an individual basis decreased from \$1.5 million at December 31, 2022 to \$0.0 million at September 30, 2023.

The allowance allocated to the lease portfolio totaled \$9.4 million, or 1.94% of total commercial leases, at September 30, 2023, increasing \$2.6 million from \$6.8 million, or 1.38% of total commercial leases at December 31, 2022. Modeled expected credit losses increased \$2.1 million and qualitative factor adjustments increased \$0.6 million. There were no specific allocation reserves for commercial leases in either period.

In estimating expected credit losses as of September 30, 2023 March 31, 2024, we utilized certain forecasted macroeconomic variables from Oxford Economics in our models. The forecasted projections included, among other things, (i) U.S. gross domestic product growth ranging from 1.5% to 3.0% over the next four quarters; (ii) the 10-year treasury rate decreasing from 4.2% in the first quarter of 1.5% for 2023 2024 to 3.7% by the first quarter of 2025; and 0.3% for 2024; (ii) Federal Reserve holding the policy rate through year end with a gradual decrease in 2024; and (iii) Illinois unemployment rate averaging 5.6% 4.9% through the second first quarter of 2024 2025.

We qualitatively adjust the model results based on this scenario for various risk factors that are not considered within our modeling processes but are nonetheless relevant in assessing the expected credit losses within our loan pools. These "Q-Factor" Q-Factor adjustments are based upon management judgment and current assessment as to the impact of risks related to changes in lending policies and procedures; economic and business conditions; loan portfolio attributes and credit concentrations; and external factors, among other things, that are not already fully captured within the modeling inputs, assumptions and other processes. Management assesses the potential impact of such items within a range of severely negative impact to positive impact and adjusts the modeled expected credit loss by an aggregate adjustment percentage based upon the assessment. As a result of this assessment as of September 30, 2023, modeled expected credit losses were adjusted upwards with a The qualitative factor adjustment of at March 31, 2024, was approximately 54 42 basis points of total loans, increasing from 50 consistent with 41 basis points at December 31, 2022 December 31, 2023.

The allowance allocated to commercial loans totaled \$21.3 million, or 1.51% of total commercial loans, at March 31, 2024, compared to \$21.8 million, or 1.47%, at December 31, 2023. Modeled expected credit losses increased \$0.2 million and qualitative factor adjustments related to commercial loans decreased \$0.3 million. Specific allocations for commercial loans that were evaluated for expected credit losses on an individual basis decreased \$0.4 million from \$1.8 million at December 31, 2023.

The allowance allocated to commercial real estate loans totaled \$21.4 million, or 0.89% to total commercial real estate loans, at March 31, 2024, increasing \$1.1 million, from \$20.2 million, or 0.84% of total commercial real estate loans, at December 31, 2023. Modeled expected credit losses were unchanged from prior quarter. Specific allocations for commercial real estate loans that were evaluated for expected credit losses on an individual basis increased from \$0.7 million at December 31, 2023, to \$2.3 million at March 31, 2024. The Q-Factor adjustment commercial real estate portfolio does not include significant exposure to urban office properties.

The allowance allocated to construction and land development loans totaled \$12.6 million, or 2.66% to total construction loans, at September 30, 2023 was based primarily March 31, 2024, increasing \$8.5 million, from \$4.2 million, or 0.92% of total constructions loans, at December 31, 2023. Specific allocations for construction loans that were

evaluated for expected credit losses on declining credit quality conditions within an individual basis total \$8.0 million and \$0.0 million at March 31, 2024 and December 31, 2023, respectively. This represents the equipment financing segment, economic conditions, including persistent inflation fears, an increasing risk specific reserve of recession \$8.0 million on one large construction and the impact of rising fuel prices on businesses and consumers. land development loan recognized in our first current period provision for credit losses. Modeled expected credit losses decreased \$0.1 million and qualitative factor adjustments related to construction loans increased \$0.6 million.

The allowance allocated to the lease portfolio totaled \$13.5 million, or 2.95% of total commercial leases, at March 31, 2024, increasing \$0.5 million, from \$12.9 million, or 2.73% of total commercial leases at December 31, 2023. Modeled expected credit losses related to commercial leases increased \$0.3 million and specific allocation reserves increased \$0.4 million.

The following table provides an analysis of the allowance for credit losses on loans, provision for credit losses on loans and net charge-offs for the three and nine months ended September 30, 2023 March 31, 2024 and 2022 2023:

		Three Months Ended September 30,		Nine Months Ended September 30,	
		Three Months Ended March 31,		Three Months Ended March 31,	
		Three Months Ended March 31,		Three Months Ended March 31,	
		Three Months Ended March 31,		Three Months Ended March 31,	
(dollars in thousands)					
(dollars in thousands)					
(dollars in thousands)	(dollars in thousands)	2023	2022	2023	2022
Balance, beginning of period	Balance, beginning of period	\$ 64,950	\$ 54,898	\$ 61,051	\$ 51,062
Balance, beginning of period	Balance, beginning of period				
Balance, beginning of period	Balance, beginning of period				
Charge-offs:	Charge-offs:				
Charge-offs:	Charge-offs:				
Charge-offs:	Charge-offs:				
Commercial	Commercial	3,249	1,655	5,289	3,869
Commercial	Commercial				
Commercial	Commercial				
Commercial real estate	Commercial real estate	2,316	1,232	4,606	4,084
Construction and land development	Construction and land development	44	—	378	6
Commercial real estate	Commercial real estate				
Commercial real estate	Commercial real estate				
Residential real estate	Residential real estate				
Residential real estate	Residential real estate				
Residential real estate	Residential real estate	95	166	180	315
Consumer	Consumer	250	316	773	812
Consumer	Consumer				
Consumer	Consumer				
Lease financing	Lease financing				
Lease financing	Lease financing				
Lease financing	Lease financing	1,394	485	2,555	1,190
Total charge-offs	Total charge-offs	7,348	3,854	13,781	10,276
Total charge-offs	Total charge-offs				
Total charge-offs	Total charge-offs				
Recoveries:	Recoveries:				
Recoveries:	Recoveries:				
Recoveries:	Recoveries:				
Commercial	Commercial	80	45	577	354
Commercial	Commercial				
Commercial	Commercial				

