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DELTA REPORT

10-Q

BWBBP - BRIDGEWATER BANCSHARES IN

10-Q - SEPTEMBER 30, 2024 COMPARED TO 10-Q - JUNE 30, 2024

The following comparison report has been automatically generated

TOTAL DELTAS	1075
CHANGES	578
DELETIONS	210
ADDITIONS	287

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June September 30, 2024

OR

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

For the transition period from ____________ to ________

Commission File Number 001-38412

BRIDGEWATER BANCSHARES, INC.

(Exact name of registrant as specified in its charter)

Minnesota	**26-0113412**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
4450 Excelsior Boulevard, Suite 100 St. Louis Park, Minnesota	**55416**
(Address of principal executive offices)	**(Zip Code)**

(952) 893-6868

(Registrant's telephone number, including area code)

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

Title of each class:	Trading Symbol	Name of each exchange on which registered:
Common Stock, $0.01 Par Value	BWB	The Nasdaq Stock Market LLC
Depositary Shares, each representing a 1/100th interest in a share of 5.875% Non-Cumulative Perpetual Preferred Stock, Series A, par value $0.01 per share	BWBBP	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, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

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

Emerging growth company ☐

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

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

The number of shares of the Common Stock outstanding as of July 30, 2024 October 29, 2024 was 27,349,971 27,425,690.

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PART 1 – FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements

Bridgewater Bancshares, Inc. and Subsidiaries

Consolidated Balance Sheets

(dollars in thousands, except share data)

	June 30, 2024 (Unaudited)	December 31, 2023
ASSETS		
Cash and Cash Equivalents	$ 134,093	$ 128,562
Securities Available for Sale, at Fair Value	601,057	604,104
Loans, Net of Allowance for Credit Losses of $51,949 at June 30, 2024 (unaudited) and $50,494 at December 31, 2023	3,742,222	3,667,215
Federal Home Loan Bank (FHLB) Stock, at Cost	15,844	17,097
Premises and Equipment, Net	47,902	48,886
Accrued Interest	16,944	16,697
Goodwill	2,626	2,626
Other Intangible Assets, Net	171	188
Bank-Owned Life Insurance	35,090	34,477
Other Assets	91,086	92,138
Total Assets	$ 4,687,035	$ 4,611,990
LIABILITIES AND EQUITY		
LIABILITIES		
Deposits:		
Noninterest Bearing	$ 705,175	$ 756,964
Interest Bearing	3,102,537	2,952,984
Total Deposits	3,807,712	3,709,948
Notes Payable	13,750	13,750
FHLB Advances	287,000	319,500
Subordinated Debentures, Net of Issuance Costs	79,479	79,288
Accrued Interest Payable	3,999	5,282
Other Liabilities	55,854	58,707
Total Liabilities	4,247,794	4,186,475
SHAREHOLDERS' EQUITY		
Preferred Stock- $0.01 par value; Authorized 10,000,000		
Preferred Stock - Issued and Outstanding 27,600 Series A shares ($2,500 liquidation preference) at June 30, 2024 (unaudited) and December 31, 2023	66,514	66,514
Common Stock- $0.01 par value; Authorized 75,000,000		
Common Stock - Issued and Outstanding 27,348,049 at June 30, 2024 (unaudited) and 27,748,965 at December 31, 2023	273	277
Additional Paid-In Capital	93,205	96,320
Retained Earnings	294,569	280,650

Accumulated Other Comprehensive Loss	(15,320)	(18,246)
Total Shareholders' Equity	439,241	425,515
Total Liabilities and Equity	$ 4,687,035	$ 4,611,990

	September 30, 2024 (Unaudited)	December 31, 2023
ASSETS		
Cash and Cash Equivalents	$ 191,859	$ 128,562
Securities Available for Sale, at Fair Value	664,715	604,104
Loans, Net of Allowance for Credit Losses of $51,018 at September 30, 2024 (unaudited) and $50,494 at December 31, 2023	3,628,867	3,667,215
Federal Home Loan Bank (FHLB) Stock, at Cost	18,626	17,097
Premises and Equipment, Net	47,777	48,886
Foreclosed Assets	434	—
Accrued Interest	16,750	16,697
Goodwill	2,626	2,626
Other Intangible Assets, Net	163	188
Bank-Owned Life Insurance	38,219	34,477
Other Assets	81,481	92,138
Total Assets	$ 4,691,517	$ 4,611,990
LIABILITIES AND EQUITY		
LIABILITIES		
Deposits:		
Noninterest Bearing	$ 713,309	$ 756,964
Interest Bearing	3,034,133	2,952,984
Total Deposits	3,747,442	3,709,948
Notes Payable	13,750	13,750
FHLB Advances	349,500	319,500
Subordinated Debentures, Net of Issuance Costs	79,574	79,288
Accrued Interest Payable	3,458	5,282
Other Liabilities	45,593	58,707
Total Liabilities	4,239,317	4,186,475
SHAREHOLDERS' EQUITY		
Preferred Stock- $0.01 par value; Authorized 10,000,000		
Preferred Stock - Issued and Outstanding 27,600 Series A shares ($2,500 liquidation preference) at September 30, 2024 (unaudited) and December 31, 2023	66,514	66,514
Common Stock- $0.01 par value; Authorized 75,000,000		
Common Stock - Issued and Outstanding 27,425,690 at September 30, 2024 (unaudited) and 27,748,965 at December 31, 2023	274	277
Additional Paid-In Capital	94,597	96,320
Retained Earnings	302,231	280,650
Accumulated Other Comprehensive Loss	(11,416)	(18,246)
Total Shareholders' Equity	452,200	425,515
Total Liabilities and Equity	$ 4,691,517	$ 4,611,990

See accompanying notes to consolidated financial statements.

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Bridgewater Bancshares, Inc. and Subsidiaries

Consolidated Statements of Income

(dollars in thousands, except per share data)

(Unaudited)

	Three Months Ended		Six Months Ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
INTEREST INCOME				
Loans, Including Fees	$ 51,385	$ 47,721	$ 100,966	$ 92,676
Investment Securities	8,177	6,237	16,093	12,455
Other	1,316	1,043	2,488	1,862
Total Interest Income	60,878	55,001	119,547	106,993
INTEREST EXPENSE				
Deposits	31,618	22,998	61,808	39,372
Federal Funds Purchased	853	2,761	1,157	7,705
Notes Payable	296	285	591	548
FHLB Advances	2,125	2,092	4,383	2,953
Subordinated Debentures	990	993	1,981	1,976
Total Interest Expense	35,882	29,129	69,920	52,554
NET INTEREST INCOME	24,996	25,872	49,627	54,439
Provision for Credit Losses	600	50	1,350	675
NET INTEREST INCOME AFTER PROVISION FOR CREDIT LOSSES	24,396	25,822	48,277	53,764
NONINTEREST INCOME				
Customer Service Fees	366	368	708	717
Net Gain (Loss) on Sales of Available for Sale Securities	320	50	413	(6)
Letter of Credit Fees	387	379	703	1,013
Debit Card Interchange Fees	155	155	296	293
Bank-Owned Life Insurance	312	238	613	472
FHLB Prepayment Income	—	—	—	299
Other Income	223	225	580	570
Total Noninterest Income	1,763	1,415	3,313	3,358
NONINTEREST EXPENSE				
Salaries and Employee Benefits	9,675	8,589	19,108	17,404
Occupancy and Equipment	1,092	1,075	2,149	2,284
FDIC Insurance Assessment	725	900	1,600	1,565
Data Processing	472	401	884	758
Professional and Consulting Fees	852	829	1,741	1,584
Derivative Collateral Fees	528	404	1,014	784
Information Technology and Telecommunications	812	711	1,608	1,394
Marketing and Advertising	317	321	639	583
Intangible Asset Amortization	8	34	17	82
Other Expense	1,058	1,010	1,968	1,905

Total Noninterest Expense	15,539	14,274	30,728	28,343
INCOME BEFORE INCOME TAXES	10,620	12,963	20,862	28,779
Provision for Income Taxes	2,505	3,147	4,916	7,321
NET INCOME	8,115	9,816	15,946	21,458
Preferred Stock Dividends	(1,014)	(1,014)	(2,027)	(2,027)
NET INCOME AVAILABLE TO COMMON SHAREHOLDERS	$ 7,101	$ 8,802	$ 13,919	$ 19,431
EARNINGS PER SHARE				
Basic	$ 0.26	$ 0.32	$ 0.51	$ 0.70
Diluted	0.26	0.31	0.50	0.69

	Three Months Ended		Nine Months Ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
INTEREST INCOME				
Loans, Including Fees	$ 51,895	$ 48,999	$ 152,861	$ 141,675
Investment Securities	8,725	6,507	24,818	18,962
Other	2,407	1,303	4,895	3,165
Total Interest Income	63,027	56,809	182,574	163,802
INTEREST EXPENSE				
Deposits	34,187	27,225	95,995	66,597
Federal Funds Purchased	2	548	1,159	8,253
Notes Payable	296	296	887	844
FHLB Advances	1,942	2,316	6,325	5,269
Subordinated Debentures	1,001	1,003	2,982	2,979
Total Interest Expense	37,428	31,388	107,348	83,942
NET INTEREST INCOME	25,599	25,421	75,226	79,860
Provision for (Recovery of) Credit Losses	—	(600)	1,350	75
NET INTEREST INCOME AFTER PROVISION FOR (RECOVERY OF) CREDIT LOSSES	25,599	26,021	73,876	79,785
NONINTEREST INCOME				
Customer Service Fees	373	379	1,081	1,096
Net Gain (Loss) on Sales of Available for Sale Securities	(28)	—	385	(6)
Letter of Credit Fees	424	315	1,127	1,328
Debit Card Interchange Fees	152	150	448	443
Bank-Owned Life Insurance	352	252	965	724
FHLB Prepayment Income	—	493	—	792
Other Income	249	137	829	707
Total Noninterest Income	1,522	1,726	4,835	5,084
NONINTEREST EXPENSE				
Salaries and Employee Benefits	9,851	9,519	28,959	26,923
Occupancy and Equipment	1,069	1,101	3,218	3,385
FDIC Insurance Assessment	750	1,075	2,350	2,640
Data Processing	368	392	1,252	1,150
Professional and Consulting Fees	1,149	715	2,890	2,299
Derivative Collateral Fees	381	543	1,395	1,327
Information Technology and Telecommunications	840	683	2,448	2,077
Marketing and Advertising	367	222	1,006	805

Intangible Asset Amortization	9	9	26	91
Other Expense	976	978	2,944	2,883
Total Noninterest Expense	15,760	15,237	46,488	43,580
INCOME BEFORE INCOME TAXES	11,361	12,510	32,223	41,289
Provision for Income Taxes	2,686	2,881	7,602	10,202
NET INCOME	8,675	9,629	24,621	31,087
Preferred Stock Dividends	(1,013)	(1,013)	(3,040)	(3,040)
NET INCOME AVAILABLE TO COMMON SHAREHOLDERS	$ 7,662	$ 8,616	$ 21,581	$ 28,047
EARNINGS PER SHARE				
Basic	$ 0.28	$ 0.31	$ 0.79	$ 1.01
Diluted	0.27	0.30	0.77	0.99

See accompanying notes to consolidated financial statements.

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Bridgewater Bancshares, Inc. and Subsidiaries

Consolidated Statements of Comprehensive Income

(dollars in thousands)

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,		Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023	2024	2023	2024	2023
Net Income	$ 8,115	$ 9,816	$ 15,946	$ 21,458	$ 8,675	$ 9,629	$24,621	$ 31,087
Other Comprehensive Income (Loss):								
Unrealized Gains (Losses) on Available for Sale Securities	1,168	(9,430)	1,403	(4,187)	14,738	(10,151)	16,141	(14,338)
Unrealized Gains on Cash Flow Hedges	2,036	6,573	7,748	2,404				
Unrealized Gains (Losses) on Cash Flow Hedges					(6,761)	7,763	987	10,167
Reclassification Adjustment for Gains Realized in Income	(2,649)	(1,370)	(5,045)	(2,381)	(2,498)	(1,623)	(7,543)	(4,004)
Income Tax Impact	(159)	1,215	(1,180)	1,198	(1,575)	1,153	(2,755)	2,351
Total Other Comprehensive Income (Loss), Net of Tax	396	(3,012)	2,926	(2,966)	3,904	(2,858)	6,830	(5,824)
Comprehensive Income	$ 8,511	$ 6,804	$ 18,872	$ 18,492	$12,579	$ 6,771	$31,451	$ 25,263

See accompanying notes to consolidated financial statements.

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Bridgewater Bancshares, Inc. and Subsidiaries

Consolidated Statements of Shareholders' Equity

Three and Six Nine Months Ended June 30, 2024 September 30, 2024 and 2023

(dollars in thousands, except share data)

(Unaudited)

Three Months Ended	Preferred Stock	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total	Preferred Stock	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Tota
BALANCE March 31, 2023	$ 66,514	27,845,244	$ 278	$ 97,716	$255,394	$ (17,896)	$402,006							
BALANCE June 30, 2023								$ 66,514	27,973,995	$ 280	$ 99,044	$264,196	$ (20,908)	$409,1
Stock-based Compensation	—	12,264	—	972	—	—	972	—	12,588	—	997	—	—	9
Comprehensive Income (Loss)	—	—	—	—	9,816	(3,012)	6,804	—	—	—	—	9,629	(2,858)	6,7
Stock Options Exercised	—	117,000	2	364	—	—	366	—	27,000	—	90	—	—	
Forfeiture of Restricted Stock Awards	—	(250)	—	—	—	—	—							
Vested Restricted Stock Units	—	600	—	—	—	—	—	—	3,000	—	—	—	—	
Restricted Shares Withheld for Taxes	—	(863)	—	(8)	—	—	(8)	—	(1,078)	—	(11)	—	—	
Preferred Stock Dividend	—	—	—	—	(1,014)	—	(1,014)	—	—	—	—	(1,013)	—	(1,0
BALANCE June 30, 2023	$ 66,514	27,973,995	$ 280	$ 99,044	$264,196	$ (20,908)	$409,126							
BALANCE September 30, 2023								$ 66,514	28,015,505	$ 280	$ 100,120	$272,812	$ (23,766)	$415,9
BALANCE March 31, 2024	$ 66,514	27,589,827	$ 276	$ 95,069	$287,468	$ (15,716)	$433,611							
BALANCE June 30, 2024								$ 66,514	27,348,049	$ 273	$ 93,205	$294,569	$ (15,320)	$439,2
Stock-based Compensation	—	10,884	—	1,040	—	—	1,040	—	8,496	—	923	—	—	9
Comprehensive Income	—	—	—	—	8,115	396	8,511	—	—	—	—	8,675	3,904	12,5

	Preferred Stock	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total	Preferred Stock	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Stock Options Exercised	—	500	—	3	—	—	3	—	69,856	1	517	—	—	5
Stock Repurchases	—	(252,707)	(3)	(2,898)	—	—	(2,901)							
Vested Restricted Stock Units	—	300	—	—	—	—	—	—	3,000	—	—	—	—	
Restricted Shares Withheld for Taxes	—	(755)	—	(9)	—	—	(9)	—	(3,711)	—	(48)	—	—	
Preferred Stock Dividend	—	—	—	—	(1,014)	—	(1,014)	—	—	—	—	(1,013)	—	(1,(
BALANCE June 30, 2024	$ 66,514	27,348,049	$ 273	$ 93,205	$294,569	$ (15,320)	$439,241							
BALANCE September 30, 2024								$ 66,514	27,425,690	$ 274	$ 94,597	$302,231	$ (11,416)	$452,2

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	Preferred	Common Stock		Additional Paid-In	Retained	Accumulated Other Comprehensive		Preferred	Common Stock		Additional Paid-In	Retained	Accumulated Other Comprehensive	
Six Months Ended	**Stock**	**Shares**	**Amount**	**Capital**	**Earnings**	**Income (Loss)**	**Total**							
Nine Months Ended								**Stock**	**Shares**	**Amount**	**Capital**	**Earnings**	**Income (Loss)**	
BALANCE December 31, 2022	$ 66,514	27,751,950	$ 278	$ 96,529	$248,685	$ (17,942)	$394,064	$ 66,514	27,751,950	$ 278	$ 96,529	$248,685	$ (17,942)	$3
Cumulative Effect of Change in Accounting Principle, Net of Tax	—	—	—	—	(3,920)	—	(3,920)	—	—	—	—	(3,920)	—	
Balance as of January 1, 2023, as Adjusted for Change in Accounting Principle	66,514	27,751,950	278	96,529	244,765	(17,942)	390,144	66,514	27,751,950	278	96,529	244,765	(17,942)	3

Stock-based Compensation	—	22,872	—	1,913	—	—	1,913	—	35,460	—	2,910	—	—	
Comprehensive Income (Loss)	—	—	—	—	21,458	(2,966)	18,492	—	—	—	—	31,087	(5,824)	
Stock Options Exercised	—	199,000	2	625	—	—	627	—	226,000	2	715	—	—	
Forfeiture of Restricted Stock Awards	—	(250)	—	—	—	—	—	—	(250)	—	—	—	—	
Vested Restricted Stock Units	—	2,225	—	—	—	—	—	—	5,225	—	—	—	—	
Restricted Shares Withheld for Taxes	—	(1,802)	—	(23)	—	—	(23)	—	(2,880)	—	(34)	—	—	
Preferred Stock Dividend	—	—	—	—	(2,027)	—	(2,027)	—	—	—	—	(3,040)	—	
BALANCE June 30, 2023	$ 66,514	27,973,995	$ 280	$ 99,044	$264,196	$ (20,908)	$409,126							
BALANCE September 30, 2023								$ 66,514	28,015,505	$ 280	$ 100,120	$272,812	$ (23,766)	$4
BALANCE December 31, 2023	$ 66,514	27,748,965	$ 277	$ 96,320	$280,650	$ (18,246)	$425,515	$ 66,514	27,748,965	$ 277	$ 96,320	$280,650	$ (18,246)	$4
Stock-based Compensation	—	21,336	—	2,071	—	—	2,071	—	29,832	—	2,994	—	—	
Comprehensive Income	—	—	—	—	15,946	2,926	18,872	—	—	—	—	24,621	6,830	
Stock Options Exercised	—	8,500	—	69	—	—	69	—	78,356	1	586	—	—	
Stock Repurchases	—	(446,509)	(4)	(5,173)	—	—	(5,177)	—	(446,509)	(4)	(5,173)	—	—	
Vested Restricted Stock Units	—	22,665	—	—	—	—	—	—	25,665	—	—	—	—	
Restricted Shares Withheld for Taxes	—	(6,908)	—	(82)	—	—	(82)	—	(10,619)	—	(130)	—	—	
Preferred Stock Dividend	—	—	—	—	(2,027)	—	(2,027)	—	—	—	—	(3,040)	—	
BALANCE June 30, 2024	$ 66,514	27,348,049	$ 273	$ 93,205	$294,569	$ (15,320)	$439,241							
BALANCE September 30, 2024								$ 66,514	27,425,690	$ 274	$ 94,597	$302,231	$ (11,416)	$4

See accompanying notes to consolidated financial statements.