Commercial real estate	Commercial real estate	3,678	1	4,006	6
Construction and land development		—	18	32	30
Commercial real estate					
Commercial real estate					
Residential real estate					
Residential real estate					
Residential real estate	Residential real estate	33	69	98	222
Consumer	Consumer	53	121	226	381
Consumer					
Consumer					
Lease financing					
Lease financing					
Lease financing	Lease financing	55	367	278	1,013
Total recoveries	Total recoveries	3,899	621	5,217	2,006
Total recoveries					
Total recoveries					
Net charge-offs	Net charge-offs	3,449	3,233	8,564	8,270
Net charge-offs					
Net charge-offs					
Provision for credit losses on loans					
Provision for credit losses on loans					
Provision for credit losses on loans	Provision for credit losses on loans	5,168	6,974	14,182	15,847
Balance, end of period	Balance, end of period	\$ 66,669	\$ 58,639	\$ 66,669	\$ 58,639
Balance, end of period					
Balance, end of period					
Gross loans, end of period					
Gross loans, end of period					
Gross loans, end of period	Gross loans, end of period	\$ 6,280,883	\$ 6,198,451	\$ 6,280,883	\$ 6,198,451
Average total loans	Average total loans	\$ 6,297,568	\$ 6,040,358	\$ 6,324,577	\$ 5,666,874
Average total loans					
Average total loans					
Net charge-offs to average loans					
Net charge-offs to average loans					
Net charge-offs to average loans	Net charge-offs to average loans	0.22 %	0.21 %	0.18 %	0.20 %
Allowance for credit losses to total loans	Allowance for credit losses to total loans	1.06 %	0.95 %	1.06 %	0.95 %
Allowance for credit losses to total loans					
Allowance for credit losses to total loans					

Individual loans considered to be uncollectible are **charged off charged-off** against the allowance. Factors used in determining the amount and timing of charge-offs on loans include consideration of the loan type, length of delinquency, sufficiency of collateral value, lien priority and the overall financial condition of the borrower. Collateral value is determined using updated appraisals and/or other market comparable information. Charge-offs are generally taken on loans once the impairment is determined to be other-than-temporary. Recoveries on loans previously **charged off charged-off** are added to the allowance.

Charge-offs of **equipment financing loans and leases** for the three months ended **September 30, 2023** included **\$2.2 million on a commercial loan March 31, 2024** and **\$2.3 million on equipment financing loans 2023**, totaled **\$3.6 million** and leases. In addition, a commercial real estate loan of \$2.3 million was also charged-off in **\$1.2 million**, respectively, primarily due to continued weakness within the third quarter. The Company specially reserved for this loss in the second quarter of 2023. The Company recognized a **\$3.4 million recovery** on a commercial real estate loan, which was charged-off in 2017.

trucking and transportation sector. Net charge-offs for the three months ended September 30, 2023 March 31, 2024 totaled \$3.4 million \$4.4 million, compared to \$3.2 million \$2.1 million for the same period one year ago. For the nine months ended September 30, 2023, net charge-offs totaled \$8.6 million, compared to \$8.2 million for the same period one year ago.

Nonperforming Loans. The following table sets forth our nonperforming assets by asset categories as of the dates indicated. Nonperforming loans include nonaccrual loans and loans past due 90 days or more and still accruing interest. The balances of nonperforming loans reflect the net investment in these assets, including deductions assets.

(dollars in thousands)	March 31, 2024	December 31, 2023
Nonperforming loans:		
Commercial	\$ 10,276	\$ 9,282
Commercial real estate	53,957	33,891
Construction and land development	26,318	39
Residential real estate	4,130	3,869
Consumer	93	137
Lease financing	10,205	9,133
Total nonperforming loans	104,979	56,351
Other real estate owned and other repossessed assets	11,742	11,350
Nonperforming assets	\$ 116,721	\$ 67,701
Nonperforming loans to total loans	1.76 %	0.92 %
Nonperforming assets to total assets	1.49 %	0.86 %
Allowance for credit losses to nonperforming loans	74.35 %	121.56 %

Non-performing loans increased \$48.6 million to \$105.0 million at March 31, 2024, compared to \$56.4 million as of December 31, 2023. Four loans totaling \$47.4 million account for purchase discounts, the increase. Of these, three loans totaling \$40.8 million are multi-family construction or multi-family projects.

(dollars in thousands)	September 30, 2023	December 31, 2022
Nonperforming loans:		
Commercial	\$ 8,836	\$ 7,853
Commercial real estate	33,603	29,602
Construction and land development	2,025	229
Residential real estate	3,856	8,449
Consumer	103	921
Lease financing	7,558	2,369
Total nonperforming loans	55,981	49,423
Other real estate owned and other repossessed assets	2,696	8,401
Nonperforming assets	\$ 58,677	\$ 57,824
Nonperforming loans to total loans	0.89 %	0.78 %
Nonperforming assets to total assets	0.74 %	0.74 %
Allowance for credit losses to nonperforming loans	119.09 %	123.53 %

We did not recognize interest income on nonaccrual loans during the three months ended September 30, 2023 March 31, 2024 or 2022 2023 while the loans were in nonaccrual status. Additional interest income that would have been recorded on nonaccrual loans had they been current in accordance with their original terms was \$0.8 million \$1.3 million and \$2.5 million \$0.8 million for the three and nine months ended September 30, 2023, respectively, March 31, 2024 and \$0.8 million and \$1.9 million for the three and nine months ended September 30, 2022, 2023, respectively.