Bridgewater Bancshares, Inc. and Subsidiaries

Consolidated Statements of Cash Flows

(dollars in thousands)

(Unaudited)

	Six Months Ended June 30, 2024	Six Months Ended June 30, 2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	$ 15,946	$ 21,458
Adjustments to Reconcile Net Income to Net Cash		
Provided by Operating Activities:		
Net Amortization on Securities Available for Sale	(647)	212
Net (Gain) Loss on Sales of Securities Available for Sale	(413)	6
Provision for Credit Losses on Loans	1,450	2,050
Credit for Off-Balance Sheet Exposures	(100)	(1,375)
Depreciation of Premises and Equipment	1,178	1,283
Amortization of Other Intangible Assets	17	82
Amortization of Right-of Use Asset	117	251
Amortization of Subordinated Debt Issuance Costs	191	191
Stock-based Compensation	2,071	1,913
Changes in Operating Assets and Liabilities:		
Accrued Interest Receivable and Other Assets	1,548	(6,547)
Accrued Interest Payable and Other Liabilities	(3,573)	3,192
Net Cash Provided by Operating Activities	17,785	22,716
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in Bank-Owned Certificates of Deposit	—	(44)
Proceeds from Sales of Securities Available for Sale	50,833	26,976
Proceeds from Maturities, Paydowns, Payups and Calls of Securities Available for Sale	22,612	14,118
Purchases of Securities Available for Sale	(68,348)	(35,099)
Net Increase in Loans	(76,457)	(167,076)
Net Decrease (Increase) in FHLB Stock	1,253	(1,951)
Purchases of Premises and Equipment	(194)	(2,548)
Net Cash Used in Investing Activities	(70,301)	(165,624)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net Increase in Deposits	97,764	161,389
Net Decrease in Federal Funds Purchased	—	(92,000)
Proceeds from FHLB Advances	421,000	318,500
Principal Payments on FHLB Advances	(453,500)	(153,500)
Preferred Stock Dividends Paid	(2,027)	(2,027)
Stock Options Exercised	69	627
Stock Repurchases	(5,177)	—
Shares Repurchased for Tax Withholdings Upon Vesting of Restricted Stock-Based Awards	(82)	(23)
Net Cash Provided by Financing Activities	58,047	232,966

NET CHANGE IN CASH AND CASH EQUIVALENTS	5,531	90,058
Cash and Cash Equivalents Beginning	128,562	87,043
Cash and Cash Equivalents Ending	$ 134,093	$ 177,101
SUPPLEMENTAL CASH FLOW DISCLOSURE		
Cash Paid for Interest	$ 71,012	$ 28,795
Cash Paid for Income Taxes	2,628	5,091

	Nine Months Ended September 30,	
	2024	**2023**
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	$ 24,621	$ 31,087
Adjustments to Reconcile Net Income to Net Cash		
Provided by Operating Activities:		
Net Amortization on Securities Available for Sale	(1,064)	196
Net (Gain) Loss on Sales of Securities Available for Sale	(385)	6
Provision for Credit Losses on Loans	1,450	2,050
Credit for Credit Losses on Off-Balance Sheet Exposures	(100)	(1,975)
Depreciation of Premises and Equipment	1,767	1,901
Amortization of Other Intangible Assets	26	91
Amortization of Right-of Use Asset	117	396
Amortization of Subordinated Debt Issuance Costs	286	287
Stock-based Compensation	2,994	2,910
Changes in Operating Assets and Liabilities:		
Accrued Interest Receivable and Other Assets	(2,530)	(8,923)
Accrued Interest Payable and Other Liabilities	(15,383)	10,457
Net Cash Provided by Operating Activities	11,799	38,483
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in Bank-Owned Certificates of Deposit	—	(44)
Proceeds from Sales of Securities Available for Sale	101,612	26,976
Proceeds from Maturities, Paydowns, Payups and Calls of Securities Available for Sale	45,219	23,812
Purchases of Securities Available for Sale	(189,344)	(63,777)
Net Decrease (Increase) in Loans	36,464	(155,123)
Net Decrease (Increase) in FHLB Stock	(1,529)	2,550
Purchases of Premises and Equipment	(658)	(2,787)
Proceeds from Sales of Foreclosed Assets	—	116
Net Cash Used in Investing Activities	(8,236)	(168,277)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net Increase in Deposits	37,494	258,966
Net Decrease in Federal Funds Purchased	—	(287,000)
Proceeds from FHLB Advances	699,000	486,500
Principal Payments on FHLB Advances	(669,000)	(289,000)
Preferred Stock Dividends Paid	(3,040)	(3,040)
Stock Options Exercised	587	717
Stock Repurchases	(5,177)	—
Shares Repurchased for Tax Withholdings Upon Vesting of Restricted Stock-Based Awards	(94)	(34)
Shares Repurchased for Tax Withholdings Upon Exercise Stock Options	(36)	—
Net Cash Provided by Financing Activities	59,734	167,109
NET CHANGE IN CASH AND CASH EQUIVALENTS	63,297	37,315
Cash and Cash Equivalents Beginning	128,562	87,043

Cash and Cash Equivalents Ending	$ 191,859	$ 124,358
SUPPLEMENTAL CASH FLOW DISCLOSURE		
Cash Paid for Interest	$ 108,886	$ 82,670
Cash Paid for Income Taxes	5,485	8,931
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Net Investment Securities Sold but Not Settled	—	6,007
Loans Transferred to Foreclosed Assets	434	—

See accompanying notes to consolidated financial statements.

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Bridgewater Bancshares, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

(Unaudited)

Note 1: Description of the Business and Summary of Significant Accounting Policies

Organization

Bridgewater Bancshares, Inc. (the "Company") is a financial holding company whose operations consist of the ownership of its wholly-owned subsidiary, Bridgewater Bank (the "Bank"). The Bank commenced operations in 2005 and provides retail and commercial loan and deposit services, principally to customers within the Minneapolis-St. Paul-Bloomington, MN-WI Metropolitan Statistical Area. In 2008, the Bank formed BWB Holdings, LLC, a wholly-owned subsidiary of the Bank, for the purpose of holding repossessed property. In 2018, the Bank formed Bridgewater Investment Management, Inc., a wholly-owned subsidiary of the Bank, for the purpose of holding certain municipal securities and to engage in municipal lending activities.

Recent Developments

On August 28, 2024, the Company and First Minnetonka Bancorporation, Inc. ("FMB") jointly announced the signing of a definitive merger agreement under which Bridgewater Bank will, subject to the completion of remaining closing conditions, acquire First Minnetonka City Bank, the wholly-owned banking subsidiary of FMB, in an all-cash transaction. First Minnetonka City Bank operates two full-service branches and had approximately $241 million in assets, $129 million in loans, and $215 million in deposits as of September 30, 2024.

Basis of Presentation

The accompanying unaudited consolidated financial statements were prepared in accordance with instructions for Form 10-Q and, therefore, do not include all disclosures necessary for a complete presentation of the consolidated balance sheets, consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of shareholders' equity and consolidated statements of cash flows in conformity with U.S. generally accepted accounting principles ("GAAP"). However, all normal recurring adjustments which are, in the opinion of management, necessary for the fair presentation of the interim financial statements have been included. The results of operations for the three and six-month periods nine months ended June 30, 2024 September 30, 2024 are not necessarily indicative of the results which may be expected for the entire year. For further information, refer to the consolidated financial statements and footnotes included in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission ("SEC") on March 7, 2024.

Principles of Consolidation

These consolidated financial statements include the amounts of the Company, the Bank, with locations in Bloomington, Greenwood, Minneapolis (2), St. Louis Park, Orono, and St. Paul, Minnesota, BWB Holdings, LLC, and Bridgewater Investment Management, Inc. All significant intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates in Preparation of Financial Statements

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Information available which could affect judgements includes, but is not limited to, changes in interest rates, changes in the performance of the economy, including elevated levels of inflation and possible recession, and changes in the financial condition of borrowers.

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Material estimates that are particularly susceptible to significant change in the near term include the determination of the allowance for credit losses, or ACL, calculation of deferred tax assets, fair value of financial instruments, and investment securities impairment.

9**Derivative Financial Instruments**

Table The Company enters into fair value hedge relationships to mitigate the effect of Contents changing interest rates on the fair value of fixed rate available for sale securities. The gain or loss on a given derivative instrument, as well as the offsetting loss or gain on the hedged asset or liability attributable to the hedged risk, are recognized in current earnings. The gain or loss on the derivative instrument is presented on the same income statement line item as the earnings effect of the corresponding hedged item. The Company prepares written hedge documentation for all derivatives which are designed as hedges. The written hedge documentation includes identification of, among other items, the risk management objective, hedging instrument, hedged item and methodologies for assessing and measuring hedge effectiveness and ineffectiveness, along with support for management's assertion that the hedge will be highly effective. For derivatives designated as fair value hedges, the Company assesses hedge effectiveness on qualifying instruments using the shortcut method, whereby the hedges are considered perfectly effective at the onset of the hedge and over the life of the hedging relationship.

Impact of Recently Issued Accounting Guidance

In March 2024, the Financial Accounting Standards Board, or FASB, issued Accounting Standards Update, or ASU, No. 2024-02, *Codification Improvements: Amendments to Remove References to the Concepts Statements.* The ASU amends the Codification to remove references to various concepts and impacts a variety of topics in the Codification. The amendments apply to all reporting entities within the scope of the affected accounting guidance, but in most instances the references removed are extraneous and not required to understand or apply the guidance. Generally, the amendments in ASU 2024-02 are not intended to result in significant accounting changes for most entities. ASU 2024-02 is effective January 1, 2025 and is not expected to have a material impact on the Company’s consolidated financial statements.

Subsequent Events

Subsequent events have been evaluated through August 1, 2024 October 31, 2024, which is the date the consolidated financial statements were available to be issued.

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Note 2: Earnings Per Share

Basic earnings per common share are computed by dividing net income available to common shareholders by the weighted average number of common shares outstanding for the period. Diluted earnings per common share are computed by dividing net income available to common shareholders by the weighted average number of common shares, adjusted for the dilutive effect of stock compensation. For the three and six nine months ended June 30, 2024 September 30, 2024, stock options and restricted stock units totaling 1,234,583 774,770 and 1,151,825 1,137,208 shares, respectively, were excluded from the calculation because they were deemed to be anti-dilutive. For the three and six nine months ended June 30, 2023 September 30, 2023, stock options, restricted stock awards and restricted stock units totaling 1,034,634 1,152,060 and 896,321 1,042,502 shares, respectively, were excluded from the calculation because they were deemed to be antidilutive.

The following table presents the numerators and denominators for basic and diluted earnings per share computations for the three and six nine months ended June 30, 2024 September 30, 2024 and 2023:

(dollars in thousands, except per share data)	Three Months Ended June 30, 2024	Three Months Ended June 30, 2023	Six Months Ended June 30, 2024	Six Months Ended June 30, 2023	Three Months Ended September 30, 2024	Three Months Ended September 30, 2023	Nine Months Ended September 30, 2024	Nine Months Ended September 30, 2023
Net Income Available to Common Shareholders	$ 7,101	$ 8,802	$ 13,919	$ 19,431	$ 7,662	$ 8,616	$ 21,581	$ 28,047
Weighted Average Common Stock Outstanding:								
Weighted Average Common Stock Outstanding (Basic)	27,386,713	27,886,425	27,539,057	27,807,100	27,382,798	27,943,409	27,486,590	27,853,036
Dilutive Effect of Stock Compensation	361,471	312,314	382,544	543,605	522,112	368,369	433,194	486,816
Weighted Average Common Stock Outstanding (Dilutive)	27,748,184	28,198,739	27,921,601	28,350,705	27,904,910	28,311,778	27,919,784	28,339,852
Basic Earnings per Common Share	$ 0.26	$ 0.32	$ 0.51	$ 0.70	$ 0.28	$ 0.31	$ 0.79	$ 1.01
Diluted Earnings per Common Share	0.26	0.31	0.50	0.69	0.27	0.30	0.77	0.99

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Note 3: Securities

The following tables present the amortized cost and estimated fair value of securities with gross unrealized gains and losses at June 30, 2024 September 30, 2024 and December 31, 2023:

(dollars in thousands)	June 30, 2024 Amortized Cost	June 30, 2024 Gross Unrealized Gains	June 30, 2024 Gross Unrealized Losses	June 30, 2024 Fair Value	September 30, 2024 Amortized Cost	September 30, 2024 Gross Unrealized Gains	September 30, 2024 Gross Unrealized Losses	September 30, 2024 Fair Value
Securities Available for Sale:								
U.S. Treasury Securities					$105,998	$ —	$ (123)	$105,875
Municipal Bonds	$152,030	$ 36	$(19,515)	$132,551	125,423	74	(13,610)	111,887
Mortgage-Backed Securities	219,912	922	(16,933)	203,901	218,550	4,287	(12,366)	210,471
Corporate Securities	149,103	486	(9,292)	140,297	144,539	822	(7,254)	138,107
SBA Securities	15,708	267	(67)	15,908	14,105	217	(56)	14,266
Asset-Backed Securities	107,826	659	(85)	108,400	83,964	193	(48)	84,109
Total Securities Available for Sale	$644,579	$ 2,370	$(45,892)	$601,057	$692,579	$ 5,593	$(33,457)	$664,715

(dollars in thousands)	December 31, 2023 Amortized Cost	December 31, 2023 Gross Unrealized Gains	December 31, 2023 Gross Unrealized Losses	December 31, 2023 Fair Value
Securities Available for Sale:				
Municipal Bonds	$151,512	$ 47	$(19,035)	$132,524
Mortgage-Backed Securities	249,455	2,261	(16,401)	235,315
Corporate Securities	142,098	386	(11,879)	130,605
SBA Securities	18,497	279	(102)	18,674
Asset-Backed Securities	87,054	357	(425)	86,986
Total Securities Available for Sale	$648,616	$ 3,330	$(47,842)	$604,104

Securities with a carrying value of $169.1 million and $170.7 million were pledged to secure borrowing capacity at the Federal Reserve Discount Window as of June 30, 2024 and December 31, 2023, respectively.

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Securities with a carrying value of $150.4 million and $170.7 million were pledged to secure borrowing capacity at the Federal Reserve Discount Window as of September 30, 2024 and December 31, 2023, respectively.

The following tables present the fair value and gross unrealized losses of securities with unrealized losses, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position at June 30, 2024 September 30, 2024 and December 31, 2023:

(dollars in thousands, except number of holdings)	Number of Holdings	Less Than 12 Months Fair Value	Less Than 12 Months Unrealized Losses	12 Months or Greater Fair Value	12 Months or Greater Unrealized Losses	Total Fair Value	Total Unrealized Losses	Number of Holdings	Less Than 12 Months Fair Value	Less Than 12 Months Unrealized Losses	12 Months or Greater Fair Value	12 Months or Greater Unrealized Losses	Total Fair Value	Total Un[...] L[...]
June 30, 2024														
September 30, 2024								**September 30, 2024**						
U.S. Treasury Securities								1	$105,875	$ (123)	$ —	$ —	$105,875	$
Municipal Bonds	214	$ 8,030	$ (50)	$121,333	$(19,465)	$129,363	$(19,515)	169	—	—	101,085	(13,610)	101,085	(1
Mortgage-Backed Securities	123	28,646	(292)	121,135	(16,641)	149,781	(16,933)	113	12,988	(37)	120,465	(12,329)	133,453	(1
Corporate Securities	112	17,224	(236)	105,083	(9,056)	122,307	(9,292)	103	8,018	(114)	101,053	(7,140)	109,071	(
SBA Securities	38	715	(2)	5,835	(65)	6,550	(67)	32	458	(1)	4,428	(55)	4,886	
Asset-Backed Securities	12	19,402	(48)	8,397	(37)	27,799	(85)	9	12,807	(26)	9,419	(22)	22,226	
Total Securities Available for Sale	499	$74,017	$ (628)	$361,783	$(45,264)	$435,800	$(45,892)	427	$140,146	$ (301)	$336,450	$(33,156)	$476,596	$(3

(dollars in thousands, except number of holdings)	Number of Holdings	Less Than 12 Months Fair Value	Less Than 12 Months Unrealized Losses	12 Months or Greater Fair Value	12 Months or Greater Unrealized Losses	Total Fair Value	Total Unrealized Losses
December 31, 2023							
Municipal Bonds	212	$ 4,052	$ (17)	$ 120,527	$ (19,018)	$ 124,579	$ (19,035)
Mortgage-Backed Securities	128	35,719	(310)	135,829	(16,091)	171,548	(16,401)
Corporate Securities	110	14,528	(756)	101,311	(11,123)	115,839	(11,879)
SBA Securities	47	1,731	(3)	7,072	(99)	8,803	(102)
Asset-Backed Securities	24	39,011	(234)	13,805	(191)	52,816	(425)
Total Securities Available for Sale	521	$ 95,041	$ (1,320)	$ 378,544	$ (46,522)	$ 473,585	$ (47,842)

At June 30, 2024 September 30, 2024, 499 427 debt securities had unrealized losses with aggregate depreciation of approximately 9.5% 6.6% from the Company's amortized cost basis. At December 31, 2023, 521 debt securities had unrealized losses with aggregate depreciation of approximately 9.2% from the Company's amortized cost basis. These unrealized losses have not been recognized into income because management does not intend to sell these securities, and it is not more likely than not it will be required to sell the securities before recovery of its amortized cost basis. Furthermore, the unrealized losses are due to changes in interest rates and other market conditions and were not reflective of credit events. To make this determination, consideration is given to such factors as the credit rating of the issuer, level of credit enhancement, changes in credit ratings, market conditions such as current interest rates, any adverse conditions specific to the security, and delinquency status on contractual payments. As of June 30, 2024 September 30, 2024 and December 31, 2023, there was no allowance for credit losses carried on the Company's securities portfolio.

Accrued interest receivable on securities, which is recorded within accrued interest on the balance sheet, totaled $5.3 million $6.3 million and $4.9 million at June 30, 2024 September 30, 2024 and December 31, 2023, respectively, and was excluded from the estimate of credit losses.

The Company has entered into a fair value hedging transaction to mitigate the impact of changing interest rates on the fair value of U.S. treasury securities. See Note 6 – Derivative Instruments and Hedging Activities for disclosure of the gains and losses recognized on derivative instruments and the cumulative fair value hedging adjustments to the carrying amount of the hedged securities.

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The following table presents a summary of the amortized cost and estimated fair value of debt securities by the lesser of expected call date or contractual maturity as of June 30, 2024 September 30, 2024. Call date is used when a call of the debt security is expected, as determined by the Company when the security has a market value above its amortized cost. Contractual maturities will differ from expected maturities for mortgage-backed, SBA securities and asset-backed securities because borrowers may have the right to call or prepay obligations without penalties.

(dollars in thousands)	Amortized Cost	Fair Value	Amortized Cost	Fair Value
June 30, 2024				
September 30, 2024				
Due in One Year or Less	$ 22,870	$ 22,879	$ 31,330	$ 31,668
Due After One Year Through Five Years	54,344	52,845	48,487	46,985
Due After Five Years Through 10 Years	192,318	172,198	166,585	151,981
Due After 10 Years	31,601	24,926	129,558	125,235
Subtotal	301,133	272,848	375,960	355,869
Mortgage-Backed Securities	219,912	203,901	218,550	210,471
SBA Securities	15,708	15,908	14,105	14,266
Asset-Backed Securities	107,826	108,400	83,964	84,109
Totals	$ 644,579	$ 601,057	$ 692,579	$ 664,715

The following table presents a summary of the proceeds from sales of securities available for sale, as well as gross gains and losses, for the three and six nine months ended June 30, 2024 September 30, 2024 and June 30, 2023: 2023:

	Three Months Ended June 30,		Six Months Ended June 30,		Three Months Ended September 30,		Nine Months Ended September 30,	
(dollars in thousands)	2024	2023	2024	2023	2024	2023	2024	2023
Proceeds From Sales of Securities	$ 38,049	$ 7,017	$ 50,833	$ 26,976	$ 50,779	$ —	$ 101,612	$ 26,976
Gross Gains on Sales	320	50	1,106	247	488	—	1,594	247
Gross Losses on Sales	—	—	(693)	(253)	(516)	—	(1,209)	(253)

Note 4: Loans and Allowance for Credit Losses

The following table presents the components of the loan portfolio at June 30, 2024 September 30, 2024 and December 31, 2023:

(dollars in thousands)	June 30, 2024	December 31, 2023	September 30, 2024	December 31, 2023
Commercial	$ 518,762	$ 464,061	$ 493,403	$ 464,061
Construction and Land Development	134,096	232,804	118,596	232,804
1-4 Family Construction	60,551	65,087	45,822	65,087
Real Estate Mortgage:				
1-4 Family Mortgage	416,944	402,396	421,179	402,396
Multifamily	1,404,835	1,388,541	1,379,814	1,388,541
CRE Owner Occupied	185,988	175,783	182,239	175,783
CRE Nonowner Occupied	1,070,050	987,306	1,032,142	987,306
Total Real Estate Mortgage Loans	3,077,817	2,954,026	3,015,374	2,954,026
Consumer and Other	9,159	8,304	12,395	8,304

Total Loans, Gross	3,800,385	3,724,282	3,685,590	3,724,282
Allowance for Credit Losses	(51,949)	(50,494)	(51,018)	(50,494)
Net Deferred Loan Fees	(6,214)	(6,573)	(5,705)	(6,573)
Total Loans, Net	$ 3,742,222	$ 3,667,215	$ 3,628,867	$ 3,667,215

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The following tables present the aging in past due loans and loans on nonaccrual status, with and without an allowance for credit losses, or ACL by loan segment as of June 30, 2024 September 30, 2024 and December 31, 2023:

	Accruing Interest						Accruing Interest					
		30-89 Days	90 Days or	Nonaccrual	Nonaccrual			30-89 Days	90 Days or	Nonaccrual	Nonaccrual	
(dollars in thousands)	Current	Past Due	More Past Due	with ACL	without ACL	Total	Current	Past Due	More Past Due	with ACL	without ACL	
June 30, 2024												
September 30, 2024												
Commercial	$ 518,085	$ 502	$ —	$ 80	$ 95	$ 518,762	$ 493,338	$ 65	$ —	$ —	$ —	$
Construction and Land Development	134,028	—	—	—	68	134,096	118,532	—	—	—	64	
1-4 Family Construction	60,551	—	—	—	—	60,551	45,822	—	—	—	—	
Real Estate Mortgage:												
1-4 Family Mortgage	416,944	—	—	—	—	416,944	421,179	—	—	—	—	
Multifamily	1,404,835	—	—	—	—	1,404,835	1,379,814	—	—	—	—	1
CRE Owner Occupied	185,988	—	—	—	—	185,988	182,239	—	—	—	—	
CRE Nonowner Occupied	1,069,615	—	—	—	435	1,070,050	1,023,828	—	—	—	8,314	1
Consumer and Other	9,159	—	—	—	—	9,159	12,395	—	—	—	—	
Totals	$3,799,205	$ 502	$ —	$ 80	$ 598	$3,800,385	$3,677,147	$ 65	$ —	$ —	$ 8,378	$3

	Accruing Interest					
		30-89 Days	90 Days or	Nonaccrual	Nonaccrual	
(dollars in thousands)	Current	Past Due	More Past Due	with ACL	without ACL	Total
December 31, 2023						
Commercial	$ 463,966	$ —	$ —	$ —	$ 95	$ 464,061
Construction and Land Development	232,724	—	—	—	80	232,804
1-4 Family Construction	64,838	—	—	—	249	65,087
Real Estate Mortgage:						
1-4 Family Mortgage	402,396	—	—	—	—	402,396
Multifamily	1,373,431	15,110	—	—	—	1,388,541

CRE Owner Occupied	175,289	—	—	—	494	175,783
CRE Nonowner Occupied	987,306	—	—	—	—	987,306
Consumer and Other	8,303	—	—	—	1	8,304
Totals	$ 3,708,253	$ 15,110	$ —	$ —	$ 919	$ 3,724,282

The Company aggregates loans into credit quality indicators based on relevant information about the ability of borrowers to service their debt by using internal reviews in which management monitors and analyzes the financial condition of borrowers and guarantors, trends in the industries in which the borrowers operate, and the fair values of collateral securing the loans. The Company analyzes all loans individually to assign a risk rating, grouped into five major categories defined as follows:

Pass: A pass loan is a credit with no known or existing potential weaknesses deserving of management's close attention.

Watch: Loans classified as watch have a potential weakness that deserves management's close attention. If left uncorrected, this potential weakness may result in deterioration of the repayment prospects for the loan or of the Company's credit position at some future date. Watch loans are not adversely classified and do not expose the Company to sufficient risk to warrant adverse classification.

Substandard: Loans classified as substandard are not adequately protected by the current net worth and paying capacity of the borrower or of the collateral pledged, if any. Loans classified as substandard have a well-defined weakness or weaknesses that jeopardize the repayment of the debt. Well defined weaknesses include a borrower's lack of marketability, inadequate cash flow or collateral support, failure to complete construction on time, or the failure to fulfill economic expectations. They are characterized by the distinct possibility that the Company will sustain loss if the deficiencies are not corrected.

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Doubtful: Loans classified as doubtful have all the weaknesses inherent in those classified as substandard, with the added characteristic that the weaknesses make collection or repayment in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable.

Loss: Loans classified as loss are considered uncollectible and charged-off immediately.

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The following tables present loan balances classified by credit quality indicators by year of origination as of June 30, 2024 September 30, 2024 and December 31, 2023:

	June 30, 2024								September 30, 2024							
(dollars in thousands)	**2024**	**2023**	**2022**	**2021**	**2020**	**Prior**	**Revolving**	**Total**	**2024**	**2023**	**2022**	**2021**	**2020**	**Prior**	**Revolving**	**Total**
Commercial																
Pass	$ 71,471	$ 72,979	$ 99,891	$ 30,248	$ 16,417	$ 21,113	$ 191,250	$ 503,369	$ 89,609	$ 66,265	$ 81,681	$ 27,568	$ 14,641	$ 20,026	$ 178,919	$ 478,709
Watch	—	—	—	—	—	—	495	495	—	—	—	—	—	—	495	495
Substandard	—	44	11,043	—	—	—	3,811	14,898	—	44	10,458	—	—	—	3,697	14,199

Total Commercial	71,471	73,023	110,934	30,248	16,417	21,113	195,556	518,762	89,609	66,309	92,139	27,568	14,641	20,026	183,111	493,403
Current Period Gross Write-offs	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Construction and Land Development																
Pass	35,645	60,671	29,629	1,033	35	—	7,015	134,028	44,342	59,852	5,640	610	28	—	8,060	118,532
Substandard	—	—	68	—	—	—	—	68	—	—	64	—	—	—	—	64
Total Construction and Land Development	35,645	60,671	29,697	1,033	35	—	7,015	134,096	44,342	59,852	5,704	610	28	—	8,060	118,596
Current Period Gross Write-offs	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
1-4 Family Construction																
Pass	12,143	22,251	16,841	996	—	—	8,320	60,551	27,554	3,144	4,574	760	—	—	9,790	45,822
Total 1-4 Family Construction	12,143	22,251	16,841	996	—	—	8,320	60,551	27,554	3,144	4,574	760	—	—	9,790	45,822
Current Period Gross Write-offs	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Real Estate Mortgage: 1-4 Family Mortgage																
Pass	50,291	58,791	99,314	77,375	51,170	17,610	61,741	416,292	69,363	54,020	98,356	74,281	49,254	11,785	62,646	419,705
Watch									—	197	—	302	327	—	—	826
Substandard	—	—	—	—	—	652	—	652	—	—	—	—	—	648	—	648
Total 1-4 Family Mortgage	50,291	58,791	99,314	77,375	51,170	18,262	61,741	416,944	69,363	54,217	98,356	74,583	49,581	12,433	62,646	421,179
Current Period Gross Write-offs	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Multifamily																
Pass	151,144	126,929	472,435	378,688	185,414	71,391	5,882	1,391,883	169,306	105,433	498,422	365,638	162,839	59,454	5,844	1,366,936
Watch	—	12,952	—	—	—	—	—	12,952	—	12,878	—	—	—	—	—	12,878
Total Multifamily	151,144	139,881	472,435	378,688	185,414	71,391	5,882	1,404,835	169,306	118,311	498,422	365,638	162,839	59,454	5,844	1,379,814

Current Period Gross Write-offs	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
CRE Owner Occupied																
Pass	18,723	30,610	63,173	37,304	20,013	11,124	2,325	183,272	17,714	30,824	63,452	35,215	19,759	10,322	2,251	179,537
Watch	—	—	—	1,730	—	—	—	1,730	—	—	—	1,725	—	—	—	1,725
Substandard	—	986	—	—	—	—	—	986	—	977	—	—	—	—	—	977
Total CRE Owner Occupied	18,723	31,596	63,173	39,034	20,013	11,124	2,325	185,988	17,714	31,801	63,452	36,940	19,759	10,322	2,251	182,239
Current Period Gross Write-offs		—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
CRE Nonowner Occupied																
Pass	119,222	155,900	319,534	224,335	74,271	140,127	4,098	1,037,487	178,443	137,938	315,481	189,778	73,685	100,341	4,660	1,000,326
Watch	8,828	3,698	—	2,733	—	—	—	15,259	9,677	3,679	—	2,711	—	—	—	16,067
Substandard	9,380	5,558	1,932	434	—	—	—	17,304	10,231	5,518	—	—	—	—	—	15,749
Total CRE Nonowner Occupied	137,430	165,156	321,466	227,502	74,271	140,127	4,098	1,070,050	198,351	147,135	315,481	192,489	73,685	100,341	4,660	1,032,142
Current Period Gross Write-offs	—	—	—	—	—	—	—	—	935	—	—	—	—	—	—	935
Total Real Estate Mortgage Loans	357,588	395,424	956,388	722,599	330,868	240,904	74,046	3,077,817	454,734	351,464	975,711	669,650	305,864	182,550	75,401	3,015,374
Consumer and Other																
Pass	481	2,724	185	4	1,332	—	4,433	9,159	235	2,717	164	1	1,279	—	7,999	12,395
Total Consumer and Other	481	2,724	185	4	1,332	—	4,433	9,159	235	2,717	164	1	1,279	—	7,999	12,395
Current Period Gross Write-offs	11	—	—	—	—	—	1	12	11	2	—	—	—	—	1	14
Total Period Gross Write-offs	11	—	—	—	—	—	1	12	946	2	—	—	—	—	1	949
Total Loans	$477,328	$554,093	$1,114,045	$754,880	$348,652	$262,017	$ 289,370	$3,800,385	$616,474	$483,486	$1,078,292	$698,589	$321,812	$202,576	$ 284,361	$3,685,590

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	December 31, 2023							
(dollars in thousands)	2023	2022	2021	2020	2019	Prior	Revolving	Total
Commercial								
Pass	$ 93,299	$ 121,274	$ 37,056	$ 19,297	$ 18,594	$ 4,507	$ 149,836	$ 443,863
Watch	1,700	318	34	—	—	—	2,003	4,055
Substandard	3	11,299	—	—	—	50	4,791	16,143
Total Commercial	95,002	132,891	37,090	19,297	18,594	4,557	156,630	464,061
Current Period Gross Write-offs	72	96	12	—	—	—	—	180
Construction and Land Development								
Pass	87,402	99,133	34,122	46	—	—	12,021	232,724
Substandard	—	80	—	—	—	—	—	80
Total Construction and Land Development	87,402	99,213	34,122	46	—	—	12,021	232,804
Current Period Gross Write-offs	—	—	—	—	—	—	—	—
1-4 Family Construction								
Pass	35,172	16,156	941	355	—	—	12,214	64,838
Substandard	249	—	—	—	—	—	—	249
Total 1-4 Family Construction	35,421	16,156	941	355	—	—	12,214	65,087
Current Period Gross Write-offs	—	—	—	—	—	—	—	—
Real Estate Mortgage:								
1-4 Family Mortgage								
Pass	74,602	106,085	83,525	52,813	18,789	3,403	62,490	401,707
Substandard	—	—	—	—	—	659	30	689
Total 1-4 Family Mortgage	74,602	106,085	83,525	52,813	18,789	4,062	62,520	402,396
Current Period Gross Write-offs	—	—	—	—	—	—	—	—
Multifamily								
Pass	192,078	456,179	444,162	196,784	41,998	45,847	8,577	1,385,625
Watch	2,916	—	—	—	—	—	—	2,916
Total Multifamily	194,994	456,179	444,162	196,784	41,998	45,847	8,577	1,388,541
Current Period Gross Write-offs	—	—	—	—	—	—	—	—
CRE Owner Occupied								
Pass	36,255	61,724	40,748	20,610	4,903	8,312	1,672	174,224
Substandard	194	—	494	—	—	871	—	1,559
Total CRE Owner Occupied	36,449	61,724	41,242	20,610	4,903	9,183	1,672	175,783
Current Period Gross Write-offs	—	—	—	—	—	—	—	—
CRE Nonowner Occupied								
Pass	164,226	305,749	253,683	77,618	78,288	66,569	4,521	950,654
Watch	16,301	—	3,213	—	—	—	—	19,514
Substandard	15,183	1,955	—	—	—	—	—	17,138

Total CRE Nonowner Occupied	195,710	307,704	256,896	77,618	78,288	66,569	4,521	987,306
Current Period Gross Write-offs	—	—	—	—	—	—	—	—
Total Real Estate Mortgage Loans	501,755	931,692	825,825	347,825	143,978	125,661	77,290	2,954,026
Consumer and Other								
Pass	2,908	256	9	1,460	6	—	3,665	8,304
Total Consumer and Other	2,908	256	9	1,460	6	—	3,665	8,304
Current Period Gross Write-offs	42	—	—	—	—	—	2	44
Total Period Gross Write-offs	114	96	12	—	—	—	2	224
Total Loans	$ 722,488	$ 1,180,208	$ 897,987	$ 368,983	$ 162,578	$ 130,218	$ 261,820	$ 3,724,282

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The following tables present the activity in the ACL, by segment, for the three and six nine months ended June 30, 2024 September 30, 2024 and 2023:

(dollars in thousands)	Commercial	Construction and Land Development	1-4 Family Construction	1--4 Family Mortgage	Multifamily	CRE Owner Occupied	CRE Non-owner Occupied	Consumer and Other	Total	Commercial	Construction and Land Development	1-4 Family Construction	1--4 Family Mortgage	Multifamily	CRE Owner Occupied	CRE Non-owner Occupied	Consumer and Other	
Three Months Ended June 30, 2024																		
Three Months Ended September 30, 2024																		
Allowance for Credit Losses for Loans:																		
Beginning Balance	$ 5,607	$ 1,828	$ 577	$ 2,754	$ 22,230	$ 1,235	$ 17,005	$ 111	$51,347	$ 6,018	$ 1,220	$ 522	$ 2,774	$ 22,480	$ 1,258	$ 17,581	$ 96	$
Provision for Credit Losses for Loans	409	(608)	(55)	18	250	23	576	(13)	600									
Provision for (Recovery of) Credit Losses for Loans										(350)	(141)	(128)	5	(125)	(25)	730	34	

Loans Charged-off	—	—	—	—	—	—	—	(10)	(10)	—	—	—	—	—	—	(935)	(2)	
Recoveries of Loans	2	—	—	2	—	—	—	8	12	5	—	—	—	—	—	—	1	
Total Ending Allowance Balance	$ 6,018	$ 1,220	$ 522	$ 2,774	$ 22,480	$ 1,258	$ 17,581	$ 96	$ 51,949	$ 5,673	$ 1,079	$ 394	$ 2,779	$ 22,355	$ 1,233	$ 17,376	$ 129	$
Six Months Ended June 30, 2024																		
Nine Months Ended September 30, 2024																		
Allowance for Credit Losses for Loans:																		
Beginning Balance	$ 5,398	$ 2,156	$ 558	$ 2,651	$ 22,217	$ 1,184	$ 16,225	$ 105	$ 50,494	$ 5,398	$ 2,156	$ 558	$ 2,651	$ 22,217	$ 1,184	$ 16,225	$ 105	$
Provision for Credit Losses for Loans	615	(936)	(36)	120	263	74	1,356	(6)	1,450									
Provision for (Recovery of) Credit Losses for Loans										265	(1,077)	(164)	125	138	49	2,086	28	
Loans Charged-off	—	—	—	—	—	—	—	(12)	(12)	—	—	—	—	—	—	(935)	(14)	
Recoveries of Loans	5	—	—	3	—	—		9	17	10	—	—	3	—	—		10	
Total Ending Allowance Balance	$ 6,018	$ 1,220	$ 522	$ 2,774	$ 22,480	$ 1,258	$ 17,581	$ 96	$ 51,949	$ 5,673	$ 1,079	$ 394	$ 2,779	$ 22,355	$ 1,233	$ 17,376	$ 129	$

(dollars in thousands)	Commercial	Construction and Land Development	1-4 Family Construction	1--4 Family Mortgage	Multifamily	CRE Owner Occupied	CRE Non-owner Occupied	Consumer and Other	Unallocated	Total	Commercial	Construction and Land Development	1-4 Family Construction	1--4 Family Mortgage	Multifamily	CRE Owner Occupied	CRE Non-owner Occupied	Co
Three Months Ended June 30, 2023																		

Three Months Ended September 30, 2023																		
Allowance for Credit Losses for Loans:																		
Beginning Balance	$ 5,566	$ 3,169	806	$ 2,717	$ 20,989	$ 1,083	$ 15,744	$ 74	$ —	$ 50,148	$ 5,439	$ 3,476	$ 654	$ 2,836	$ 21,164	$ 1,086	$ 15,976	$
Provision for Credit Losses for Loans	(129)	307	(152)	118	175	3	232	(4)	—	550								
Provision for (Recovery of) Credit Losses for Loans											151	(704)	(80)	22	1,052	3	(464)	
Loans Charged-off	—	—	—	—	—	—	—	(3)	—	(3)	(96)	—	—	—	—	—	—	
Recoveries of Loans	2	—	—	1	—	—	—	3	—	6	2	—	—	2	—	—	—	
Total Ending Allowance Balance	$ 5,439	$ 3,476	$ 654	$ 2,836	$ 21,164	$ 1,086	$ 15,976	$ 70	$ —	$ 50,701	$ 5,496	$ 2,772	$ 574	$ 2,860	$ 22,216	$ 1,089	$ 15,512	$
Six Months Ended June 30, 2023																		
Nine Months Ended September 30, 2023																		
Allowance for Credit Losses for Loans:																		
Beginning Balance, Prior to Adoption of CECL	$ 6,501	$ 3,911	845	$ 4,325	$ 17,459	$ 1,965	$ 12,576	$ 151	$ 263	$ 47,996	$ 6,501	$ 3,911	$ 845	$ 4,325	$ 17,459	$ 1,965	$ 12,576	$
Impact of Adopting CECL	(1,158)	(1,070)	(235)	(1,778)	3,318	(943)	2,869	(90)	(263)	650	(1,158)	(1,070)	(235)	(1,778)	3,318	(943)	2,869	
Balance as of January 1, 2023, as Adjusted for Adoption of CECL	5,343	2,841	610	2,547	20,777	1,022	15,445	61	—	48,646	5,343	2,841	610	2,547	20,777	1,022	15,445	

Provision for Credit Losses for Loans	91	635	44	287	387	64	531	11	—	2,050							
Provision for (Recovery of) Credit Losses for Loans											242	(69)	(36)	309	1,439	67	67
Loans Charged-off	—	—	—	—	—	—	—	(7)	—	(7)	(96)	—	—	—	—	—	—
Recoveries of Loans	5	—	—	2	—	—	—	5	—	12	7	—	—	4	—	—	—
Total Ending Allowance Balance	$ 5,439	$ 3,476	$ 654	$ 2,836	$ 21,164	$ 1,086	$ 15,976	$ 70	$ —	$50,701	$ 5,496	$ 2,772	$ 574	$ 2,860	$ 22,216	$ 1,089	$ 15,512	$

The following tables present the balance in the ACL and the recorded investment in loans, by segment, as of June 30, 2024 September 30, 2024 and December 31, 2023:

(dollars in thousands)	Commercial	Construction and Land Development	1-4 Family Construction	1--4 Family Mortgage	Multifamily	CRE Owner Occupied	CRE Non-owner Occupied	Consumer and Other	Total	Commercial	Construction and Land Development	1-4 Family Construction	1--4 Family Mortgage	Multifamily	CRE Owner Occupied	CRE Non-owner Occupied	Consumer and Other
ACL at June 30, 2024																	
ACL at September 30, 2024																	
Individually Evaluated for Impairment	$ 34	$ —	$ —	$ —	$ —	$ —	$ 211	$ —	$ 245	$ 11	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Collectively Evaluated for Impairment	5,984	1,220	522	2,774	22,480	1,258	17,370	96	51,704	5,662	1,079	394	2,779	22,355	1,233	17,376	129
Totals	$ 6,018	$ 1,220	$ 522	$ 2,774	$ 22,480	$ 1,258	$ 17,581	$ 96	$51,949	$ 5,673	$ 1,079	$ 394	$ 2,779	$ 22,355	$ 1,233	$ 17,376	$ 129

(dollars in thousands)	Commercial	Construction and Land Development	1-4 Family Construction	1--4 Family Mortgage	Multifamily	CRE Owner Occupied	CRE Non-owner Occupied	Consumer and Other	Total
ACL at December 31, 2023									
Individually Evaluated for Impairment	$ 8	$ —	$ —	$ —	$ —	$ —	$ 95	$ —	$ 103
Collectively Evaluated for Impairment	5,390	2,156	558	2,651	22,217	1,184	16,130	105	50,391
Totals	$ 5,398	$ 2,156	$ 558	$ 2,651	$ 22,217	$ 1,184	$ 16,225	$ 105	$ 50,494

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(dollars in thousands)	Commercial	Construction and Land Development	1-4 Family Construction	1--4 Family Mortgage	Multifamily	CRE Owner Occupied	CRE Non-owner Occupied	Consumer and Other	Total
Loans at June 30, 2024									
Individually Evaluated for Impairment	$ 14,898	$ 68	$ —	$ 652	$ —	$ 986	$ 17,304	$ —	$ 33,908
Collectively Evaluated for Impairment	503,864	134,028	60,551	416,292	1,404,835	185,002	1,052,746	9,159	3,766,477
Totals	$ 518,762	$ 134,096	$ 60,551	$ 416,944	$ 1,404,835	$ 185,988	$ 1,070,050	$ 9,159	$ 3,800,385
Loans at December 31, 2023									
Individually Evaluated for Impairment	$ 16,143	$ 80	$ 249	$ 689	$ —	$ 1,559	$ 17,138	$ —	$ 35,858
Collectively Evaluated for Impairment	447,918	232,724	64,838	401,707	1,388,541	174,224	970,168	8,304	3,688,424
Totals	$ 464,061	$ 232,804	$ 65,087	$ 402,396	$ 1,388,541	$ 175,783	$ 987,306	$ 8,304	$ 3,724,282