The following table presents the change in our non-performing loans for the nine three months ended September 30, 2023 March 31, 2024:

	Year Ended March 31, 2024	Nine Months Ended September 30, 2023
(dollars in thousands)		
Balance, beginning of period	\$ 49,424	56,351
New nonperforming loans	35,071	56,119
Return to performing status	(1,097)	(1,471)
Payments received	(20,795)	(3,452)
Transfer to OREO and other repossessed assets	(332)	(522)
Charge-offs	(6,290)	(2,046)
Balance, end of period	\$ 55,981	104,979

Investment Securities. Our investment strategy aims to maximize earnings while maintaining liquidity in securities with minimal credit risk. The types and maturities of securities purchased are primarily based on our current and projected liquidity and interest rate sensitivity positions. In the periods presented, all investment securities of the Company are classified as available for sale and, therefore, the book value of investment securities is equal to the fair market value.

The following table sets forth the book value and associated percentage of each category of investment securities at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023. The book value for investment securities classified as available for sale is equal to fair market value.

March 31, 2024		September 30, 2023		December 31, 2022	
March 31, 2024		September 30, 2023		December 31, 2022	
March 31, 2024		September 30, 2023		December 31, 2022	
March 31, 2024		September 30, 2023		December 31, 2022	
(dollars in thousands)		(dollars in thousands)		(dollars in thousands)	
(dollars in thousands)	(dollars in thousands)	Balance	Percent	Balance	Percent
Investment securities	Investment securities				
available for sale:	available for sale:				
Investment securities available for sale:					
Investment securities available for sale:					
U.S. Treasury securities					
U.S. Treasury securities					
U.S. Treasury securities	U.S. Treasury securities	\$ 1,563	0.2 %	\$ 81,230	10.6 %
U.S. government	U.S. government				
sponsored entities and	sponsored entities and				
U.S. agency securities	U.S. agency securities	89,038	10.6	37,509	4.9
U.S. government sponsored entities and U.S. agency securities					
U.S. government sponsored entities and U.S. agency securities					
Mortgage-backed securities - agency					
Mortgage-backed securities - agency					
Mortgage-backed securities - agency	Mortgage-backed securities - agency	517,391	62.0	448,150	58.3
Mortgage-backed securities - non-agency	Mortgage-backed securities - non-agency	72,665	8.7	20,754	2.7
Mortgage-backed securities - non-agency					
Mortgage-backed securities - non-agency					
State and municipal securities					
State and municipal securities					

State and municipal securities	State and municipal securities	49,737	6.0	94,636	12.3
Collateralized loan obligations	Collateralized loan obligations	22,385	2.7	—	—
Collateralized loan obligations					
Collateralized loan obligations					
Corporate securities					
Corporate securities					
Corporate securities	Corporate securities	82,230	9.8	85,955	11.2
Total investment securities, available for sale, at fair value	Total investment securities, available for sale, at fair value	\$ 835,009	100.0 %	\$ 768,234	100.0 %
Total investment securities, available for sale, at fair value					
Total investment securities, available for sale, at fair value					

The following table sets forth the book value, maturities and weighted average yields for our investment portfolio at **September 30, 2023** **March 31, 2024**. The book value for investment securities classified as available for sale is equal to fair market value.

(dollars in thousands)	(dollars in thousands)	Weighted average			(dollars in thousands)	Balance	Percent	Weighted average yield
		Balance	Percent	yield				
Investment securities available for sale:	Investment securities available for sale:				Investment securities available for sale:			
U.S. Treasury securities:								
Maturing within one year		\$ 1,274	0.2 %	3.26 %				
Maturing in one to five years		289	—	4.21				
Maturing in five to ten years		—	—	—				
Maturing after ten years		—	—	—				
Total U.S. Treasury securities		\$ 1,563	0.2 %	3.43 %				
U.S. government sponsored entities and U.S. agency securities:								
U.S. government sponsored entities and U.S. agency securities:								
U.S. government sponsored entities and U.S. agency securities:	U.S. government sponsored entities and U.S. agency securities:							

Maturing within one year	Maturing within one year	\$ 9,981	1.2 %	4.89 %
Maturing within one year				
Maturing within one year				
Maturing in one to five years				
Maturing in one to five years				
Maturing in one to five years	Maturing in one to five years	65,037	7.8	4.42
Maturing in five to ten years	Maturing in five to ten years	10,963	1.3	2.08
Maturing after ten years	Maturing after ten years	3,057	0.3	5.77
Total U.S. government sponsored entities and U.S. agency securities	Total U.S. government sponsored entities and U.S. agency securities	\$ 89,038	10.6 %	4.19 %
Mortgage- backed securities - agency:	Mortgage- backed securities - agency:			
Mortgage-backed securities - agency:				
Mortgage-backed securities - agency:				
Maturing within one year				
Maturing within one year				
Maturing within one year	Maturing within one year	\$ 5,594	0.7 %	2.47 %
Maturing in one to five years	Maturing in one to five years	244,137	29.2	3.74
Maturing in five to ten years	Maturing in five to ten years	154,292	18.5	2.74
Maturing after ten years	Maturing after ten years	113,368	13.6	2.25
Total mortgage- backed securities - agency	Total mortgage- backed securities - agency	\$517,391	62.0 %	3.07 %
Mortgage- backed securities - non-agency:	Mortgage- backed securities - non-agency:			
Mortgage-backed securities - non-agency:				

Mortgage-backed securities									
- non-agency:									
Maturing within one year									
Maturing within one year									
Maturing within one year	Maturing within one year	\$	—	— %	— %	\$			
Maturing in one to five years	Maturing in one to five years		56,346	6.8	4.56				
Maturing in five to ten years	Maturing in five to ten years		9,239	1.1	2.25				
Maturing after ten years	Maturing after ten years		7,080	0.8	2.58				
Total mortgage-backed securities - non-agency	Total mortgage-backed securities - non-agency	\$	72,665	8.7 %	3.99 %	Total mortgage-backed securities - non-agency	\$	89,528	4.45 %
State and municipal securities (1):									
State and municipal securities (1):									
State and municipal securities (1):									
Maturing within one year									
Maturing within one year									
Maturing within one year	Maturing within one year	\$	1,320	0.2 %	3.21 %	\$	1,175	0.1	2.82 %
Maturing in one to five years	Maturing in one to five years		7,485	0.9	3.07				
Maturing in five to ten years	Maturing in five to ten years		26,166	3.1	2.20				
Maturing after ten years	Maturing after ten years		14,766	1.8	2.81				
Total state and municipal securities	Total state and municipal securities	\$	49,737	6.0 %	2.53 %	Total state and municipal securities	\$	60,630	2.95 %
Collateralized loan obligations:									
Collateralized loan obligations:									
Collateralized loan obligations:									
Maturing within one year									
Maturing within one year									

Maturing within one year	Maturing within one year	\$ 10,967	1.3 %	8.36 %	\$ 6,395	0.6	0.6 %	6.82 %
Maturing in one to five years	Maturing in one to five years	11,418	1.4	6.79				
Maturing in five to ten years	Maturing in five to ten years	—	—	—				
Maturing after ten years	Maturing after ten years	—	—	—				
Total collateralized loan obligations	Total collateralized loan obligations	\$ 22,385	2.7 %	7.56 %	\$ 33,614	3.2	3.2 %	6.79 %
Corporate securities:	Corporate securities:							
Corporate securities:	Corporate securities:							
Maturing within one year	Maturing within one year							
Maturing within one year	Maturing within one year							
Maturing within one year	Maturing within one year	\$ —	— %	— %	\$ 4,997	0.5	0.5 %	8.41 %
Maturing in one to five years	Maturing in one to five years	19,745	2.4	3.59				
Maturing in five to ten years	Maturing in five to ten years	62,485	7.4	3.61				
Maturing after ten years	Maturing after ten years	—	—	—				
Total corporate securities	Total corporate securities	\$ 82,230	9.8 %	3.60 %	\$ 107,391	10.4	10.4 %	4.25 %
Total investment securities, available for sale	Total investment securities, available for sale	\$835,009	100.0 %	3.37 %	\$ 1,040,406	100.0	100.0 %	3.98 %

(1) Weighted average yield for tax-exempt securities are presented on a tax-equivalent basis assuming a federal income tax rate of 21%.

The table below presents the credit ratings for our investment securities classified as available for sale, at fair value, at **September 30, 2023** **March 31, 2024**.

		Amortized		Fair	Average credit rating																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																					</	
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U.S. Treasury securities		\$ 1,582	\$ 1,563	\$ —	\$ 1,563	\$ —	\$ —	\$ —	\$ —
U.S. government sponsored entities and U.S. agency securities									
U.S. government sponsored entities and U.S. agency securities									
U.S. government sponsored entities and U.S. agency securities	U.S. government sponsored entities and U.S. agency securities	93,291	89,038	71,119	17,919	—	—	—	—
Mortgage-backed securities - agency	Mortgage-backed securities - agency	613,484	517,391	6	517,385	—	—	—	—
Mortgage-backed securities - non-agency	Mortgage-backed securities - non-agency	77,617	72,665	13,604	59,061	—	—	—	—
State and municipal securities	State and municipal securities	59,521	49,737	636	48,847	—	254	—	—
Collateralized loan obligations	Collateralized loan obligations	22,662	22,385	14,155	8,230	—	—	—	—
Corporate securities	Corporate securities	95,124	82,230	—	44,593	16,584	14,572	6,481	—
Total investment securities, available for sale	Total investment securities, available for sale	\$ 963,281	\$ 835,009	\$ 99,520	\$ 697,598	\$ 16,584	\$ 14,826	\$ 6,481	\$ —

Liabilities. At September 30, 2023 March 31, 2024, liabilities totaled \$7.21 billion \$7.04 billion compared to \$7.10 billion \$7.08 billion at December 31, 2022 December 31, 2023.

Deposits. We emphasize developing total client relationships with our customers in order to increase our retail and commercial core deposit bases, which are our primary funding sources. Our deposits consist of noninterest-bearing and interest-bearing demand, savings and time deposit accounts.

Total deposits increased \$40.4 \$14.5 million to \$6.41 billion \$6.32 billion at September 30, 2023 March 31, 2024, as compared to December 31, 2022 December 31, 2023. Increases in noninterest-bearing demand accounts and time deposits of \$67.0 million and \$76.0 million, respectively, during this period, were partially offset by decreases in interest-bearing checking, money market and savings account balances. Noninterest-bearing demand commercial accounts, servicing deposits and treasury services accounts increased \$20.3 million, \$21.4 million, and \$16.7 million, respectively during the first quarter of 2024. Our noninterest-bearing deposits increased to 19.2% of total deposits at March 31, 2024 compared to 18.1% at December 31, 2023.

Brokered time deposits increased to \$119.1 million \$188.2 million at September 30, 2023 March 31, 2024 from \$12.8 million \$94.5 million at December 31, 2022. In addition, interest rate promotions offered December 31, 2023, accounting for all of the increase in 2023 on time deposit products resulted in an increases in balances of non-brokered time deposits of \$236.3 million over the same period. These increases were partially offset by a decrease in noninterest-bearing demand account balances of \$207.6 million, as a result of increasing deposit rates in response to the rate increases announced by the Federal Reserve. Our noninterest-bearing deposits decreased to 18.0% of total deposits at September 30, 2023 compared to 21.4% at December 31, 2022, balances.