(dollars in thousands)	Commercial	Construction and Land Development	1-4 Family Construction	1--4 Family Mortgage	Multifamily	CRE Owner Occupied	CRE Non-owner Occupied	Consumer and Other	Total
Loans at September 30, 2024									
Individually Evaluated for Impairment	$ 14,199	$ 64	$ —	$ 648	$ —	$ 977	$ 15,749	$ —	$ 31,637
Collectively Evaluated for Impairment	479,204	118,532	45,822	420,531	1,379,814	181,262	1,016,393	12,395	3,653,953
Totals	$ 493,403	$ 118,596	$ 45,822	$ 421,179	$ 1,379,814	$ 182,239	$ 1,032,142	$ 12,395	$ 3,685,590
Loans at December 31, 2023									
Individually Evaluated for Impairment	$ 16,143	$ 80	$ 249	$ 689	$ —	$ 1,559	$ 17,138	$ —	$ 35,858
Collectively Evaluated for Impairment	447,918	232,724	64,838	401,707	1,388,541	174,224	970,168	8,304	3,688,424
Totals	$ 464,061	$ 232,804	$ 65,087	$ 402,396	$ 1,388,541	$ 175,783	$ 987,306	$ 8,304	$ 3,724,282

The following tables present the amortized cost basis of collateral dependent loans by the primary collateral type, which are individually evaluated to determine expected credit losses, and the related ACL allocated to these loans as of June 30, 2024 September 30, 2024 and December 31, 2023:

	Primary Type of Collateral					Primary Type of Collateral				
(dollars in thousands)	Real Estate	Business Assets	Other	Total	ACL Allocation	Real Estate	Business Assets	Other	Total	ACL Allocation
June 30, 2024										
September 30, 2024										
Commercial	$ —	$ 4,540	$ 10,358	$ 14,898	$ 34	$ —	$ 3,841	$10,358	$14,199	$ 11
Construction and Land Development	68	—	—	68	—	64	—	—	64	—
Real Estate Mortgage:										
1-4 Family Mortgage	652	—	—	652	—	648	—	—	648	—
CRE Owner Occupied	986	—	—	986	—	977	—	—	977	—
CRE Nonowner Occupied	17,304	—	—	17,304	211	15,749	—	—	15,749	—
Totals	$ 19,010	$ 4,540	$ 10,358	$ 33,908	$ 245	$ 17,438	$ 3,841	$10,358	$31,637	$ 11

	Primary Type of Collateral				
(dollars in thousands)	Real Estate	Business Assets	Other	Total	ACL Allocation
December 31, 2023					
Commercial	$ —	$ 5,782	$ 10,361	$ 16,143	$ 8
Construction and Land Development	80	—	—	80	—
1-4 Family Construction	249	—	—	249	—
Real Estate Mortgage:					
1-4 Family Mortgage	689	—	—	689	—
CRE Owner Occupied	1,559	—	—	1,559	—

CRE Nonowner Occupied	17,138	—	—	17,138	95
Totals	$ 19,715	$ 5,782	$ 10,361	$ 35,858	$ 103

Accrued interest receivable on loans, which is recorded within accrued interest on the balance sheet, totaled $11.6 million $10.0 million and $11.8 million at June 30, 2024 September 30, 2024 and December 31, 2023, respectively, and was excluded from the estimate of credit losses.

For both the three months ended June 30, 2024 September 30, 2024 and June 30, 2023 September 30, 2023, there were no loans modified to borrowers experiencing financial difficulty. For the six nine months ended June 30, 2024 September 30, 2024, there were no loans modified to borrowers experiencing financial difficulty. For the six nine months ended June 30, 2023 September 30, 2023, the Company modified one commercial real estate, or CRE, nonowner occupied loan, with an outstanding balance of $9.8 million $9.6 million, for a borrower experiencing financial difficulty by granting a 12-month extension at a below market rate. There was no forgiveness of principal and this loan was current with its modified terms as of June 30, 2024 September 30, 2023.

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Note 5: Deposits

The following table presents the composition of deposits at June 30, 2024 September 30, 2024 and December 31, 2023:

(dollars in thousands)	June 30, 2024	December 31, 2023	September 30, 2024	December 31, 2023
Transaction Deposits	$ 1,457,743	$ 1,449,765	$ 1,519,065	$ 1,449,765
Savings and Money Market Deposits	943,994	935,091	980,345	935,091
Time Deposits	373,713	300,651	347,080	300,651
Brokered Deposits	1,032,262	1,024,441	900,952	1,024,441
Totals	$ 3,807,712	$ 3,709,948	$ 3,747,442	$ 3,709,948

Brokered deposits included brokered transaction and money market accounts of $140.2 million $139.5 million and $174.0 million as of June 30, 2024 September 30, 2024 and December 31, 2023, respectively.

The following table presents the scheduled maturities of brokered and customer time deposits at June 30, 2024 September 30, 2024:

(dollars in thousands)	June 30, 2024	September 30, 2024
Less than 1 Year	$ 421,417	$ 335,002
1 to 2 Years	441,536	444,829
2 to 3 Years	161,306	141,353
3 to 4 Years	132,381	106,399
4 to 5 Years	64,466	68,212
Greater than 5 Years	44,706	12,755
Totals	$ 1,265,812	$ 1,108,550

The aggregate amount of time deposits greater than $250,000 was approximately $190.7 million $168.2 million and $138.4 million at June 30, 2024 September 30, 2024 and December 31, 2023, respectively.

Note 6: Derivative Instruments and Hedging Activities

The Company uses derivative financial instruments, which consist of interest rate swaps and interest rate caps, to assist in its interest rate risk management. The notional amount does not represent amounts exchanged by the parties. The amount exchanged is determined by reference to the notional amount and the other terms of the individual agreements. Derivative financial instruments are reported at fair value in other assets or other liabilities. The accounting for changes in the fair value of a derivative depends on whether it has been designated and qualifies as part of a hedging relationship and classification as either a cash flow hedge or fair value hedge for those derivatives which are designated as part of a hedging relationship. For derivatives not designated as hedges, the gain or loss is recognized in current earnings.

Non-hedge Derivatives

The Company enters into interest rate swaps to facilitate client transactions and meet their financing needs. Upon entering into these instruments to meet client needs, the Company enters into offsetting positions with large U.S. financial institutions in order to minimize the risk to the Company. These swaps are derivatives, but are not designated as hedging instruments.

Interest rate swap contracts involve the risk of dealing with counterparties and their ability to meet contractual terms. When the fair value of a derivative instrument contract is positive, this generally indicates that the counterparty or client owes the Company, and results in credit risk to the Company. When the fair value of a derivative instrument contract is negative, the Company owes the client or counterparty and therefore, the Company has no credit risk.

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The following table presents a summary of the Company's interest rate swaps to facilitate customer transactions as of June 30, 2024 September 30, 2024 and December 31, 2023:

	June 30, 2024		December 31, 2023		September 30, 2024		December 31, 2023	
(dollars in thousands)	Notional Amount	Estimated Fair Value	Notional Amount	Estimated Fair Value	Notional Amount	Estimated Fair Value	Notional Amount	Estimated Fair Value
Interest rate swap agreements:								
Assets	$ 62,950	$ 8,049	$ 63,814	$ 6,981	$ 66,189	$ 5,791	$ 63,814	$ 6,981
Liabilities	62,950	(8,049)	63,814	(6,981)	66,189	(5,791)	63,814	(6,981)
Total	$ 125,900	$ —	$ 127,628	$ —	$132,378	$ —	$127,628	$ —

Cash Flow Hedging Derivatives

For derivative instruments that are designated and qualify as a cash flow hedge, the aggregate fair value of the derivative instrument is recorded in other assets or other liabilities with any gain or loss related to changes in fair value recorded in accumulated other comprehensive income, net of tax. The gain or loss is reclassified into earnings in the same period during which the hedged asset or liability affects earnings and is presented in the same income statement line item as the earnings effect of the hedged asset or liability. The Company utilizes cash flow hedges to manage interest rate exposure for the brokered deposit and wholesale borrowing portfolios. During the next 12 months, the Company estimates that $8.0 million $5.1 million will be reclassified to interest expense, as a reduction of the expense.

The following table presents a summary of the Company's interest rate swaps designated as cash flow hedges as of June 30, 2024 September 30, 2024 and December 31, 2023:

(dollars in thousands)	June 30, 2024	December 31, 2023	September 30, 2024	December 31, 2023

Notional Amount	$ 153,000	$ 183,000	$183,000	$183,000
Weighted Average Pay Rate	1.94 %	2.00 %	2.18 %	2.00 %
Weighted Average Receive Rate	5.46 %	5.48 %	5.31 %	5.48 %
Weighted Average Maturity (Years)	4.27	4.04	4.15	4.04
Net Unrealized Gain	$ 6,229	$ 5,271	$ 1,342	$ 5,271

The Company purchases interest rate caps, designated as cash flow hedges, of certain deposit liabilities. The interest rate caps require receipt of variable amounts from the counterparties when interest rates rise above the strike price in the contracts. For the three and six nine months ended June 30, 2024 September 30, 2024, the Company recognized amortization expense on the interest rate caps of $200,000 $204,000 and $395,000, $600,000, respectively, which was recorded as a component of interest expense on brokered deposits and Federal Home Loan Bank, or FHLB, advances. For the three and six nine months ended June 30, 2023 September 30, 2023, the Company recognized amortization expense on the interest rate caps of $198,000 and $395,000, $593,000, respectively, which was recorded as a much component of interest expense on brokered deposits FHLB advances.

The following table presents a summary of the Company's interest rate caps designated as cash flow hedges as of June 30, 2024 September 30, 2024 and December 31, 2023:

(dollars in thousands)	June 30, 2024	December 31, 2023	September 30, 2024	December 31, 2023
Notional Amount	$ 125,000	$ 125,000	$125,000	$125,000
Unamortized Premium Paid	4,686	5,081	4,481	5,081
Weighted Average Strike Rate	0.96 %	0.96 %	0.96 %	0.96 %
Weighted Average Maturity (Years)	5.85	6.34	5.59	6.34

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The following table presents the effect of derivative instruments in cash flow hedging relationships on the consolidated statements of income for the three and nine months ended September 30, 2024 and 2023:

(dollars in thousands)		Three Months Ended September 30, 2024	Three Months Ended September 30, 2023	Nine Months Ended September 30, 2024	Nine Months Ended September 30, 2023
Derivatives in Cash Flow Hedging Relationships	**Location of Gain (Loss) Reclassified from AOCI into Income**	**Gain (Loss) Reclassified from AOCI into Earnings**		**Gain (Loss) Reclassified from AOCI into Earnings**	
Interest rate swaps	Interest expense	$ 1,478	$ 1,575	$ 4,549	$ 4,169
Interest rate caps	Interest expense	1,048	48	2,609	(159)

No amounts were reclassified from accumulated other comprehensive income into net income related to hedge ineffectiveness for these derivatives during the three and nine months ended September 30, 2024 and 2023, and no amounts are expected to be reclassified from accumulated other comprehensive income into net income related to hedge ineffectiveness over the next twelve months.

Fair Value Hedging Derivatives

For derivative instruments that are designated and qualify as a fair value hedge, the gain or loss on the derivative instrument as well as the offsetting gain or loss on the hedged asset or liability attributable to the hedged risk are recognized in current earnings. The gain or loss on the derivative instrument is presented on the same income statement line item as the earnings effect of the hedged item. The Company utilizes fair value hedges to mitigate the effect of changing interest rates on the fair values of fixed rate available for sale securities. The hedging strategy converts the fixed interest rates to variable interest rates based on SOFR.

The following table presents a summary of the Company's interest rate swaps designated as fair flow hedges as of September 30, 2024:

(dollars in thousands)	September 30, 2024
Notional Amount	$ 97,650
Weighted Average Pay Rate	3.46 %
Weighted Average Receive Rate	5.24
Weighted Average Maturity (Years)	19.64

The Company had no interest rate swaps designated as fair value hedges as of December 31, 2023.

The effects of the Company's fair value hedge relationships on the income statement during the three and nine months ended September 30, 2024 and 2023 were as follows:

(dollars in thousands)		Amount of Gain (Loss) Recognized in Income			
		Three Months Ended September 30,		Nine Months Ended September 30,	
Securities	Location of Gain (Loss)	2024	2023	2024	2023
Interest Rate Swaps	Interest Income	$ 893	—	893	—
Securities Available for Sale	Interest Income	(893)	—	(893)	—

The following table presents amounts that were recorded on the balance sheet related to cumulative basis adjustments for fair value hedges at September 30, 2024:

(dollars in thousands)	Carrying Amount of The Hedged Assets/Liabilities		Cumulative Amount of Fair Value Hedging Adjustment Included in the Carrying Amount of the Hedged Assets/Liabilities	
Line Item on the Balance Sheet	September 30, 2024	December 31, 2023	September 30, 2024	December 31, 2023
Securities Available for Sale	$ 96,757	—	$ 893	—

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The following table presents a summary of the Company's interest rate contracts as of June 30, 2024 September 30, 2024 and December 31, 2023:

(dollars in thousands)	June 30, 2024		December 31, 2023		September 30, 2024		December 31, 2023	
	Notional Amount	Estimated Fair Value	Notional Amount	Estimated Fair Value	Notional Amount	Estimated Fair Value	Notional Amount	Estimated Fair Value
Interest rate swap agreements:								
Interest Rate Swap Agreements - Borrowings:								
Assets	$ 135,500	$ 6,317	$ 135,000	$ 6,891	$ 95,000	$ 3,803	$ 135,000	$ 6,891
Liabilities	17,500	(88)	48,000	(1,620)	88,000	(2,461)	48,000	(1,620)
Interest rate cap agreements:								
Interest Rate Swap Agreements - Securities:								
Liabilities					97,650	(893)	—	—
Interest Rate Cap Agreements:								

Assets	125,000	20,479	125,000	18,717	125,000	15,875	125,000	18,717

The Company is party to collateral support agreements with certain derivative counterparties. These agreements require that the Company maintain collateral based on the fair values of derivative transactions. In the event of default by the Company, the counterparty would be entitled to the collateral. As of June 30, 2024 September 30, 2024 and December 31, 2023, the Company pledged no cash collateral for the Company's derivative contracts. As of June 30, 2024 September 30, 2024 and December 31, 2023, the Company's counterparties pledged cash collateral to the Company of $35.8 million $23.0 million and $31.8 million, respectively.

The following table summarizes gross and net information about derivative instruments that are eligible for offset in the balance sheet at June 30, 2024 September 30, 2024 and December 31, 2023:

(dollars in thousands)	Gross Amounts of Recognized Assets (Liabilities)	Gross Amounts Offset in the Balance Sheet	Net Amounts of Assets (Liabilities) Presented in the Balance Sheet	Gross Amounts Not Offset in the Balance Sheet: Financial Instruments	Gross Amounts Not Offset in the Balance Sheet: Cash Collateral Received (Paid)	Net Assets (Liabilities)	Gross Amounts of Recognized Assets (Liabilities)	Gross Amounts Offset in the Balance Sheet	Net Amounts of Assets (Liabilities) Presented in the Balance Sheet	Gross Amounts Not Offset in the Balance She: Financial Instruments	Gross Amounts Not Offset in the Balance She: Cash Collateral Received (Paid)
June 30, 2024											
September 30, 2024											
Assets	$ 34,845	$ —	$ 34,845	$ —	$ 35,843	$ (998)	$ 25,469	$ —	$ 25,469	$ —	$ 22,97
Liabilities	(8,137)	—	(8,137)	—	—	(8,137)	(9,145)	—	(9,145)	—	–
December 31, 2023											
Assets	$ 32,589	$ —	$ 32,589	$ —	$ 31,783	806	$ 32,589	$ —	$ 32,589	—	$ 31,78
Liabilities	(8,601)	—	(8,601)	—	—	(8,601)	(8,601)	—	(8,601)	—	–

The following table presents the effect of derivative instruments in cash flow hedging relationships on the consolidated statements of income for the three and six months ended June 30, 2024 and 2023:

(dollars in thousands)		Three Months Ended June 30, 2024	Three Months Ended June 30, 2023	Six Months Ended June 30, 2024	Six Months Ended June 30, 2023
Derivatives in Cash Flow Hedging Relationships	**Location of Gain (Loss) Reclassified from AOCI into Income**	**Gain (Loss) Reclassified from AOCI into Earnings**		**Gain (Loss) Reclassified from AOCI into Earnings**	
Interest rate swaps	Interest expense	$ 1,475	$ 1,418	$ 3,071	$ 2,594
Interest rate caps	Interest expense	854	(97)	1,561	(207)

No amounts were reclassified from accumulated other comprehensive income into net income related to hedge ineffectiveness for these derivatives during the three and six months ended June 30, 2024 and 2023, and no amounts are expected to be reclassified from accumulated other comprehensive income into net income related to hedge ineffectiveness over the next twelve months.

Note 7: Federal Home Loan Bank Advances and Other Borrowings

Federal Home Loan Bank Advances. The Company has entered into an Advances, Pledge, and Security Agreement with the FHLB whereby specific mortgage loans of the Bank with aggregate principal balances of $1.45 1.49 billion and $1.45 billion at September 30, 2024 and December 31, 2023, respectively, were pledged to the FHLB as collateral. FHLB advances are also secured with FHLB stock owned by the Company. Total remaining available capacity under the agreement was $509.2 million and $498.7 million at September 30, 2024 and December 31, 2023, respectively.

billion at June 30, 2024 and December 31, 2023 were pledged to the FHLB as collateral. FHLB advances are also secured with FHLB stock owned by the Company. Total remaining available capacity under the agreement was $451.2 million and $498.7 million at June 30, 2024 and December 31, 2023, respectively.

The following table presents information regarding FHLB advances, by maturity, at June 30, 2024 September 30, 2024 and December 31, 2023:

(dollars in thousands)	June 30, 2024 Weighted Average Rate	June 30, 2024 Total Outstanding	December 31, 2023 Weighted Average Rate	December 31, 2023 Total Outstanding	September 30, 2024 Weighted Average Rate	September 30, 2024 Total Outstanding	December 31, 2023 Weighted Average Rate	December 31, 2023 Total Outstanding
Less than 1 Year	5.26 %	$ 215,500	5.31 %	$ 233,000	5.22 %	$ 278,000	5.31 %	$ 233,000
1 to 2 Years	4.06	17,500	4.31	25,000	4.06	17,500	4.31	25,000
2 to 3 Years	3.71	31,500	3.45	21,500	3.71	31,500	3.45	21,500
3 to 4 Years	4.01	22,500	3.94	17,500	4.01	22,500	3.94	17,500
4 to 5 Years	—	—	4.01	22,500	—	—	4.01	22,500
Totals		$ 287,000		$ 319,500		$ 349,500		$ 319,500

Line of Credit. The Company has a Loan and Security Agreement and related revolving note with an unaffiliated financial institution that is secured by 100% of the issued and outstanding stock of the Bank. The note contains customary representations, warranties, and covenants, including certain financial covenants and capital ratio requirements. The Company believes it was in compliance with all covenants as of June 30, 2024 September 30, 2024 and December 31, 2023.

The following table presents information regarding the revolving line of credit at June 30, 2024 September 30, 2024 and December 31, 2023:

Name	Maturity Date	Total Debt Outstanding June 30, 2024	Total Debt Outstanding December 31, 2023	Interest Rate	Coupon Structure	Maturity Date	Total Debt Outstanding September 30, 2024	Total Debt Outstanding December 31, 2023	Interest Rate	Coupon Structu
(dollars in thousands)										
Revolving Credit Facility	September 1, 2024	$ 13,750	13,750	8.50 %	Variable with Floor (1)	September 1, 2026	$ 13,750	$ 13,750	8.00 %	Variable with Floor

(1) The line of credit was renewed on September 1, 2024 for an additional 2 year term. The variable interest rate on the new note is equal to the greater of Wall Street Journal Prime Rate in effect or a floor of 3.85% 4.50%.

Note 8: Subordinated Debentures

The following table presents a summary of the Company's subordinated debentures as of June 30, 2024 September 30, 2024 and December 31, 2023:

Name	Date Established	First Redemption Date	Maturity Date	Total Debt Outstanding June 30, 2024	Total Debt Outstanding December 31, 2023	Interest Rate	Coupon Structure	Date Established	First Redemption Date	Maturity Date	Total Debt Outstandin September 30,
(dollars in thousands)											
2030 Notes	June 19, 2020	July 1, 2025	July 1, 2030	$ 50,000	$ 50,000	5.25 %	Fixed-to-Floating (1)	June 19, 2020	July 1, 2025	July 1, 2030	$ 50
2031 Notes	July 8, 2021	July 15, 2026	July 15, 2031	30,000	30,000	3.25 %	Fixed-to-Floating (2)	July 8, 2021	July 15, 2026	July 15, 2031	30
Subordinated Debentures				80,000	80,000						80
Debt Issuance Costs				(521)	(712)						
Subordinated Debentures, Net of Issuance Costs				$ 79,479	$ 79,288						$ 79

(1) Migrates to three month term SOFR + 5.13% beginning July 1, 2025 until either the early redemption date or the maturity date.

(2) Migrates to three month term SOFR + 2.52% beginning July 15, 2026 until either the early redemption date or the maturity date.

Note 9: Tax Credit Investments

The Company invests in qualified affordable housing projects and federal historic projects for the purposes of community reinvestment and obtaining tax credits. The Company's tax credit investments are limited to existing lending relationships with well-known developers and projects within the Company's market area.

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Note 9: Tax Credit Investments

The Company invests in qualified affordable housing projects and federal historic projects for the purposes of community reinvestment and obtaining tax credits. The Company's tax credit investments are limited to existing lending relationships with well-known developers and projects within the Company's market area.

The following table presents a summary of the Company's investments in qualified affordable housing projects and other tax credit investments at June 30, 2024 September 30, 2024 and December 31, 2023:

(dollars in thousands)	June 30, 2024		December 31, 2023		September 30, 2024		December 31, 2023	
Investment Type	Investment	Unfunded Commitments (1)	Investment	Unfunded Commitments (1)	Investment	Unfunded Commitments (1)	Investment	Unfunded Commitments (1)
Low Income Housing Tax Credit (LIHTC)	$ 15,929	$ 340	$ 16,897	$ 7,579	$ 15,426	$ 340	$ 16,897	$ 7,579
Federal Historic Tax Credit (FHTC)	3,078	2,353	3,403	2,353	3,076	2,541	3,403	2,353
Total	$ 19,007	$ 2,693	$ 20,300	$ 9,932	$ 18,502	$ 2,881	$ 20,300	$ 9,932

(1) All commitments are expected to be paid by the Company by June 30, 2025 September 30, 2025.

The following table presents a summary of the amortization expense and tax benefit recognized for the Company's qualified affordable housing projects and other tax credit investments during the three and six nine months ended June 30, 2024 September 30, 2024 and 2023:

	Three Months Ended June 30,		Six Months Ended June 30,		Three Months Ended September 30,		Nine Months Ended September 30,	
(dollars in thousands)	2024	2023	2024	2023	2024	2023	2024	2023
Amortization Expense (1)								
LIHTC	$ 488	$ 280	$ 980	$ 648	$ 503	$ 279	$ 1,483	$ 927
FHTC	162	109	325	217	190	108	515	325
Total	$ 650	$ 389	$ 1,305	$ 865	$ 693	$ 387	$ 1,998	$ 1,252
Tax Benefit Recognized (2)								
LIHTC	$ (670)	$ (360)	$ (1,341)	$ (734)	$ (671)	$ (374)	$ (2,012)	$ (1,123)
FHTC	(216)	(151)	(431)	(303)	(250)	(152)	(681)	(455)
Total	$ (886)	$ (511)	$ (1,772)	$ (1,037)	$ (921)	$ (526)	$ (2,693)	$ (1,578)

(1) The amortization expense for the LIHTC and FHTC investments are included in income tax expense.

(2) All of the tax benefits recognized are included in income tax expense.

Note 10: Commitments, Contingencies and Credit Risk

Financial Instruments with Off-Balance Sheet Credit Risk

The Company is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized in the consolidated balance sheets.

The Company's exposure to credit loss is represented by the contractual, or notional, amount of these commitments. The Company follows the same credit policies in making commitments as it does for on-balance sheet instruments. Since some of the commitments are expected to expire without being drawn upon and some of the commitments may not be drawn upon to the total extent of the commitment, the notional amount of these commitments does not necessarily represent future cash requirements.

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The following table presents information regarding commitments outstanding at June 30, 2024 September 30, 2024 and December 31, 2023:

(dollars in thousands)	June 30, 2024	December 31, 2023	September 30, 2024	December 31, 2023
Unfunded Commitments Under Lines of Credit	$ 518,267	$ 546,632	$ 523,698	$ 546,632
Letters of Credit	106,484	103,289	112,069	103,289
Totals	$ 624,751	$ 649,921	$ 635,767	$ 649,921

The Company had outstanding letters of credit with the FHLB of $164.2 million $133.9 million and $114.4 million at June 30, 2024 September 30, 2024 and December 31, 2023, respectively, on behalf of customers and to secure public deposits.

The ACL for off-balance sheet credit exposures was $2.9 million and $3.0 million at June 30, 2024 September 30, 2024 and December 31, 2023, respectively, and is separately classified on the balance sheet within other liabilities.

The following table presents the balance and activity in the ACL for off-balance sheet credit exposures for the three and six nine months ended June 30, 2024 September 30, 2024 and 2023. 2023:

The following table presents a summary of the activity in the allowance for credit losses for off-balance sheet credit exposures for the periods indicated:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(dollars in thousands)	2024	2023	2024	2023
Allowance for Credit Losses:				
Beginning Balance	$ 2,885	$ 3,835	$ 2,985	$ 360
Impact of Adopting CECL	—	—	—	4,850
Recovery of Off-Balance Sheet Credit Exposures	—	(600)	(100)	(1,975)
Total Ending Balance	$ 2,885	$ 3,235	$ 2,885	$ 3,235

	Three Months Ended June 30,	Six Months Ended June 30,

(dollars in thousands)	2024	2023	2024	2023
Allowance for Credit Losses:				
Beginning Balance, Prior to Adoption of CECL	$ 2,885	$ 4,335	$ 2,985	$ 360
Impact of Adopting CECL	—	—	—	4,850
Recovery of Off-Balance Sheet Credit Exposures	—	(500)	(100)	(1,375)
Total Ending Balance	$ 2,885	$ 3,835	$ 2,885	$ 3,835

Legal Contingencies

Neither the Company nor any of its subsidiaries is a party, and no property of these entities is subject, to any material pending legal proceedings, other than ordinary routine litigation incidental to the Bank's business. The Company does not know of any material proceeding contemplated by a governmental authority against the Company or any of its subsidiaries.

Note 11: Stock Options and Restricted Stock

In 2012, the Company adopted the Bridgewater Bancshares, Inc. 2012 Combined Incentive and Non-Statutory Stock Option Plan (the "2012 Plan") under which the Company was able to grant options to its directors, officers, and employees for up to 750,000 shares of common stock. Both incentive stock options and nonqualified stock options were granted under the 2012 Plan. The exercise price of each option equals the fair market value of the Company's stock on the date of grant, and the maximum term of each outstanding option is ten years. All outstanding options have been granted with vesting periods of four or five years. The 2012 Plan expired in March 2022, and awards are no longer able to be granted under the 2012 Plan.

In 2017, the Company adopted the Bridgewater Bancshares, Inc. 2017 Combined Incentive and Non-Statutory Stock Option Plan (the "2017 Plan"). Under the 2017 Plan, the Company may grant options to its directors, officers, employees and consultants for up to 1,500,000 shares of common stock. Both incentive stock options and nonqualified stock options may be granted under the 2017 Plan. The exercise price of each option equals the fair market value of the Company's stock on the date of grant and the maximum term of each outstanding option is ten years. All outstanding options have been granted with vesting periods of four or five years. As of June 30, 2024 September 30, 2024 and December 31, 2023, there

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were 30,000 and 5,000 shares, respectively, of the Company's common stock reserved for future option grants under the 2017 Plan.

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In 2019, the Company adopted the Bridgewater Bancshares, Inc. 2019 Equity Incentive Plan (the "2019 EIP"). The types of awards which may be granted under the 2019 EIP include incentive and nonqualified stock options, stock appreciation rights, stock awards, restricted stock units, restricted stock and cash incentive awards. The Company may grant these awards to its directors, officers, employees and certain other service providers for up to 1,000,000 shares of common stock. The exercise price of each option equals the fair market value of the Company's stock on the date of grant and the maximum term of each award is ten years. All outstanding awards have been granted with a vesting period of four years. As of June 30, 2024 September 30, 2024 and December 31, 2023, there were 6,592 34,700 and -0- shares, respectively, of the Company's common stock reserved for future grants under the 2019 EIP.

In 2023, the Company adopted the Bridgewater Bancshares, Inc. 2023 Equity Incentive Plan (the "2023 EIP"). Under the 2023 EIP, the Company may grant incentive and nonqualified stock options, stock appreciation rights, stock awards, restricted stock units, restricted stock and cash incentive awards. The Company may grant these awards to its directors, officers, employees and certain other service providers for up to 1,500,000 shares of common stock. The exercise price of each option equals the fair market value of the Company's stock on the date of grant and the maximum term of each award is ten years. All outstanding awards have been granted with a vesting period of four years. As of June 30, 2024 September 30, 2024 and December 31, 2023, there were 1,031,916 1,026,564 and 1,107,752 shares, respectively, of the Company's common stock reserved for future grants under the 2023 EIP.

Stock Options

The fair value of each option award is estimated on the date of grant using a closed form option valuation (Black-Scholes) model. model that uses the assumptions noted in the table below. Expected volatilities are based on an industry index as described below. The following table presents a summary expected term of options granted is based on historical data and represents the period of time that options granted are expected to be outstanding, which takes into account the fact that the options are not transferable. The risk-free interest rate for the expected term of the status option is based on the U.S. Treasury yield curve in effect at the time of grant. Historically, the Company's outstanding Company has not paid a dividend on its common stock and does not expect to do so in the near future

The Company used the S&P 600 CM Bank Index as its historical volatility index. The S&P 600 CM Bank Index is an index of publicly traded small capitalization, regional, commercial banks located throughout the United States. There were 60 banks in the index ranging in market capitalization from $500 million up to $4.0 billion.

The weighted average assumptions used in the model for valuing stock options grants for the six nine months ended June 30, 2024: September 30, 2024, are as follows:

	June 30, 2024	
	Shares	Weighted Average Exercise Price
Outstanding at Beginning of Year	2,014,994	$ 10.57
Granted	—	—
Exercised	(8,500)	8.23
Forfeitures	(30,000)	12.87
Outstanding at Period End	1,976,494	$ 10.54
Options Exercisable at Period End	1,404,869	$ 9.73

	September 30, 2024	
Dividend Yield	—	%
Expected Life	7	Years
Expected Volatility	30.32	%
Risk-Free Interest Rate	3.89	%

For the three months ended June 30, 2024 and 2023, the Company recognized compensation expense for stock options of $236,000 and $185,000, respectively. For the six months ended June 30, 2024 and 2023, the Company recognized compensation expense for stock options of $485,000 and $371,000, respectively.

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The following table presents a summary of the status of the Company's outstanding stock options for the nine months ended September 30, 2024:

	September 30, 2024	
	Shares	Weighted Average Exercise Price
Outstanding at Beginning of Year	2,014,994	$ 10.57
Granted	10,000	13.17
Exercised	(78,356)	7.50
Forfeitures	(50,000)	12.03
Outstanding at Period End	1,896,638	$ 10.67
Options Exercisable at Period End	1,404,762	$ 9.90

For the three months ended September 30, 2024 and 2023, the Company recognized compensation expense for stock options of $227,000 and $230,000, respectively. For the nine months ended September 30, 2024 and 2023, the Company recognized compensation expense for stock options of $712,000 and $601,000, respectively.

The following table presents information pertaining to options outstanding at June 30, 2024 September 30, 2024:

		Options Outstanding			Options Exercisable				
Range of Exercise Prices	Range of Exercise Prices	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life in Years	Number of Options	Weighted Average Exercise Price	Range of Exercise Prices	Number of Options	We E
$	3.00 - 3.99	10,000	$ 3.58	0.5	10,000	$ 3.58	7.00 - 7.99	840,649	$
	7.00 - 7.99	888,466	7.47	3.2	888,466	7.47	8.00 - 8.99	10,461	
	8.00 - 8.99	12,500	8.76	5.7	12,500	8.76	10.00 - 10.99	224,000	
	10.00 - 10.99	249,000	10.63	8.9	10,000	10.08	11.00 - 11.99	257,500	
	11.00 - 11.99	262,500	11.15	7.9	75,000	11.29	12.00 - 12.99	263,528	
	12.00 - 12.99	263,528	12.90	5.1	263,528	12.90	13.00 - 13.99	10,000	
	17.00 - 17.99	290,500	17.50	7.6	145,375	17.50	17.00 - 17.99	290,500	
	Totals	1,976,494	$ 10.54	5.5	1,404,869	$ 9.73	Totals	1,896,638	$

As of June 30, 2024 September 30, 2024, there was $2.3 million $2.0 million of total unrecognized compensation cost related to nonvested stock options that is expected to be recognized over a weighted-average period of 2.8 2.5 years.

The following table presents an analysis of nonvested options to purchase shares of the Company's stock issued and outstanding for the six nine months ended June 30, 2024 September 30, 2024:

	Number of Shares	Weighted Average Grant Date Fair Value	Number of Shares	Weighted Average Grant Date Fair Value
Nonvested Options at December 31, 2023	666,250	$ 5.09	666,250	$ 5.09
Granted	—	—	10,000	5.35
Vested	(89,625)	5.05	(159,374)	5.07
Forfeited	(5,000)	4.19	(25,000)	5.07
Nonvested Options at June 30, 2024	571,625	$ 5.10		
Nonvested Options at September 30, 2024			491,876	$ 5.11

Restricted Stock Awards

In 2019 and 2020, the Company granted restricted stock awards out of the 2019 EIP. These awards vest in equal annual installments on the first four anniversaries of the date of the grant. Nonvested restricted stock awards are classified as outstanding shares with forfeitable voting and dividend rights.

The following table presents an analysis of nonvested restricted stock awards outstanding for the six nine months ended June 30, 2024 September 30, 2024:

	Number of Shares	Weighted Average Grant Date Fair Value	Number of Shares	Weighted Average Grant Date Fair Value
Nonvested at December 31, 2023	3,411	$ 10.53	3,411	$ 10.53
Granted	—	—	—	—
Vested	(2,786)	10.32	(2,786)	10.32
Forfeited	—	—	—	—
Nonvested at June 30, 2024	625	$ 11.47		
Nonvested at September 30, 2024			625	$ 11.47

Compensation expense associated with the restricted stock awards is recognized on a straight-line basis over the period that the restrictions associated with the awards lapse based on the total cost of the award at the grant date. For the three months ended June 30, 2024 September 30, 2024 and 2023, the Company recognized compensation expense for restricted stock awards of $2,000 and $110,000, $112,000, respectively. For the six nine months ended June 30, 2024 September 30, 2024 and 2023, the Company recognized compensation expense for restricted stock awards of $10,000 $12,000 and $221,000, $333,000, respectively.

As of June 30, 2024 September 30, 2024, there was $2,000 $1,000 of total unrecognized compensation cost related to nonvested restricted stock awards granted under the 2019 EIP that is expected to be recognized over a weighted-average period of 0.3 0.1 years.

In addition, during the six nine months ended June 30, 2024 September 30, 2024, the Company issued 21,336 29,832 shares of unrestricted common stock to non-employee directors, as a part of their compensation for their annual services on the Company's board of directors. The aggregate value of the shares issued to non-employee directors of $248,000 $368,000 was included in stock based compensation expense in the accompanying consolidated statements of shareholders' equity.

Restricted Stock Units

The Company has granted restricted stock units out of the 2019 EIP and 2023 EIP. Restricted stock units represent the right to receive one share of Company stock upon vesting and vest in equal annual installments on the first four anniversaries of the date of the grant. Nonvested restricted stock units have no voting or dividend rights and are not considered outstanding until vesting.

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The following table presents an analysis of nonvested restricted stock units outstanding for the six nine months ended June 30, 2024 September 30, 2024:

	Number of Units	Weighted Average Grant Date Fair Value	Number of Units	Weighted Average Grant Date Fair Value
Nonvested at December 31, 2023	441,015	$ 14.71	441,015	$ 14.71
Granted	63,184	11.89	63,184	11.89
Vested	(22,665)	15.63	(25,665)	15.69
Forfeited	(10,276)	14.75	(31,528)	14.70
Nonvested at June 30, 2024	471,258	$ 14.29		
Nonvested at September 30, 2024			447,006	$ 14.25

Compensation expense associated with the restricted stock units is recognized on a straight-line basis over the period that the restrictions associated with the units lapse based on the total cost of the unit at the grant date. For the three months ended June 30, 2024 September 30, 2024 and 2023, the Company recognized compensation expense for restricted stock units of $675,000 $574,000 and $556,000, $535,000, respectively. For the six nine months ended June 30, 2024 September 30, 2024 and 2023, the Company recognized compensation expense for the restricted stock of $1.3 million $1.9 million and $1.1 million $1.6 million, respectively.

As of June 30, 2024 September 30, 2024, there was $5.3 million $4.1 million of total unrecognized compensation cost related to nonvested restricted stock units granted under the 2019 EIP or and 2023 EIP that is expected to be recognized over a weighted-average period of 2.5 2.3 years.

Note 12: Regulatory Capital

The Company and the Bank are subject to various regulatory requirements administered by federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Company's financial statements. Under capital adequacy guidelines, the Company and the Bank must meet specific capital guidelines that involve quantitative measures of their assets, liabilities and certain off-balance sheet items as calculated under regulatory accounting practices. The Bank must also meet certain specific capital guidelines under the regulatory framework for prompt corrective action. The capital amounts and classifications are also subject to qualitative judgments by the regulators about components, risk weightings and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Company and Bank to maintain minimum amounts and ratios of common equity Tier 1 capital, Tier 1 capital and total capital to risk-weighted assets and of Tier 1 capital to average consolidated assets (referred to as the "leverage ratio"), as defined under the applicable regulatory capital rules.

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The following tables present the capital amounts and ratios for the Company, on a consolidated basis, and the Bank as of June 30, 2024 September 30, 2024 and December 31, 2023:

(dollars in thousands)	Actual		Minimum Required For Capital Adequacy Purposes		For Capital Adequacy Purposes Plus Capital Conservation Buffer		To be Well Capitalized Under Prompt Corrective Action Regulations		Actual		Minimum Required For Capital Adequacy Purposes		For Capital A Purposes Plu Conservatio
	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount
June 30, 2024													
September 30, 2024													
Company (Consolidated):													
Total Risk-based Capital	$579,988	14.16 %	$ 327,576	8.00 %	$429,943	10.50 %	N/A	N/A	$589,088	14.62 %	$ 322,278	8.00 %	$422,990
Tier 1 Risk-based Capital	451,764	11.03	245,682	6.00	348,049	8.50	N/A	N/A	460,827	11.44	241,709	6.00	342,420
Common Equity Tier 1 Capital	385,250	9.41	184,261	4.50	286,629	7.00	N/A	N/A	394,313	9.79	181,281	4.50	281,993
Tier 1 Leverage Ratio	451,764	9.66	187,110	4.00	187,110	4.00	N/A	N/A	460,827	9.75	189,109	4.00	189,109
Bank:													
Total Risk-based Capital	$572,981	14.01 %	$ 327,129	8.00 %	$429,357	10.50 %	$ 408,912	10.00 %	$573,720	14.27 %	$ 321,749	8.00 %	$422,296
Tier 1 Risk-based Capital	524,306	12.82	245,347	6.00	347,575	8.50	327,129	8.00	525,114	13.06	241,312	6.00	341,859
Common Equity Tier 1 Capital	524,306	12.82	184,010	4.50	286,238	7.00	265,793	6.50	525,114	13.06	180,984	4.50	281,531
Tier 1 Leverage Ratio	524,306	11.22	186,895	4.00	186,895	4.00	233,619	5.00	525,114	11.12	188,832	4.00	188,832

(dollars in thousands)	Actual		Minimum Required For Capital Adequacy Purposes		For Capital Adequacy Purposes Plus Capital Conservation Buffer		To be Well Capitalized Under Prompt Corrective Action Regulations	
	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
December 31, 2023								
Company (Consolidated):								
Total Risk-based Capital	$ 570,770	13.97 %	$ 326,872	8.00 %	$ 429,019	10.50 %	N/A	N/A
Tier 1 Risk-based Capital	440,947	10.79	245,154	6.00	347,301	8.50	N/A	N/A
Common Equity Tier 1 Capital	374,433	9.16	183,865	4.50	286,013	7.00	N/A	N/A
Tier 1 Leverage Ratio	440,947	9.57	184,383	4.00	184,383	4.00	N/A	N/A
Bank:								
Total Risk-based Capital	$ 554,269	13.58 %	$ 326,528	8.00 %	$ 428,568	10.50 %	$ 408,160	10.00 %
Tier 1 Risk-based Capital	503,787	12.34	244,896	6.00	346,936	8.50	326,528	8.00
Common Equity Tier 1 Capital	503,787	12.34	183,672	4.50	285,712	7.00	265,304	6.50
Tier 1 Leverage Ratio	503,787	10.95	184,037	4.00	184,037	4.00	230,047	5.00

The Company and the Bank must maintain a capital conservation buffer, as defined by regulatory guidelines, in order to avoid limitations on capital distributions, including dividend payments, stock repurchases and certain discretionary bonus payments to executive officers.