(dollars in thousands)	(dollars in thousands)	September 30, 2023		December 31, 2022	
		Balance	Percent	Balance	Percent
(dollars in thousands)					
(dollars in thousands)					
		Balance			
		Balance			

		Balance			
Noninterest-bearing demand					
Noninterest-bearing demand					
Noninterest-bearing demand	Noninterest-bearing demand	\$ 1,154,515	18.0 %	\$ 1,362,158	21.4 %
Interest-bearing:	Interest-bearing:				
Interest-bearing:					
Interest-bearing:					
Checking					
Checking					
Checking	Checking	2,572,224	40.2	2,494,073	39.2
Money market	Money market	1,090,962	17.0	1,184,101	18.6
Money market					
Money market					
Savings					
Savings					
Savings	Savings	582,359	9.1	661,932	10.4
Time	Time	1,004,942	15.7	662,388	10.4
Time					
Time					
Total deposits	Total deposits	\$ 6,405,002	100.0 %	\$ 6,364,652	100.0 %
Total deposits					
Total deposits					

The Company estimates that uninsured deposits⁽¹⁾ totaled \$1.28 billion, or 20% of total deposits, at September 30, 2023 compared to \$1.55 billion, or 24%, at December 31, 2022. The following table sets forth the maturity of uninsured time deposits as of September 30, 2023 March 31, 2024:

(dollars in thousands)	Amount
Three months or less	\$ 48,203 58,488
Three to six months	32,134 24,419
Six to 12 months	20,001 7,301
After 12 months	5,504 8,763
Total	\$ 105,842 98,971

Short-term Borrowings⁽¹⁾ Uninsured deposits include the Call Report estimate. Short-term borrowings, consisting of uninsured deposits less affiliate deposits, estimated insured portion federal funds purchased and securities sold under agreements to repurchase totaled \$214.4 million and \$34.9 million at March 31, 2024 and December 31, 2023, respectively. The Company utilized additional short-term liquidity resources and reduced our reliance on FHLB advances to optimize contingent liquidity and improve our cost of servicing deposits, additional structured FDIC coverage funds.

FHLB Advances and collateralized deposits. Other Borrowings. FHLB advances and other borrowings totaled \$255.0 million and \$476.0 million as of March 31, 2024 and December 31, 2023, respectively. The decrease in borrowings was due to FHLB advances totaling \$251.0 million being repaid in accordance with contract terms.

Capital Resources and Liquidity Management

Capital Resources. Shareholders' equity is influenced primarily by earnings, dividends, issuances and redemptions of common and preferred stock and changes in accumulated other comprehensive income caused primarily by fluctuations in unrealized holding gains or losses, net of taxes, on available-for-sale investment securities and cash flow hedges.

Shareholders' equity increased \$5.7 million decreased \$0.8 million to \$764.3 million \$791.0 million at September 30, 2023 March 31, 2024 as compared to December 31, 2022 December 31, 2023. The Company generated change in shareholders' equity was the result of the generation of net income of \$61.4 million during 2023. Offsetting this increase to shareholders' equity were \$13.9 million, offset by dividends to common shareholders of \$20.0 million \$6.8 million, dividends to preferred shareholders of \$6.7 million \$2.2 million, the repurchases of common stock of \$15.0 million \$1.9 million and an increase in accumulated other comprehensive losses of \$17.4 million \$4.7 million.

The Company has On December 5, 2023, the Company's board of directors authorized a new share repurchase program, whereby pursuant to which the Board of Directors Company is authorized the Company to repurchase up to \$25.0 million \$25.0 million of common stock through December 31, 2024. As of March 31, 2024, the Company repurchased 73,781 shares of its common stock. This program terminates December 31, 2023. As stock at a weighted average price of September 30, 2023, \$14.9 million, or

703,868 shares of the Company's common \$26.31 under its stock had been repurchased under the repurchase program, with approximately \$10.1 million \$23.1 million of remaining repurchase authority.

Liquidity Management. Liquidity refers to the measure of our ability to meet the cash flow requirements of depositors and borrowers, while at the same time meeting our operating, capital and strategic cash flow needs, all at a reasonable cost. We continuously monitor our liquidity position to ensure that assets and liabilities are managed in a manner that will meet all short-term and long-term cash requirements. We manage our liquidity position to meet the daily cash flow needs of customers, while maintaining an appropriate balance between assets and liabilities to meet the return on investment objectives of our shareholders.

Integral to our liquidity management is the administration of short-term borrowings. To the extent we are unable to obtain sufficient liquidity through core deposits, we seek to meet our liquidity needs through wholesale funding or other borrowings on either a short- or long-term basis.

Securities sold under agreements to repurchase, which are classified as secured borrowings, generally mature within one to four days from the transaction date. Securities sold under agreements to repurchase are reflected at the amount of cash received in connection with the transaction, which represents the amount of the Bank's obligation. The Bank may be required to provide additional collateral based on the fair value of the underlying securities. Investment securities with a carrying amount of \$27.8 million \$15.8 million and \$46.1 million \$20.9 million at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively, were pledged for securities sold under agreements to repurchase.

The table below presents our sources of liquidity as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023:

(dollars in thousands)	(dollars in thousands)	September 30, 2023	December 31, 2022	(dollars in thousands)	March 31, 2024	December 31, 2023
Cash and cash equivalents	Cash and cash equivalents	\$ 132,132	\$ 160,631			
Unpledged securities	Unpledged securities	258,104	209,184			
FHLB committed liquidity	FHLB committed liquidity	883,855	997,388			
FRB discount window availability	FRB discount window availability	759,763	12,201			
Total Estimated Liquidity	Total Estimated Liquidity	\$2,033,854	\$1,379,404			
Conditional Funding Based on Market Conditions	Conditional Funding Based on Market Conditions					
Additional credit facility	Additional credit facility	\$ 364,000	\$ 250,000			
Brokered CDs (additional capacity)	Brokered CDs (additional capacity)	\$ 500,000	\$ 500,000			

The Company is a corporation separate and apart from the Bank and, therefore, must provide for its own liquidity. The Company's main source of funding is dividends declared and paid to it by the Bank. There are statutory, regulatory and debt covenant limitations that affect the ability of the Bank to pay dividends to the Company. Management

believed at **September 30, 2023** **March 31, 2024**, that these limitations will not impact our ability to meet our ongoing short-term cash obligations.