Note 13: Fair Value Measurement

The Company categorizes its assets and liabilities measured at fair value into a three-level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used in the determination of the fair value measurement fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement. Assets and liabilities valued at fair value are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Inputs that utilized quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access.

Level 2 – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial

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instruments. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

Level 3 – Inputs that are unobservable for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

Subsequent to initial recognition, the Company may re-measure the carrying value of assets and liabilities measured on a nonrecurring basis to fair value. Adjustments to fair value usually result when certain assets are impaired. Such assets are written down from their carrying amounts to their fair value.

Professional standards allow entities the irrevocable option to elect to measure certain financial instruments and other items at fair value for the initial and subsequent measurement on an instrument-by-instrument basis. The Company adopted the policy to value certain financial instruments at fair value. The Company has not elected to measure any existing financial instruments at fair value; however, it may elect to measure newly acquired financial instruments at fair value in the future.

Recurring Basis

The Company uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. There have been no changes in methodologies used as of June 30, 2024 September 30, 2024. The following tables present the balances of assets and liabilities measured at fair value on a recurring basis as of June 30, 2024 September 30, 2024 and December 31, 2023:

	June 30, 2024				September 30, 2024			
(dollars in thousands)	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Fair Value of Financial Assets:								
Securities Available for Sale:								
U.S. Treasury Securities					$105,875	$ —	$ —	$105,875
Municipal Bonds	$ —	$ 132,551	$ —	$ 132,551	—	111,887	—	111,887
Mortgage-Backed Securities	—	203,901	—	203,901	—	210,471	—	210,471
Corporate Securities	—	140,297	—	140,297	—	138,107	—	138,107
SBA Securities	—	15,908	—	15,908	—	14,266	—	14,266
Asset-Backed Securities	—	108,400	—	108,400	—	84,109	—	84,109
Interest Rate Caps	—	20,479	—	20,479	—	15,875	—	15,875
Interest Rate Swaps	—	14,366	—	14,366	—	9,594	—	9,594
Total Fair Value of Financial Assets	$ —	$ 635,902	$ —	$ 635,902	$105,875	$584,309	$ —	$690,184
Fair Value of Financial Liabilities:								
Interest Rate Swaps	$ —	$ 8,137	$ —	$ 8,137	$ —	$ 9,145	$ —	$ 9,145
Total Fair Value of Financial Liabilities	$ —	$ 8,137	$ —	$ 8,137	$ —	$ 9,145	$ —	$ 9,145

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(dollars in thousands)	December 31, 2023 Level 1	Level 2	Level 3	Total
Fair Value of Financial Assets:				
Securities Available for Sale:				
Municipal Bonds	$ —	$ 132,524	$ —	$ 132,524
Mortgage-Backed Securities	—	235,315	—	235,315
Corporate Securities	—	130,605	—	130,605
SBA Securities	—	18,674	—	18,674
Asset-Backed Securities	—	86,986	—	86,986
Interest Rate Caps	—	18,717	—	18,717
Interest Rate Swaps	—	13,872	—	13,872
Total Fair Value of Financial Assets	$ —	$ 636,693	$ —	$ 636,693
Fair Value of Financial Liabilities:				
Interest Rate Swaps	$ —	$ 8,601	$ —	$ 8,601
Total Fair Value of Financial Liabilities	$ —	$ 8,601	$ —	$ 8,601

Investment Securities

When available, the Company uses quoted market prices to determine the fair value of investment securities; such items are classified in Level 1 of the fair value hierarchy.

For the Company’s investments, when quoted prices are not available for identical securities in an active market, the Company determines fair value utilizing vendors who apply matrix pricing for similar bonds where no price is observable or may compile prices from various sources. These models are primarily industry-standard models that consider various assumptions, including time value, yield curve, volatility factors, prepayment speeds, default rates, loss severity, current market, and contractual prices for the underlying financial instruments, as well as other relevant economic measures. Substantially, all of these assumptions are observable in the marketplace and can be derived from observable data or are supported by observable levels at which transactions are executed in the marketplace. Fair values from these models are verified, where possible, against quoted market prices for recent trading activity of assets with similar characteristics to the security being valued. Such methods are generally classified as Level 2. However, when prices from independent sources vary, or cannot be obtained or corroborated, a security is generally classified as Level 3.

Interest Rate Caps

The fair value of the caps is calculated by determining the total expected asset or liability exposure of the derivatives. Total expected exposure incorporates both the current and potential future exposure of the derivative, derived from using observable inputs, such as yield curves and volatilities, and accordingly are valued using Level 2 inputs.

Interest Rate Swaps

Interest rate swaps are traded in over-the-counter markets where quoted market prices are not readily available. For those interest rate swaps, fair value is determined using internally developed models of a third party that uses primarily market observable inputs, such as yield curves and option volatilities, and accordingly are valued using Level 2 inputs.

Nonrecurring Basis

Certain assets are measured at fair value on a nonrecurring basis. These assets are not measured at fair value on an ongoing basis; however, they are subject to fair value adjustments in certain circumstances, such as when there is evidence of impairment or a change in the amount of previously recognized impairment.

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The following tables present net impairment credit losses related to nonrecurring fair value measurements of certain assets at June 30, 2024 September 30, 2024 and December 31, 2023:

(dollars in thousands)	June 30, 2024 Level 1	June 30, 2024 Level 2	June 30, 2024 Level 3	June 30, 2024 Loss	September 30, 2024 Level 1	September 30, 2024 Level 2	September 30, 2024 Level 3	September 30, 2024 Loss
Individually Evaluated Loans	$ —	$ —	$ 9,287	$ 245	$ —	$ —	$8,374	$946
Totals	$ —	$ —	$ 9,287	$ 245	$ —	$ —	$8,374	$946

(dollars in thousands)	December 31, 2023 Level 1	Level 2	Level 3	Loss
Individually Evaluated Loans	$ —	$ —	$ 9,602	$ 199
Totals	$ —	$ —	$ 9,602	$ 199

Individually Evaluated Loans

The Company records certain loans at fair value on a non-recurring basis. Individually evaluated loans for which an allowance is established, or a write-down has occurred during the period, based on the fair value of collateral require classification in the fair value hierarchy. The fair value of the loan's collateral is determined by appraisals, independent valuation and other techniques. When the fair value of the loan's collateral is based on an observable market price the Company classifies the fair value of the individually evaluated loans within Level 2 of the valuation hierarchy. For loans in which the valuation has unobservable inputs, the Company classifies these within the Level 3 of the valuation hierarchy. As of June 30, 2024 September 30, 2024, collateral values were estimated using a combination of observable inputs, including recent appraisals, and unobservable inputs, including internally determined values based on cost adjusted for depreciation and customized discounting criteria on appraisals which ranged from 3-15% 4-10%. Due to the significance of unobservable inputs, fair values of individually evaluated loans have been classified as Level 3.

Fair Value

Disclosure of fair value information about financial instruments, for which it is practicable to estimate that value, is required whether or not recognized in the consolidated balance sheets. In cases where quoted market prices are not available, fair values are based on estimates using present value of cash flow or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimate of future cash flows. In that regard, the derived fair value estimates cannot be substantiated by comparison to independent markets and, in many cases could not be realized in immediate settlement of the instruments. Certain financial instruments with a fair value that is not practicable to estimate and all non-financial instruments are excluded from the disclosure requirements. Accordingly, the aggregate fair value amounts presented do not necessarily represent the underlying value of the Company.

Fair value estimates are made at a specific point in time based on relevant market information and information about the financial instrument. These estimates do not reflect any premium or discount that could result from offering for sale at one time the Company's entire holdings of a particular instrument. Because no market exists for a significant portion of the Company's financial instruments, fair value estimates are based on judgments regarding future expected loss experience, current economic conditions, risk characteristics of various financial instruments, and other factors. These estimates are subjective in nature and involve uncertainties and matters that could affect the estimates. Fair value estimates are based on existing on and off-balance sheet financial instruments without attempting to estimate the value of anticipated future business. Deposits with no stated maturities are defined as having a fair value equivalent to the amount payable on demand. This prohibits adjusting fair value derived from retaining those deposits for an expected future period of time. This component, commonly referred to as a deposit base intangible, is neither considered in the above amounts nor is it recorded as an intangible asset on the balance sheet. In addition, the tax ramifications related to the realization of the unrealized gains and losses can have a significant effect on fair value estimates and have not been considered in the estimates.

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The following tables present the carrying amounts and estimated fair values of financial instruments at June 30, 2024 September 30, 2024 and December 31, 2023:

	June 30, 2024					September 30, 2024				
		Fair Value Hierarchy					Fair Value Hierarchy			
(dollars in thousands)	Carrying Amount	Level 1	Level 2	Level 3	Estimated Fair Value	Carrying Amount	Level 1	Level 2	Level 3	Estimated Fair Value
Financial Assets:										
Cash and Due From Banks	$ 134,093	$134,093	$ —	$ —	$ 134,093	$ 191,859	$191,859	$ —	$ —	$ 191,859
Securities Available for Sale	601,057	—	601,057	—	601,057	664,715	105,875	558,840	—	664,715
FHLB Stock, at Cost	15,844	—	15,844	—	15,844	18,626	—	18,626	—	18,626
Loans, Net	3,742,222	—	3,632,015	9,287	3,641,302	3,628,867	—	3,564,137	8,374	3,572,511
Accrued Interest Receivable	16,944	—	16,944	—	16,944	16,750	—	16,750	—	16,750
Interest Rate Caps	20,479	—	20,479	—	20,479	15,875	—	15,875	—	15,875
Interest Rate Swaps	14,366	—	14,366	—	14,366	9,594	—	9,594	—	9,594
Financial Liabilities:										
Deposits	$3,807,712	$ —	$3,802,481	$ —	$3,802,481	$3,747,442	$ —	$3,755,621	$ —	$3,755,621
Notes Payable	13,750	—	13,753	—	13,753	13,750	—	14,035	—	14,035
FHLB Advances	287,000	—	285,758	—	285,758	349,500	—	349,690	—	349,690
Subordinated Debentures	79,479	—	79,095	—	79,095	79,574	—	78,698	—	78,698
Accrued Interest Payable	3,999	—	3,999	—	3,999	3,458	—	3,458	—	3,458
Interest Rate Swaps	8,137	—	8,137	—	8,137	9,145	—	9,145	—	9,145

	December 31, 2023				
		Fair Value Hierarchy			
(dollars in thousands)	Carrying Amount	Level 1	Level 2	Level 3	Estimated Fair Value
Financial Assets:					
Cash and Due From Banks	$ 128,562	$ 128,562	$ —	$ —	$ 128,562
Securities Available for Sale	604,104	—	604,104	—	604,104
FHLB Stock, at Cost	17,097	—	17,097	—	17,097
Loans, Net	3,667,215	—	3,579,583	9,602	3,589,185
Accrued Interest Receivable	16,697	—	16,697	—	16,697
Interest Rate Caps	18,717	—	18,717	—	18,717
Interest Rate Swaps	13,872	—	13,872	—	13,872

Financial Liabilities:

Deposits	$ 3,709,948	$ —	$ 3,709,086	$ —	$ 3,709,086
Notes Payable	13,750	—	13,805	—	13,805
FHLB Advances	319,500	—	319,305	—	319,305
Subordinated Debentures	79,288	—	77,557	—	77,557
Accrued Interest Payable	5,282	—	5,282	—	5,282
Interest Rate Swaps	8,601	—	8,601	—	8,601

The following methods and assumptions were used by the Company to estimate fair value of financial instruments not previously discussed.

Cash and due from banks – The carrying amount of cash and cash equivalents approximates their fair value.

FHLB stock – The carrying amount of FHLB stock approximates its fair value.

Loans, net – Fair values for loans are estimated based on discounted cash flows, using interest rates currently being offered for loans with similar terms to borrowers with similar credit quality.

Accrued interest receivable – The carrying amount of accrued interest receivable approximates its fair value since it is short term in nature and does not present anticipated credit concerns.

Deposits – The fair values disclosed for demand deposits without stated maturities (interest and noninterest transaction, savings, and money market accounts) are equal to the amount payable on demand at the reporting date (their carrying amounts). Fair values for the fixed-rate certificates of deposit are estimated using a discounted cash flow calculation that applies interest rates currently being offered on certificates to a schedule of aggregated expected monthly maturities on time deposits.

Notes payable and subordinated debentures – The fair values of the Company's notes payable and subordinated debentures are estimated using a discounted cash flow analysis, based on the Company's current incremental borrowing rate for similar types of borrowing arrangements.

FHLB advances – The fair values of the Company's FHLB advances are estimated using discounted cash flow analysis based on the Company's current incremental borrowing rates for similar types of borrowing agreements.

Accrued interest payable – The carrying amount of accrued interest payable approximates its fair value since it is short term in nature.

Off-balance sheet instruments – Fair values of the Company's off-balance sheet instruments (lending commitments and unused lines of credit) are based on fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements, the counterparties' credit standing and discounted cash flow analysis. The fair value of these off-balance sheet items approximates the recorded amounts of the related fees and was not material at June 30, 2024 September 30, 2024 and December 31, 2023.

Limitations – The fair value of a financial instrument is the current amount that would be exchanged between market participants, other than in a forced liquidation. Fair value is best determined based upon quoted market prices. However, in many instances, there are no quoted market prices for the Company's various financial instruments. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument. Consequently, the aggregate fair value amounts presented may not necessarily represent the underlying fair value of the Company.

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Note 14: Accumulated Other Comprehensive Income

The following tables present the components of other comprehensive income for the three and six nine months ended June 30, 2024 September 30, 2024 and 2023:

(dollars in thousands)	Before Tax	Tax Effect	Net of Tax	Before Tax	Tax Effect	Net of Tax
Three Months Ended June 30, 2024						
Three Months Ended September 30, 2024						
Net Unrealized Gain on Available for Sale Securities	$ 1,168	$ (336)	$ 832	$ 14,738	$ (4,236)	$ 10,502
Less: Reclassification Adjustment for Net Gains Included in Net Income	(320)	92	(228)			
Less: Reclassification Adjustment for Net Losses Included in Net Income				28	(8)	20
Total Unrealized Gain	848	(244)	604	14,766	(4,244)	10,522
Net Unrealized Gain on Cash Flow Hedge	2,036	(585)	1,451			
Net Unrealized Loss on Cash Flow Hedge				(6,761)	1,943	(4,818)
Less: Reclassification Adjustment for Gains Included in Net Income	(2,329)	670	(1,659)	(2,526)	726	(1,800)
Total Unrealized Loss	(293)	85	(208)	(9,287)	2,669	(6,618)
Other Comprehensive Income	$ 555	$ (159)	$ 396	$ 5,479	$ (1,575)	$ 3,904
Three Months Ended June 30, 2023						
Three Months Ended September 30, 2023						
Net Unrealized Loss on Available for Sale Securities	$ (9,430)	$ 2,710	$ (6,720)	$ (10,151)	$ 2,917	$ (7,234)
Less: Reclassification Adjustment for Net Gains Included in Net Income	(50)	14	(36)	—	—	—
Total Unrealized Loss	(9,480)	2,724	(6,756)	(10,151)	2,917	(7,234)
Net Unrealized Gain on Cash Flow Hedge	6,573	(1,888)	4,685	7,763	(2,231)	5,532
Less: Reclassification Adjustment for Gains Included in Net Income	(1,320)	379	(941)	(1,623)	467	(1,156)
Total Unrealized Gain	5,253	(1,509)	3,744	6,140	(1,764)	4,376
Other Comprehensive Loss	$ (4,227)	$ 1,215	$ (3,012)	$ (4,011)	$ 1,153	$ (2,858)

(dollars in thousands)	Before Tax	Tax Effect	Net of Tax	Before Tax	Tax Effect	Net of Tax
Six Months Ended June 30, 2024						
Nine Months Ended September 30, 2024						
Net Unrealized Gain on Available for Sale Securities	$ 1,403	$ (403)	$ 1,000	$ 16,141	$ (4,639)	$ 11,502
Less: Reclassification Adjustment for Net Gains Included in Net Income	(413)	119	(294)	(385)	111	(274)
Total Unrealized Gain	990	(284)	706	15,756	(4,528)	11,228
Net Unrealized Gain on Cash Flow Hedge	7,748	(2,227)	5,521	987	(284)	703
Less: Reclassification Adjustment for Gains Included in Net Income	(4,632)	1,331	(3,301)	(7,158)	2,057	(5,101)
Total Unrealized Gain	3,116	(896)	2,220			
Total Unrealized Loss				(6,171)	1,773	(4,398)
Other Comprehensive Income	$ 4,106	$ (1,180)	$ 2,926	$ 9,585	$ (2,755)	$ 6,830
Six Months Ended June 30, 2023						
Nine Months Ended September 30, 2023						

Net Unrealized Loss on Available for Sale Securities	$ (4,187)	$ 1,204	$ (2,983)	$ (14,338)	$ 4,121	$ (10,217)
Less: Reclassification Adjustment for Net Losses Included in Net Income	6	(2)	4	6	(2)	4
Total Unrealized Loss	(4,181)	1,202	(2,979)	(14,332)	4,119	(10,213)
Net Unrealized Gain on Cash Flow Hedge	2,404	(690)	1,714	10,167	(2,921)	7,246
Less: Reclassification Adjustment for Gains Included in Net Income	(2,387)	686	(1,701)	(4,010)	1,153	(2,857)
Total Unrealized Gain	17	(4)	13	6,157	(1,768)	4,389
Other Comprehensive Loss	$ (4,164)	$ 1,198	$ (2,966)	$ (8,175)	$ 2,351	$ (5,824)

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The following tables present the changes in each component of accumulated other comprehensive income, net of tax, for the three and six nine months ended June 30, 2024 September 30, 2024 and 2023:

(dollars in thousands)	Available For Sale Securities	Cash Flow Hedge	Accumulated Other Comprehensive Income (Loss)	Available For Sale Securities	Cash Flow Hedge	Accumulated Other Comprehensive Income (Loss)
Three Months Ended June 30, 2024						
Three Months Ended September 30, 2024						
Balance at Beginning of Period	$ (31,618)	$ 15,902	$ (15,716)	$ (31,014)	$ 15,694	$ (15,320)
Other Comprehensive Income Before Reclassifications	832	1,451	2,283	10,502	(4,818)	5,684
Amounts Reclassified from Accumulated Other Comprehensive Income	(228)	(1,659)	(1,887)	20	(1,800)	(1,780)
Net Other Comprehensive Income During Period	604	(208)	396	10,522	(6,618)	3,904
Balance at End of Period	$ (31,014)	$ 15,694	$ (15,320)	$ (20,492)	$ 9,076	$ (11,416)
Three Months Ended June 30, 2023						
Three Months Ended September 30, 2023						
Balance at Beginning of Period	$ (30,347)	$ 12,451	$ (17,896)	$ (37,103)	$ 16,195	$ (20,908)
Other Comprehensive Income (Loss) Before Reclassifications	(6,720)	4,685	(2,035)	(7,234)	5,532	(1,702)
Amounts Reclassified from Accumulated Other Comprehensive Income	(36)	(941)	(977)	—	(1,156)	(1,156)
Net Other Comprehensive Income (Loss) During Period	(6,756)	3,744	(3,012)	(7,234)	4,376	(2,858)
Balance at End of Period	$ (37,103)	$ 16,195	$ (20,908)	$ (44,337)	$ 20,571	$ (23,766)

(dollars in thousands)	Available For Sale Securities	Cash Flow Hedge	Accumulated Other Comprehensive Income (Loss)
Six Months Ended June 30, 2024			
Balance at Beginning of Period	$ (31,720)	$ 13,474	$ (18,246)
Other Comprehensive Income Before Reclassifications	1,000	5,521	6,521
Amounts Reclassified from Accumulated Other Comprehensive Income	(294)	(3,301)	(3,595)
Net Other Comprehensive Income During Period	706	2,220	2,926
Balance at End of Period	$ (31,014)	$ 15,694	$ (15,320)
Six Months Ended June 30, 2023			
Balance at Beginning of Period	$ (34,124)	$ 16,182	$ (17,942)
Other Comprehensive Income (Loss) Before Reclassifications	(2,983)	1,714	(1,269)
Amounts Reclassified from Accumulated Other Comprehensive Income	4	(1,701)	(1,697)
Net Other Comprehensive Income (Loss) During Period	(2,979)	13	(2,966)
Balance at End of Period	$ (37,103)	$ 16,195	$ (20,908)

Note 15: Subsequent Events

On July 23, 2024, the Board of Directors of the Company extended the expiration date of the Company's previously announced stock repurchase program (the "2022 Stock Repurchase Program") from August 16, 2024 to August 20, 2025. As of July 23, 2024, the 2022 Stock Repurchase Program had $15.3 million remaining under its repurchase authorization.