Regulatory Capital Requirements

We are subject to various regulatory capital requirements administered by the federal and state banking regulators. Failure to meet regulatory capital requirements may result in certain mandatory and possible additional discretionary actions by regulators that, if undertaken, could have a direct material effect on our financial statements. Under capital adequacy guidelines and the regulatory framework for "prompt corrective action", we must meet specific capital guidelines that involve quantitative measures of our assets, liabilities and certain off-balance sheet items as calculated under regulatory accounting policies.

In December 2018, the Office of the Comptroller of the Currency, the Federal Reserve, and the FDIC approved a final rule to address changes to credit loss accounting under GAAP, including banking organizations' implementation of CECL. The final rule provides banking organizations the option to phase in over a three-year period the day-one adverse effects on regulatory capital that may result from the adoption of the CECL accounting standard. In March 2020, the Office of the Comptroller of the Currency, the Federal Reserve, and the FDIC published an interim final rule to delay the estimated impact on regulatory capital stemming from the implementation of CECL. The interim final rule maintains the three-year transition option in the previous rule and provides banks the option to delay for two years an estimate of CECL's effect on regulatory capital, relative to the incurred loss methodology's effect on regulatory capital, followed by a three-year transition period (five-year transition option). The Company is adopting the capital transition relief over the permissible five-year period.

At **September 30, 2023** **March 31, 2024**, the Company and the Bank exceeded the regulatory minimums and met the regulatory definition of well-capitalized.

The following table presents the Company's and the Bank's capital ratios and the minimum requirements at **September 30, 2023** **March 31, 2024**:

Ratio	Minimum Regulatory Requirements				Actual		Minimum Regulatory Requirements ⁽¹⁾		Well Capitalized
	Ratio	Actual	(1)	Well Capitalized Ratio					
Total risk-based capital ratio	Total risk-based capital ratio								
Midland States Bancorp, Inc.	Midland States Bancorp, Inc.	12.84 %	10.50 %	N/A					
Midland States Bancorp, Inc.	Midland States Bancorp, Inc.								
Midland States Bancorp, Inc.	Midland States Bancorp, Inc.				13.68 %		10.50 %		N/A
Midland States Bank	Midland States Bank	12.13	10.50	10.00 %	12.77	10.50	10.50	10.00	10.00 %
Tier 1 risk-based capital ratio	Tier 1 risk-based capital ratio								
Midland States Bancorp, Inc.	Midland States Bancorp, Inc.								
Midland States Bancorp, Inc.	Midland States Bancorp, Inc.								
Midland States Bancorp, Inc.	Midland States Bancorp, Inc.	10.62	8.50	N/A	11.16	8.50	8.50	N/A	N/A
Midland States Bank	Midland States Bank	11.21	8.50	8.00					

Common equity tier 1 risk-based capital ratio	Common equity tier 1 risk-based capital ratio			
Midland States Bancorp, Inc.	Midland States Bancorp, Inc.	8.16	7.00	N/A
Midland States Bancorp, Inc.	Midland States Bancorp, Inc.			
Midland States Bancorp, Inc.	Midland States Bancorp, Inc.		8.60	7.00
Midland States Bancorp, Inc.	Midland States Bancorp, Inc.			N/A
Midland States Bank	Midland States Bank	11.21	7.00	6.50
Tier 1 leverage ratio	Tier 1 leverage ratio			
Midland States Bancorp, Inc.	Midland States Bancorp, Inc.	9.67	4.00	N/A
Midland States Bancorp, Inc.	Midland States Bancorp, Inc.			
Midland States Bancorp, Inc.	Midland States Bancorp, Inc.		9.92	4.00
Midland States Bancorp, Inc.	Midland States Bancorp, Inc.			N/A
Midland States Bank	Midland States Bank	10.21	4.00	5.00

(1) Total risk-based capital ratio, Tier 1 risk-based capital ratio and Common equity tier 1 risk-based capital ratio include the capital conservation buffer of 2.5%.

Quantitative and Qualitative Disclosures About Market Risk

Market Risk. Market risk represents the risk of loss due to changes in market values of assets and liabilities. We incur market risk in the normal course of business through exposures to market interest rates, equity prices, and credit spreads. We are primarily exposed to interest rate risk as a result of offering a wide array of financial products to our customers and secondarily to price risk from investments in securities backed by mortgage loans.

Interest Rate Risk. Interest rate risk is the risk to earnings arising from changes in market interest rates. Interest rate risk arises from timing differences in the repricings and maturities of interest-earning assets and interest-bearing liabilities (reprice risk), changes in the expected maturities of assets and liabilities arising from embedded options, such as borrowers' ability to prepay residential mortgage loans at any time and depositors' ability to redeem certificates of deposit before maturity (option

risk), changes in the shape of the yield curve where interest rates increase or decrease in a nonparallel fashion (yield curve risk), and changes in spread relationships between different yield curves, such as U.S. Treasuries and LIBOR SOFR (basis risk).

We actively manage interest rate risk, as changes in market interest rates may have a significant impact on reported earnings. Changes in market interest rates may result in changes in the fair market value of our financial instruments, cash flows, and net interest income. We seek to achieve consistent growth in net interest income while managing volatility arising from shifts in market interest rates. Our Board of Directors' Risk Policy and Compliance Committee oversees interest rate risk,

as well as the establishment of risk measures, limits, and policy guidelines for managing the amount of interest rate risk and its effect on net interest income. The Committee meets quarterly to monitor the level of interest rate risk sensitivity to ensure compliance with the board of directors' approved risk limits.

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

An asset sensitive position refers to a balance sheet position in which an increase in short-term interest rates is expected to generate higher net interest income, as rates earned on our interest-earning assets would reprice upward more quickly than rates paid on our interest-bearing liabilities, thus expanding our net interest margin. Conversely, a liability sensitive position refers to a balance sheet position in which an increase in short-term interest rates is expected to generate lower net interest income, as rates paid on our interest-bearing liabilities would reprice upward more quickly than rates earned on our interest-earning assets, thus compressing our net interest margin.