On July 24, 2024 October 23, 2024, the Company's Board of Directors announced a quarterly cash dividend of $36.72 per share ($0.3672 per depositary share) on its 5.875% Non-Cumulative Perpetual Preferred Stock, Series A ("Series A Preferred Stock"), payable on September 3, 2024 December 2, 2024, to shareholders of record on the Series A Preferred Stock at the close of business on August 15, 2024 November 15, 2024.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

General

The following discussion explains the Company's financial condition and results of operations as of and for the three and six nine months ended June 30, 2024 September 30, 2024. Annualized results for these interim periods may not be indicative of results for the full year or future periods. The following discussion and analysis should be read in conjunction with the consolidated financial statements and related *notes presented elsewhere in this report and the Company's Annual Report on Form 10-K for the year ended December 31, 2023, filed with the Securities and Exchange Commission, or the SEC, on March 7, 2024.*

Forward-Looking Statements

This Quarterly Report on Form 10-Q contains "forward-looking statements" within the meaning of the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995. Forward-looking statements include, without limitation, statements concerning plans, estimates, calculations, forecasts and projections with respect to the anticipated future performance of the Company. These statements are often, but not always, identified by words such as "may", "might", "should", "could", "predict", "potential", "believe", "expect", "continue", "will", "anticipate", "seek", "estimate", "intend", "plan", "projection", "would", "annualized", "target" and "outlook", or the negative version of those words or other comparable words of a future or forward-looking nature. Forward-looking statements are neither historical facts nor assurances of future performance. Instead, they are based only on our current beliefs, expectations and assumptions regarding our business, future plans and strategies, projections, anticipated events and trends, the economy and other future conditions. Because forward-looking statements relate to the future, they are subject to

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inherent uncertainties, risks and changes in circumstances that are difficult to predict and many of which are outside of our control. Our actual results and financial condition may differ materially from those indicated in the forward-looking statements. Therefore, you should not rely on any of these forward-looking statements. Important factors that could cause our actual results and financial condition to differ materially from those indicated in the forward-looking statements include, among others, the following:

- interest rate risk, including the effects of sustained high changes in the interest rates; rate environment;
- fluctuations in the values of the securities held in our securities portfolio, including as the result of changes in interest rates;
- business and economic conditions generally and in the financial services industry, nationally and within our market area, including high rates the level and impact of inflation and possible recession;
- the effects of developments and events in the financial services industry, including the large-scale deposit withdrawals over a short period of time that resulted in recent bank failures;
- loan concentrations in our loan portfolio;
- the overall health of the local and national real estate market;
- the ability to successfully manage credit risk;
- the ability to maintain an adequate level of allowance for credit losses on loans;
- new or revised accounting standards;
- the concentration of large loans to certain borrowers;
- the concentration of large deposits from certain clients, including those who have balances above current Federal Deposit Insurance Corporation ("FDIC") insurance limits;
- the ability to successfully manage liquidity risk, which may increase the dependence on non-core funding sources such as brokered deposits, and negatively impact our cost of funds;
- the ability to raise additional capital to implement our business plan;
- the ability to implement our growth strategy and manage costs effectively;
- the composition of the Company's senior leadership team and the ability to attract and retain key personnel;

- talent and labor shortages and employee turnover;
- the occurrence of fraudulent activity, breaches or failures of our third party vendors' information security controls or cybersecurity-related incidents, including as a result of sophisticated attacks using artificial intelligence and similar tools;
- interruptions involving our information technology and telecommunications systems or third-party servicers;
- competition in the financial services industry, including from nonbank competitors such as credit unions and "fintech" companies;
- the effectiveness of the risk management framework;
- the commencement and outcome of litigation and other legal proceedings and regulatory actions against us;
- the impact of recent and future legislative and regulatory changes, including in response to recent bank failures;
- risks related to climate change and the negative impact it may have on our clients and their businesses;
- the imposition of other governmental policies impacting the value of products produced by our commercial borrowers;
- severe weather, natural disasters, wide spread disease or pandemics, acts of war or terrorism, or other adverse external events, including the ongoing Israeli-Palestinian conflict in the Middle East and the Russian invasion of Ukraine;
- potential impairment to the goodwill the Company recorded in connection with a past acquisition; acquisitions;
- the risks associated with our ongoing acquisition of First Minnetonka City Bank, including the possibility that the merger may be more difficult or expensive to accomplish than anticipated, diversion of management's attention from daily operations and the effect of the proposed merger on the Company's customer and employee relationships and operating results;
- changes to U.S. or state tax laws, regulations and guidance;

- potential changes in federal policy and at regulatory agencies as a result of the upcoming 2024 presidential election; and
- any other risks described in the "Risk Factors" section of this report and in other reports filed by Bridgewater Bancshares, Inc. with the Securities and Exchange Commission.

The foregoing factors should not be construed as exhaustive and should be read together with the other cautionary statements included in this report. In addition, past results of operations are not necessarily indicative of future results. Any forward-looking statement made by us in this report is based only on information currently available to us and speaks only as of the date on which it is made. The Company undertakes no obligation to publicly update any forward-looking statement, whether written or oral, that may be made from time to time, whether as a result of new information, future developments or otherwise.

Overview

The Company is a financial holding company headquartered in St. Louis Park, Minnesota. The principal sources of funds for loans and investments are transaction, savings, time, and other deposits, and short-term and long-term borrowings. The Company's principal sources of income are interest and fees collected on loans, interest and dividends earned on investment securities and service charges. The Company's principal expenses are interest paid on deposit accounts and borrowings, employee compensation and other overhead expenses. The Company's simple, efficient business model of providing responsive support and unconventional experiences to clients continues to be the underlying principle that drives the Company's profitable growth.

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Critical Accounting Policies and Estimates

The consolidated financial statements of the Company are prepared based on the application of certain accounting policies, the most significant of which are described in "Note 1 – Description of the Business and Summary of Significant Accounting Policies" of the notes to the consolidated financial statements included as a part of the Company's most recent Annual Report on Form 10-K, filed with the SEC on March 7, 2024. There have been no significant changes in the critical accounting policies or the assumptions and judgments utilized in applying these policies since December 31, 2023. Certain policies require numerous estimates and strategic or economic assumptions that may prove inaccurate or subject to variation and may significantly affect the reported results and financial position for the current period or in future periods. The use of estimates, assumptions, and judgments are necessary when financial assets and liabilities are required to be recorded or adjusted to reflect fair value. Assets carried at fair value inherently result in more financial statement volatility. Fair values and information used to record valuation adjustments for certain assets and liabilities are based on either quoted market prices or are provided by other independent third-party sources, when available. When such information is not available, management estimates valuation adjustments. Changes in underlying factors, assumptions or estimates in any of these areas could have a material impact on the future financial condition and results of operations. Management has discussed each critical accounting policy and the methodology for the identification and determination of critical accounting policies with the Company's Audit Committee.

Recent Developments

On August 28, 2024, the Company and FMB jointly announced the signing of a definitive merger agreement under which Bridgewater Bank will acquire First Minnetonka City Bank, the wholly-owned banking subsidiary of FMB, in an all-cash transaction.

On October 23, 2024, the Company announced the receipt of all necessary regulatory approvals for the transaction. The acquisition is expected to close in the fourth quarter of 2024, subject to the satisfaction of remaining closing conditions. At the closing of the transaction, First Minnetonka City Bank will merge with and into Bridgewater Bank, with Bridgewater Bank as the surviving entity. The combined organization is expected to have approximately $4.9 billion in total assets, $4.0 billion in deposits, $3.9 billion in loans and leases, and nine full-service branches across the Twin Cities.

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Operating Results Overview

The following table summarizes certain key financial results as of and for the periods indicated:

	As of and for the Three Months Ended					As of and for the Three Months Ended				
	June 30,	March 31	December 31,	September 30,	June 30,	September 30,	June 30	March 31,	December 31,	September 30,
(dollars in thousands, except per share data)	2024	2024	2023	2023	2023	2024	2024	2024	2023	2023
Income Statement										
Net Interest Income	$ 24,996	$ 24,631	$ 25,314	$ 25,421	$ 25,872	$ 25,599	$ 24,996	$ 24,631	$ 25,314	$ 25,421
Provision for (Recovery of) Credit Losses	600	750	(250)	(600)	50	—	600	750	(250)	(600)

Noninterest Income	1,763	1,550	1,409	1,726	1,415	1,522	1,763	1,550	1,409	1,726
Noninterest Expense	15,539	15,189	15,740	15,237	14,274	15,760	15,539	15,189	15,740	15,237
Net Income	8,115	7,831	8,873	9,629	9,816	8,675	8,115	7,831	8,873	9,629
Net Income Available to Common Shareholders	7,101	6,818	7,859	8,616	8,802	7,662	7,101	6,818	7,859	8,616
Per Common Share Data										
Basic Earnings Per Share	$ 0.26	$ 0.25	$ 0.28	$ 0.31	$ 0.32	$ 0.28	$ 0.26	$ 0.25	$ 0.28	$ 0.31
Diluted Earnings Per Share	0.26	0.24	0.28	0.30	0.31	0.27	0.26	0.24	0.28	0.30
Book Value Per Share	13.63	13.30	12.94	12.47	12.25	14.06	13.63	13.30	12.94	12.47
Tangible Book Value Per Share (1)	13.53	13.20	12.84	12.37	12.15	13.96	13.53	13.20	12.84	12.37
Basic Weighted Average Shares Outstanding	27,386,713	27,691,401	27,870,430	27,943,409	27,886,425	27,382,798	27,386,713	27,691,401	27,870,430	27,943,409
Diluted Weighted Average Shares Outstanding	27,748,184	28,089,805	28,238,056	28,311,778	28,198,739	27,904,910	27,748,184	28,089,805	28,238,056	28,311,778
Shares Outstanding at Period End	27,348,049	27,589,827	27,748,965	28,015,505	27,973,995	27,425,690	27,348,049	27,589,827	27,748,965	28,015,505
Selected Performance Ratios										
Return on Average Assets (2)	0.70 %	0.69 %	0.77 %	0.85 %	0.88 %	0.73 %	0.70 %	0.69 %	0.77 %	0.85 %
Pre-Provision Net Revenue Return on Average Assets (1)(2)	0.94	0.95	0.96	1.01	1.16	0.96	0.94	0.95	0.96	1.01
Return on Average Shareholders' Equity (2)	7.49	7.35	8.43	9.23	9.69	7.79	7.49	7.35	8.43	9.23
Return on Average Tangible Common Equity (1)(2)	7.80	7.64	8.95	9.92	10.48	8.16	7.80	7.64	8.95	9.92

Average Shareholders' Equity to Average Assets	9.37	9.32	9.15	9.19	9.06	9.42	9.37	9.32	9.15	9.19
Net Interest Margin (3)	2.24	2.24	2.27	2.32	2.40	2.24	2.24	2.24	2.27	2.32
Core Net Interest Margin (1)(3)	2.17	2.18	2.21	2.24	2.31	2.16	2.17	2.18	2.21	2.24
Yield on Interest Earning Assets(3)	5.41	5.28	5.22	5.14	5.06	5.48	5.41	5.28	5.22	5.14
Yield on Total Loans, Gross(3)	5.50	5.38	5.33	5.26	5.19	5.57	5.50	5.38	5.33	5.26
Cost of Interest Bearing Liabilities	4.19	4.03	3.97	3.81	3.59	4.27	4.19	4.03	3.97	3.81
Cost of Total Deposits	3.46	3.32	3.19	2.99	2.66	3.58	3.46	3.32	3.19	2.99
Cost of Funds	3.49	3.34	3.23	3.10	2.91	3.54	3.49	3.34	3.23	3.10
Efficiency Ratio (1)	58.7	58.2	58.8	56.1	52.3	58.0	58.7	58.2	58.8	56.1
Noninterest Expense to Average Assets (2)	1.35	1.33	1.37	1.34	1.28	1.33	1.35	1.33	1.37	1.34
Balance Sheet										
Total Assets	$ 4,687,035	$ 4,723,109	$ 4,611,990	$ 4,557,070	$ 4,603,185	$ 4,691,517	$ 4,687,035	$ 4,723,109	$ 4,611,990	$ 4,557,070
Total Loans, Gross	3,800,385	3,784,205	3,724,282	3,722,271	3,736,211	3,685,590	3,800,385	3,784,205	3,724,282	3,722,271
Deposits	3,807,712	3,807,225	3,709,948	3,675,509	3,577,932	3,747,442	3,807,712	3,807,225	3,709,948	3,675,509
Total Shareholders' Equity	439,241	433,611	425,515	415,960	409,126	452,200	439,241	433,611	425,515	415,960
Loan to Deposit Ratio	99.8 %	99.4 %	100.4 %	101.3 %	104.4 %	98.3 %	99.8 %	99.4 %	100.4 %	101.3 %
Core Deposits to Total Deposits (4)	67.9	69.3	68.7	70.3	70.3	71.5	67.9	69.3	68.7	70.3
Uninsured Deposits to Total Deposits	22.5	26.0	24.3	22.2	22.1	25.0	22.5	26.0	24.3	22.2
Capital Ratios (Consolidated) (6)										
Tier 1 Leverage Ratio	9.66 %	9.66 %	9.57 %	9.62 %	9.47 %	9.75 %	9.66 %	9.66 %	9.57 %	9.62 %
Common Equity Tier 1 Risk-based Capital Ratio	9.41	9.21	9.16	9.07	8.72	9.79	9.41	9.21	9.16	9.07

Tier 1 Risk-based Capital Ratio	11.03	10.83	10.79	10.69	10.33	11.44	11.03	10.83	10.79	10.69
Total Risk-based Capital Ratio	14.16	14.00	13.97	13.88	13.50	14.62	14.16	14.00	13.97	13.88
Tangible Common Equity to Tangible Assets (1)	7.90	7.72	7.73	7.61	7.39	8.17	7.90	7.72	7.73	7.61

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	As of and for the Three Months Ended					As of and for the Three Months Ended				
(dollars in thousands)	June 30, 2024	March 31 2024	December 31, 2023	September 30, 2023	June 30, 2023	September 30, 2024	June 30 2024	March 31, 2024	December 31, 2023	September 30, 2023
Selected Asset Quality Data										
Loans 30-89 Days Past Due	$ 502	$ —	$ 15,110	$ 11	$ —	$ 65	$ 502	$ —	$ 15,110	$ 11
Loans 30-89 Days Past Due to Total Loans	0.01 %	0.00 %	0.41 %	0.00 %	0.00 %	0.00 %	0.01 %	0.00 %	0.41 %	0.00 %
Nonperforming Loans	$ 678	$ 249	$ 919	$ 749	$ 662	$ 8,378	$ 678	$ 249	$ 919	$ 749
Nonperforming Loans to Total Loans	0.02 %	0.01 %	0.02 %	0.02 %	0.02 %	0.23 %	0.02 %	0.01 %	0.02 %	0.02 %
Nonaccrual Loans to Total Loans	0.02	0.01	0.02	0.02	0.02	0.23	0.02	0.01	0.02	0.02
Nonaccrual Loans and Loans Past Due 90 Days and Still Accruing to Total Loans	0.02	0.01	0.02	0.02	0.02	0.23	0.02	0.01	0.02	0.02
Foreclosed Assets	$ —	$ 20	$ —	$ —	$ 116	$ 434	$ —	$ 20	$ —	$ —

Nonperforming Assets (5)	678	269	919	749	778	8,812	678	269	919	749
Nonperforming Assets to Total Assets (5)	0.01 %	0.01 %	0.02 %	0.02 %	0.02 %	0.19 %	0.01 %	0.01 %	0.02 %	0.02 %
Allowance for Credit Losses on Loans to Total Loans	1.37	1.36	1.36	1.36	1.36	1.38	1.37	1.36	1.36	1.36
Allowance for Credit Losses on Loans to Nonaccrual Loans	7,662.09	20,621.29	5,494.45	6,753.67	7,658.76	608.95	7,662.09	20,621.29	5,494.45	6,753.67
Net Loan Charge-Offs to Average Loans (2)	0.00	0.00	0.01	0.01	0.00	0.10	0.00	0.00	0.01	0.01
Watchlist Risk Rating Loans	$ 30,436	$ 21,624	$ 26,485	$ 26,877	$ 27,215	$ 31,991	$ 30,436	$ 21,624	$ 26,485	$ 26,877
Substandard Risk Rating Loans	33,908	33,829	33,858	35,621	33,821	31,637	33,908	33,829	33,858	35,621

(1) Represents a non-GAAP financial measure. See "Non-GAAP Financial Measures" for further details.
(2) Annualized.
(3) Amounts calculated on a tax-equivalent basis using the statutory federal tax rate of 21%.
(4) Core deposits are defined as total deposits less brokered deposits and certificates of deposit greater than $250,000.
(5) Nonperforming assets are defined as nonaccrual loans plus 90 days past due plus foreclosed assets.

Discussion and Analysis of Results of Operations

Net Income

Net income was $8.1 million $8.7 million for the second third quarter of 2024, compared to net income of $9.8 million $9.6 million for the second third quarter of 2023. Earnings per diluted common share for the second third quarter of 2024 were $0.26, $0.27, compared to $0.31 $0.30 per diluted common share for the second third quarter of 2023. Net income was $15.9 million $24.6 million for the six nine months ended June 30, 2024 September 30, 2024, compared to net income of $21.5 million $31.1 million for the six nine months ended June 30, 2023 September 30, 2023. Earnings per diluted common share for the six nine months ended June 30, 2024 September 30, 2024 were $0.50, $0.77, compared to $0.69 $0.99 per diluted common share for the six nine months ended June 30, 2023 September 30, 2023.

Net Interest Income

The Company's primary source of revenue is net interest income, which is impacted by the level of interest earning assets and related funding sources, as well as changes in interest rates. The difference between the average yield on earning assets and the average rate paid for interest bearing liabilities is the net interest spread. Noninterest bearing sources of funds, such as demand deposits and shareholders' equity, also support earning assets. The impact of the noninterest bearing sources of funds is captured in the net interest margin, which is calculated as net interest income divided by average earning assets. Both the net interest margin and net interest spread are presented on a tax-equivalent basis, which means that tax-free interest income has been adjusted to pretax-equivalent income, assuming a 21% federal tax rate. Management's ability to respond to changes in interest rates by using effective asset-liability management techniques is critical to managing net interest margin and the Company's primary source of earnings.

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Average Balances and Yields

The following tables present, for the three and six nine months ended June 30, 2024 September 30, 2024 and 2023, the average balances of each principal category of assets, liabilities and shareholders' equity, and an analysis of net interest income. The average balances are principally daily averages and, for loans, include both performing and nonperforming balances. Interest income on loans includes the effects of net deferred loan origination fees and costs accounted for as yield adjustments. These tables are presented on a tax-equivalent basis, if applicable.