Interest rate risk measurement is calculated and reported to the Risk Policy and Compliance Committee at least quarterly. The information reported includes period-end results and identifies any policy limits exceeded, along with an assessment of the policy limit breach and the action plan and timeline for resolution, mitigation, or assumption of the risk.

We use **Net Interest Income NII at Risk ("NII at Risk")** to model interest rate risk utilizing various assumptions for assets, liabilities, and derivatives. NII at Risk uses net interest income simulation analysis which involves forecasting net interest earnings under a variety of scenarios including changes in the level of interest rates, the shape of the yield curve, and spreads between market interest rates. The sensitivity of net interest income to changes in interest rates is measured using numerous interest rate scenarios including shocks, gradual ramps, curve flattening, curve steepening as well as forecasts of likely interest rates scenarios. Modeling the sensitivity of net interest earnings to changes in market interest rates is highly dependent on numerous assumptions incorporated into the modeling process. To the extent that actual performance is different than what was assumed, actual net interest earnings sensitivity may be different than projected. We use a data warehouse to study interest rate risk at a transactional level and use various ad-hoc reports to continuously refine assumptions. Assumptions and methodologies regarding administered rate liabilities (e.g., savings accounts, money market accounts and interest-bearing checking accounts), balance trends, and repricing relationships reflect our best estimate of expected behavior and these assumptions are reviewed periodically.

The following table shows NII at Risk at the dates indicated:

Net interest income sensitivity (Shocks)												
Immediate change in rates												
Net interest income sensitivity (Shocks)												
Immediate change in rates												
(dollars in thousands)	(dollars in thousands)	-200	-100	+100	+200	(dollars in thousands)	-200	-100		+100		+200
September 30, 2023:												
March 31, 2024:												
Dollar change	Dollar change	\$13,564	\$ 4,761	\$(7,540)	\$(15,513)							
Percent change	Percent change	5.9 %	2.1 %	(3.3)%	(6.7)%	Percent change	0.2 %	(0.1) %		(0.3) %		(1.1) %
December 31, 2022:												
December 31, 2023:												
Dollar change												
Dollar change												
Dollar change	Dollar change	\$ —	\$(12,560)	\$10,814	\$ 21,357							
Percent change	Percent change	— %	(4.2)%	3.6 %	7.2 %	Percent change	0.2 %	(0.1) %		(0.6) %		(1.3) %

We report NII at Risk to isolate the change in income related solely to interest-earning assets and interest-bearing liabilities. The NII at Risk results included in the table above reflect the analysis used quarterly by management. It models -200, -100, +100 and +200 basis point parallel shifts in market interest rates, implied by the forward yield curve over the next twelve months. We added a -200 basis point scenario as the Federal Reserve has indicated the rate increases may have run their course. We were within board policy limits for the -200, -100, +100 and +200 basis point all scenarios at September 30, 2023 March 31, 2024.

Tolerance levels for risk management require the continuing development of remedial plans to maintain residual risk within approved levels as we adjust the balance sheet. NII at Risk reported at September 30, 2023 March 31, 2024 projects that our earnings exhibit increasing profitability in a declining rate environment, compared consistent with our modeling at December 31, 2023. Throughout the course of 2023, the bank exhibited similar trends to December 31, 2022.

the industry concerning its beta assumptions related to its non-maturity deposit portfolio. Coupled with a market shift to slowing rate increases or even rate cuts into 2024, the bank did start to position its investment strategy to protect against lower rates in the future. These two aspects are the primary drivers of moving

to a virtually neutral position as measured in the +/- 100 basis point rate shocks.

Price Risk. Price risk represents the risk of loss arising from adverse movements in the prices of financial instruments that are carried at fair value and are subject to fair value accounting. We have price risk from mortgage-backed securities, derivative instruments, and equity investments.

ITEM 3 – QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The quantitative and qualitative disclosures about market risk are included under "Item 2 – Management's Discussion and Analysis of Financial Condition and Results of Operations – Quantitative and Qualitative Disclosures about Market Risk".

ITEM 4 – CONTROLS AND PROCEDURES

Evaluation of disclosure controls and procedures. The Company's management, including our President and Chief Executive Officer and our Chief Financial Officer, have evaluated the effectiveness of our "disclosure controls and procedures" (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934 ("Exchange Act") Act)), as of the end of the period covered by this report. Based on such evaluation, our President and Chief Executive Officer and our Chief Financial Officer have concluded that, as of the end of such period, the Company's disclosure controls and procedures were effective as of that date to provide reasonable assurance that the information required to be disclosed by the Company in the reports it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC and that information required to be disclosed by the Company in the reports it files or submits under the Exchange Act is accumulated and communicated to the Company's management, including its President and Chief Executive Officer and its Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Changes in internal control over financial reporting. There have not been any changes in the Company's internal control over financial reporting (as such term is defined in Rule 13a-15(f) under the Exchange Act) during the fiscal quarter to which this report relates that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II – OTHER INFORMATION

ITEM 1 – LEGAL PROCEEDINGS

In the normal course of business, we are named or threatened to be named as a defendant in various lawsuits, none of which we expect to have a material effect on the Company. However, given the nature, scope and complexity of the extensive legal and regulatory landscape applicable to our business (including laws and regulations governing consumer protection, fair lending, fair labor, privacy, information security, anti-money laundering and anti-terrorism), we, like all banking organizations, are subject to heightened legal and regulatory compliance and litigation risk. There are no material pending legal proceedings to which the Company or any of its subsidiaries is a party or of which any of their property is the subject.

ITEM 1A– RISK FACTORS

There have been no material changes from the risk factors previously disclosed in the "Risk Factors" section included in our Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023.

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

Unregistered Sales of Equity Securities

None.

Issuer Purchases of Equity Securities

The following table sets forth information regarding the Company's repurchase of shares of its outstanding common stock during the third first quarter of 2023, 2024.

Period	Total number of shares purchased ⁽¹⁾	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs	Approximate dollar value of shares that may yet be purchased under the plans or programs ⁽²⁾
July 1 - 31, 2023	114,603	\$ 22.15	114,500	\$ 13,559,785
August 1 - 31, 2023	97,496	22.24	97,317	11,395,800
September 1 - 30, 2023	59,282	21.94	59,242	10,096,015
Total	271,381	\$ 22.14	271,059	\$ 10,096,015

Period	Total number of shares purchased ⁽¹⁾	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs	Approximate dollar value of shares that may yet be purchased under the plans or programs ⁽²⁾
January 1 - 31, 2024	55,166	\$ 27.26	55,023	\$ 23,500,019
February 1 - 29, 2024	278	24.74	—	23,500,019
March 1 - 31, 2024	18,758	23.51	18,758	23,059,060
Total	74,202	\$ 26.30	73,781	\$ 23,059,060

- (1) Represents shares of the Company's common stock repurchased under the employee stock purchase program and shares withheld to satisfy tax withholding obligations upon the vesting of awards of restricted stock.
- (2) As previously disclosed, the board of directors of the Company approved a stock repurchase program on [December 6, 2022](#) [December 5, 2023](#), pursuant to which the Company is authorized to repurchase up to \$25.0 million of common stock through [December 31, 2023](#) [December 31, 2024](#). Stock repurchases under this programs may be made from time to time on the open market, in privately negotiated transactions, or in any manner that complies with applicable securities laws, at the discretion of the Company. The timing of purchases and the number of shares repurchased under the programs are dependent upon a variety of factors including price, trading volume, corporate and regulatory requirements and market condition. The repurchase program may be suspended or discontinued at any time without notice. As of [September 30, 2023](#) [March 31, 2024](#), [703,868](#) [73,781](#) shares of the Company's common stock have been repurchased under the program for an aggregate purchase price of [\\$14.9 million](#) [\\$1.9 million](#).

ITEM 5 – OTHER INFORMATION

During the three months ended [September 30, 2023](#) [March 31, 2024](#), no director or officer of the Company adopted or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408(a) of Regulation S-K.

ITEM 6 – EXHIBITS

Exhibit No.	Description
31.1	Chief Executive Officer's Certification required by Rule 13(a)-14(a) – filed herewith.
31.2	Chief Financial Officer's Certification required by Rule 13(a)-14(a) – filed herewith.
32.1	Chief Executive Officer Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 – filed herewith.
32.2	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 – filed herewith.
101	Financial information from the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2023 March 31, 2024 formatted in iXBRL (Inline eXtensible Business Reporting Language): (i) Consolidated Balance Sheets; (ii) Consolidated Statements of Income; (iii) Consolidated Statements of Comprehensive Income; (iv) Consolidated Statements of Shareholders' Equity; (v) Consolidated Statements of Cash Flows; and (vi) Notes to Consolidated Financial Statements – filed herewith.
104	The cover page from Midland States Bancorp, Inc.'s Form 10-Q Report for the quarterly period ended September 30, 2023 March 31, 2024 formatted in 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.

Midland States Bancorp, Inc.

Date: November 2, 2023 May 9, 2024

By: /s/ Jeffrey G. Ludwig

Jeffrey G. Ludwig
President and Chief Executive Officer
(Principal Executive Officer)

Date: November 2, 2023 May 9, 2024

By: /s/ Eric T. Lemke

Eric T. Lemke
Chief Financial Officer
(Principal Financial Officer)

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Exhibit 31.1

**CERTIFICATIONS REQUIRED BY
RULE 13a-14(a) OR RULE 15d-14(a)
UNDER THE SECURITIES EXCHANGE ACT OF 1934**

I, Jeffrey G. Ludwig, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q (the "Report") of Midland States Bancorp, Inc. (the "Registrant");
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(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this Report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this Report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this Report based on such evaluation; and
 - d) Disclosed in this Report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and
5. The Registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Midland States Bancorp, Inc.

Dated as of: November 2, 2023 May 9, 2024

By: /s/ Jeffrey G. Ludwig

Jeffrey G. Ludwig
President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

**CERTIFICATIONS REQUIRED BY
RULE 13a-14(a) OR RULE 15d-14(a)
UNDER THE SECURITIES EXCHANGE ACT OF 1934**

I, Eric T. Lemke, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q (the "Report") of Midland States Bancorp, Inc. (the "Registrant");
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(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this Report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this Report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this Report based on such evaluation; and
 - d) Disclosed in this Report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and
5. The Registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Midland States Bancorp, Inc.

Dated as of: November 2, 2023 May 9, 2024

By: /s/ Eric T. Lemke

Eric T. Lemke
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

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

I, Jeffrey G. Ludwig, President and Chief Executive Officer of Midland States Bancorp, Inc. (the "Company") certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- (1) The Quarterly Report on Form 10-Q of the Company for the quarterly period ended **September 30, 2023** **March 31, 2024** (the "Report") fully complies with the requirements of Sections 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.

Midland States Bancorp, Inc.

Dated as of: **November 2, 2023** **May 9, 2024**

By: /s/ Jeffrey G. Ludwig
Jeffrey G. Ludwig
President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 32.2

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

I, Eric T. Lemke, Chief Financial Officer of Midland States Bancorp, Inc. (the "Company") certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- (1) The Quarterly Report on Form 10-Q of the Company for the quarterly period ended **September 30, 2023** **March 31, 2024** (the "Report") fully complies with the requirements of Sections 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.

Midland States Bancorp, Inc.

Dated as of: **November 2, 2023** **May 9, 2024**

By: /s/ Eric T. Lemke
Eric T. Lemke
Chief Financial Officer
(Principal Financial Officer)

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