	For the Three Months Ended						For the Three Months Ended					
	June 30, 2024			June 30, 2023			September 30, 2024			September 30, 2023		
	Average Balance	Interest & Fees	Yield/ Rate	Average Balance	Interest & Fees	Yield/ Rate	Average Balance	Interest & Fees	Yield/ Rate	Average Balance	Interest & Fees	Yield/ Rate
(dollars in thousands)												
Interest Earning Assets:												
Cash Investments	$ 81,672	$ 922	4.54 %	$ 59,963	$ 587	3.93 %	$ 157,114	$ 1,971	4.99 %	$ 81,038	$ 903	4.42 %
Investment Securities:												
Taxable Investment Securities	641,469	7,861	4.93	568,143	6,000	4.24	668,429	8,406	5.00	565,008	6,234	4.38
Tax-Exempt Investment Securities (1)	31,550	401	5.11	27,081	300	4.44	31,496	402	5.08	29,955	346	4.58
Total Investment Securities	673,019	8,262	4.94	595,224	6,300	4.24	699,925	8,808	5.01	594,963	6,580	4.39
Loans (1)(2)	3,771,768	51,592	5.50	3,716,534	48,066	5.19	3,721,654	52,118	5.57	3,722,594	49,326	5.26
Federal Home Loan Bank Stock	19,461	394	8.15	23,330	456	7.84	16,828	436	10.31	17,829	400	8.89
Total Interest Earning Assets	4,545,920	61,170	5.41 %	4,395,051	55,409	5.06 %	4,595,521	63,333	5.48 %	4,416,424	57,209	5.14 %
Noninterest Earning Assets	100,597			88,611			108,283			88,513		
Total Assets	$ 4,646,517			$ 4,483,662			$4,703,804			$4,504,937		
Interest Bearing Liabilities:												
Deposits:												
Interest Bearing Transaction Deposits	$ 732,923	$ 8,270	4.54 %	$ 683,034	$ 5,918	3.48 %	$ 804,161	$ 9,369	4.63 %	$ 730,244	$ 7,136	3.88 %
Savings and Money Market Deposits	914,397	9,459	4.16	861,947	7,048	3.28	939,665	10,262	4.34	874,612	8,089	3.67
Time Deposits	360,691	3,850	4.30	269,439	1,702	2.53	355,050	3,918	4.39	266,635	1,962	2.92

Brokered Deposits	976,467	10,039	4.13	896,989	8,330	3.72	989,712	10,638	4.28	985,276	10,038	4.04
Total Interest Bearing Deposits	2,984,478	31,618	4.26	2,711,409	22,998	3.40	3,088,588	34,187	4.40	2,856,767	27,225	3.78
Federal Funds Purchased	61,151	853	5.61	210,677	2,761	5.26	141	2	5.72	39,641	548	5.48
Notes Payable	13,750	296	8.64	13,750	285	8.33	13,750	296	8.58	13,750	296	8.58
FHLB Advances	306,396	2,125	2.79	242,714	2,092	3.46	309,120	1,942	2.50	275,261	2,316	3.34
Subordinated Debentures	79,424	990	5.02	79,041	993	5.04	79,519	1,001	5.01	79,137	1,003	5.03
Total Interest Bearing Liabilities	3,445,199	35,882	4.19 %	3,257,591	29,129	3.59 %	3,491,118	37,428	4.27 %	3,264,556	31,388	3.81 %
Noninterest Bearing Liabilities:												
Noninterest Bearing Transaction Deposits	691,891			755,040			710,192			754,567		
Other Noninterest Bearing Liabilities	73,842			64,684			59,417			71,767		
Total Noninterest Bearing Liabilities	765,733			819,724			769,609			826,334		
Shareholders' Equity	435,585			406,347			443,077			414,047		
Total Liabilities and Shareholders' Equity	$ 4,646,517			$ 4,483,662			$4,703,804			$4,504,937		
Net Interest Income / Interest Rate Spread		25,288	1.22 %		26,280	1.47 %		25,905	1.21 %		25,821	1.33 %
Net Interest Margin (3)			2.24 %			2.40 %			2.24 %			2.32 %
Taxable Equivalent Adjustment:												
Tax-Exempt Investment Securities and Loans		(292)			(408)			(306)			(400)	
Net Interest Income		$ 24,996			$ 25,872			$25,599			$25,421	

(1) Interest income and average rates for tax-exempt investment securities and loans are presented on a tax-equivalent basis, assuming a federal income tax rate of 21%.

(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 includes the tax equivalent adjustment and represents the annualized results of: (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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	For the Six Months Ended						For the Nine Months Ended					
	June 30, 2024			June 30, 2023			September 30, 2024			September 30, 2023		
(dollars in thousands)	Average Balance	Interest & Fees	Yield/ Rate	Average Balance	Interest & Fees	Yield/ Rate	Average Balance	Interest & Fees	Yield/ Rate	Average Balance	Interest & Fees	Yield/ Rate
Interest Earning Assets:												
Cash Investments	$ 78,380	$ 1,751	4.49 %	$ 61,599	$ 1,034	3.38 %	$ 104,831	$ 3,722	4.74 %	$ 68,150	$ 1,937	3.80 %
Investment Securities:												
Taxable Investment Securities	639,989	15,461	4.86	571,176	11,958	4.22	649,538	23,867	4.91	569,097	18,192	4.27
Tax-Exempt Investment Securities (1)	31,648	801	5.09	28,435	629	4.46	31,597	1,203	5.09	28,947	975	4.50
Total Investment Securities	671,637	16,262	4.87	599,611	12,587	4.23	681,135	25,070	4.92	598,044	19,167	4.29
Loans (1)(2)	3,750,561	101,450	5.44	3,673,728	93,332	5.12	3,740,855	153,568	5.48	3,690,196	142,659	5.17
Federal Home Loan Bank Stock	18,760	737	7.90	24,639	828	6.77	18,111	1,173	8.65	22,343	1,228	7.34
Total Interest Earning Assets	4,519,338	120,200	5.35 %	4,359,577	107,781	4.99 %	4,544,932	183,533	5.39 %	4,378,733	164,991	5.04 %
Noninterest Earning Assets	100,340			85,087			102,993			86,243		
Total Assets	$4,619,678			$4,444,664			$4,647,925			$4,464,976		
Interest Bearing Liabilities:												
Deposits:												
Interest Bearing Transaction Deposits	$ 733,714	$ 15,963	4.38 %	$ 570,964	$ 8,698	3.07 %	$ 757,409	$ 25,332	4.47 %	$ 625,531	$ 15,833	3.38 %

Savings and Money Market Deposits	905,620	18,240	4.05	952,865	13,547	2.87	917,051	28,502	4.15	926,494	21,636	3.12
Time Deposits	339,143	7,017	4.16	258,865	2,771	2.16	344,484	10,935	4.24	261,474	4,734	2.42
Brokered Deposits	995,332	20,588	4.16	820,651	14,356	3.53	993,445	31,226	4.20	876,130	24,394	3.72
Total Interest Bearing Deposits	2,973,809	61,808	4.18	2,603,345	39,372	3.05	3,012,389	95,995	4.26	2,689,629	66,597	3.31
Federal Funds Purchased	41,487	1,157	5.61	312,329	7,705	4.97	27,605	1,159	5.61	220,434	8,253	5.01
Notes Payable	13,750	591	8.64	13,750	548	8.03	13,750	887	8.62	13,750	844	8.21
FHLB Advances	312,522	4,383	2.82	185,785	2,953	3.21	311,380	6,325	2.71	215,938	5,269	3.26
Subordinated Debentures	79,376	1,981	5.02	78,994	1,976	5.05	79,424	2,982	5.02	79,042	2,979	5.04
Total Interest Bearing Liabilities	3,420,944	69,920	4.11 %	3,194,203	52,554	3.32 %	3,444,548	107,348	4.16 %	3,218,793	83,942	3.49 %
Noninterest Bearing Liabilities:												
Noninterest Bearing Transaction Deposits	695,373			786,009			700,308			774,523		
Other Noninterest Bearing Liabilities	71,445			59,504			67,405			63,646		
Total Noninterest Bearing Liabilities	766,818			845,513			767,713			838,169		
Shareholders' Equity	431,916			404,948			435,664			408,014		
Total Liabilities and Shareholders' Equity	$4,619,678			$4,444,664			$4,647,925			$4,464,976		
Net Interest Income / Interest Rate Spread		50,280	1.24 %		55,227	1.67 %		76,185	1.23 %		81,049	1.55 %
Net Interest Margin (3)			2.24 %			2.55 %			2.24 %			2.47 %
Taxable Equivalent Adjustment:												
Tax-Exempt Investment Securities and Loans		(653)			(788)			(959)			(1,189)	

Net Interest Income	$ 49,627	$ 54,439	$ 75,226	$ 79,860

(1) Interest income and average rates for tax-exempt investment securities and loans are presented on a tax-equivalent basis, assuming a federal income tax rate of 21%.
(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 includes the tax equivalent adjustment and represents the annualized results of: (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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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 presents the effect that these factors had on the interest earned on interest earning assets and the interest incurred on 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. The changes not attributable specifically to either volume or rate have been allocated to the changes due to volume. The following tables present the changes in the volume and rate of interest bearing assets and liabilities for the three months ended June 30, 2024 September 30, 2024, compared to the three months ended June 30, 2023 September 30, 2023, and for the six nine months ended June 30, 2024 September 30, 2024, compared to the six nine months ended June 30, 2023 September 30, 2023:

	Three Months Ended June 30, 2024 Compared with Three Months Ended June 30, 2023			Three Months Ended September 30, 2024 Compared with Three Months Ended September 30, 2023		
	Change Due To:		Interest	Change Due To:		Interest
(dollars in thousands)	Volume	Rate	Variance	Volume	Rate	Variance
Interest Earning Assets:						
Cash Investments	$ 244	$ 91	$ 335	$ 952	$ 116	$ 1,068
Investment Securities:						
Taxable Investment Securities	882	979	1,861	1,283	889	2,172
Tax-Exempt Investment Securities	56	45	101	18	38	56
Total Securities	938	1,024	1,962	1,301	927	2,228
Loans	628	2,898	3,526	(143)	2,935	2,792
Federal Home Loan Bank Stock	(80)	18	(62)	(27)	63	36
Total Interest Earning Assets	$ 1,730	$ 4,031	$ 5,761	$ 2,083	$ 4,041	$ 6,124
Interest Bearing Liabilities:						
Interest Bearing Transaction Deposits	$ 547	$ 1,805	$ 2,352	$ 842	$ 1,391	$ 2,233
Savings and Money Market Deposits	525	1,886	2,411	689	1,484	2,173
Time Deposits	968	1,180	2,148	970	986	1,956
Brokered Deposits	794	915	1,709	19	581	600
Total Deposits	2,834	5,786	8,620	2,520	4,442	6,962
Federal Funds Purchased	(2,092)	184	(1,908)	(569)	23	(546)
Notes Payable	—	11	11	—	—	—
FHLB Advances	435	(402)	33	204	(578)	(374)
Subordinated Debentures	2	(5)	(3)	3	(5)	(2)
Total Interest Bearing Liabilities	1,179	5,574	6,753	2,158	3,882	6,040

Net Interest Income	$	551	$	(1,543)	$	(992)	$	(75)	$	159	$	84

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(dollars in thousands)	Six Months Ended June 30, 2024 Compared with Six Months Ended June 30, 2023			Nine Months Ended September 30, 2024 Compared with Nine Months Ended September 30, 2023		
	Change Due To:		Interest	Change Due To:		Interest
	Volume	Rate	Variance	Volume	Rate	Variance
Interest Earning Assets:						
Cash Investments	$ 378	$ 339	$ 717	$ 1,305	$ 480	$ 1,785
Investment Securities:						
Taxable Investment Securities	1,695	1,808	3,503	2,972	2,703	5,675
Tax-Exempt Investment Securities	84	88	172	102	126	228
Total Securities	1,779	1,896	3,675	3,074	2,829	5,903
Loans	2,345	5,773	8,118	2,223	8,686	10,909
Federal Home Loan Bank Stock	(229)	138	(91)	(274)	219	(55)
Total Interest Earning Assets	$ 4,273	$ 8,146	$ 12,419	$ 6,328	$ 12,214	$ 18,542
Interest Bearing Liabilities:						
Interest Bearing Transaction Deposits	$ 3,565	$ 3,700	$ 7,265	$ 4,426	$ 5,073	$ 9,499
Savings and Money Market Deposits	(914)	5,607	4,693	(273)	7,139	6,866
Time Deposits	1,669	2,577	4,246	2,639	3,562	6,201
Brokered Deposits	3,653	2,579	6,232	3,709	3,123	6,832
Total Deposits	7,973	14,463	22,436	10,501	18,897	29,398
Federal Funds Purchased	(7,530)	982	(6,548)	(8,087)	993	(7,094)
Notes Payable	—	43	43	—	43	43
FHLB Advances	1,786	(356)	1,430	1,943	(887)	1,056
Subordinated Debentures	15	(10)	5	18	(15)	3
Total Interest Bearing Liabilities	2,244	15,122	17,366	4,375	19,031	23,406
Net Interest Income	$ 2,029	$ (6,976)	$ (4,947)	$ 1,953	$ (6,817)	$ (4,864)

Comparison of Interest Income, Interest Expense, and Net Interest Margin, Interest Income, and Interest Expense

Second Third Quarter of 2024 Compared to Second Third Quarter of 2023

Net interest income was $25.0 million $25.6 million for the second third quarter of 2024, a decrease an increase of $876,000 $178,000 compared to $25.9 million $25.4 million for the second third quarter of 2023. The decrease increase in net interest income was primarily due to increased cash balances, growth and higher yields in the securities portfolio, and higher yields on loans, offset partially by growth and higher rates paid on deposits and growth in the rising interest rate environment, which outpaced the repricing of the loan and securities portfolios. deposits.

Net interest margin (on a fully tax-equivalent basis) for the second third quarter of 2024 was 2.24%, a 16 an eight basis point decline from 2.40% 2.32% in the second third quarter of 2023. Core net interest margin (on a fully tax-equivalent basis), a non-GAAP financial measure which excludes the impact of loan fees, was 2.17%2.16% for the secondthird quarter of 2024, a 14an eight basis point decline from 2.31%2.24% in the secondthird quarter of 2023. The decline in the margin was primarily due to higher funding costs, offset partially by higher earning asset yields.

Average interest earning assets were $4.55 billion$4.60 billion for the secondthird quarter of 2024, an increase of $150.9 million$179.1 million, or 3.4%4.1%, compared to $4.40 billion$4.42 billion for the secondthird quarter of 2023. This increase in average interest earning assets was primarily due to growth in the loan portfolioincreased cash balances and purchases of investment securities. Average interest bearing liabilities were $3.45 billion$3.49 billion for the secondthird quarter of 2024, an increase of $187.6 million$226.6 million, or 5.8%6.9%, compared to $3.26 billion for the secondthird quarter of 2023. The increase in average interest bearing liabilities was primarily due to an increase in all deposit types and FHLB advances, offset partially by a decrease in federal funds purchased.

Average interest earning assets produced a tax-equivalent yield of 5.41%5.48% for the secondthird quarter of 2024, compared to 5.06%5.14% for the secondthird quarter of 2023. The increase in the yield on interest earning assets was primarily due to the purchase of higher yielding securities and the growth and repricing of the loan and securities portfolios in the risinghigher interest rate environment. The average rate paid on interest bearing liabilities was 4.19%4.27% for the secondthird quarter of 2024, compared to

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2024, compared to 3.59%3.81% for the secondthird quarter of 2023. The increase was primarily due to continued deposit repricing which resulted from a rapid increase in market interest rates.the higher rate environment.

Interest Income. Total interest income, on a tax-equivalent basis, was $61.2 million$63.3 million for the secondthird quarter of 2024, compared to $55.4$57.2 million for the secondthird quarter of 2023. The $5.8$6.1 million, or 10.7%, increase in total interest income on a tax-equivalent basis was primarily due to growth in the loan portfolio, purchases of investment securities and higher earning asset yields in the risinghigher interest rate environment.

Interest income on the investment securities portfolio, on a tax-equivalent basis, increased $2.0 million$2.2 million for the secondthird quarter of 2024, compared to the secondthird quarter of 2023, primarily due to a $77.8 million$105.0 million, or 13.1%17.6%, increase in average balances between the two periods and higher rates earned on securities.

Interest income on loans, on a tax-equivalent basis, was $51.6$52.1 million for the secondthird quarter of 2024, compared to $48.1$49.3 million for the secondthird quarter of 2023. The $3.5 million$2.8 million increase was primarily due to growth andthe repricing of the loan portfolio in the risinghigher interest rate environment.

Loan interest income and loan fees remainremained one of the primary contributing factors to the changes in the yield on interest earning assets. The aggregate loan yield increased to 5.50%5.57% in the secondthird quarter of 2024, which was 31 basis points higher than 5.19%5.26% in the secondthird quarter of 2023. Despite the overall decrease in fee recognition, theThe core loan yield continuescontinued to rise as new loan originationsloans originated at higher yields and the existing portfolio reprice in the higher rate environment.

The following table presents a summary of interest and fees recognized on loans for the periods indicated:

	Three Months Ended					Three Months Ended			
	June 30, 2024	March 31, 2024	December 31, 2023	September 30, 2023	June 30, 2023	September 30, 2024	June 30, 2024	March 31, 2024	December 31, 202
Interest	5.42 %	5.31 %	5.25 %	5.16 %	5.09 %	5.47 %	5.42 %	5.31 %	5.25
Fees	0.08	0.07	0.08	0.10	0.10	0.10	0.08	0.07	0.08
Yield on Loans	5.50 %	5.38 %	5.33 %	5.26 %	5.19 %	5.57 %	5.50 %	5.38 %	5.33

Interest Expense. Interest expense on interest bearing liabilities was $35.9 million$37.4 million for the secondthird quarter of 2024, an increase of $6.8 million$6.0 million, from $29.1 million$31.4 million for the secondthird quarter of 2023. The increase was primarily due to growth and upward repricing of the deposit portfolio in the higher interest rate environment, offset partially by an overall decrease in borrowings. environment.

Interest expense on deposits was $31.6 million $34.2 million for the second third quarter of 2024, an increase of $8.6 million $7.0 million, from $23.0 million $27.2 million for the second third quarter of 2023. The increase in interest expense on deposits was primarily due to upward repricing of the deposit portfolio in the higher interest rate environment and the average balance of interest bearing deposits increasing by $273.1 million $231.8 million, or 10.1% 8.1%. The cost of total deposits was 3.46% 3.58% in the second third quarter of 2024, an 80 a 59 basis point increase, compared to 2.66% 2.99% in the second third quarter of 2023. The increase was primarily due to the upward repricing of the deposit portfolio in the higher interest rate environment.

Interest expense on borrowings was $4.3 million $3.2 million for the second third quarter of 2024, a decrease of $1.9 million, $921,000, compared to $6.1 million $4.2 million for the second third quarter of 2023. The decrease was primarily due to a decreased utilization of federal funds purchased. purchased and a decrease in the rate on FHLB advances.

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

Net interest income was $49.6 million $75.2 million for the six nine months ended June 30, 2024 September 30, 2024, a decrease of $4.8 million $4.6 million, or 8.8% 5.8%, compared to $54.4 million $79.9 million for the six nine months ended June 30, 2023 September 30, 2023. The decrease in net interest income was primarily due to growth and higher rates paid on deposits, and growth in the rising interest rate environment, offset partially by growth and higher earning asset yields. yields in the higher interest rate environment.

Net interest margin (on a fully tax-equivalent basis) for the six nine months ended June 30, 2024 September 30, 2024 was 2.24%, a 31 23 basis point decline from 2.55% 2.47% for the six nine months ended June 30, 2023 September 30, 2023. Core net interest margin (on a fully tax-

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equivalent tax-equivalent basis), a non-GAAP financial measure which excludes the impact of loan fees, was 2.18% 2.17% for the six nine months ended June 30, 2024 September 30, 2024, a 29 22 basis point decline from 2.47% 2.39% for the six nine months ended June 30, 2023 September 30, 2023.

Average interest earning assets were $4.52 billion $4.54 billion for the six nine months ended June 30, 2024 September 30, 2024, an increase of $159.8 million $166.2 million, or 3.7% 3.8%, compared to $4.36 billion $4.38 billion for the six nine months ended June 30, 2023 September 30, 2023. This increase in average interest earning assets was primarily due to organic growth in the loan portfolio, continued purchases of investment securities, and an increase in cash balances. Average interest bearing liabilities were $3.42 billion $3.44 billion for the six nine months ended June 30, 2024 September 30, 2024, an increase of $226.7 million $225.8 million, or 7.1% 7.0%, compared to $3.19 billion $3.22 billion for the six nine months ended June 30, 2023 September 30, 2023. The increase in average interest bearing liabilities was primarily due to an increase in interest bearing transaction deposits, time deposits, brokered deposits, and FHLB advances, offset partially by a decrease in federal funds purchased.

Average interest earning assets produced a tax-equivalent yield of 5.35% 5.39% for the six nine months ended June 30, 2024 September 30, 2024, compared to 4.99% 5.04% for the six nine months ended June 30, 2023 September 30, 2023. The average rate paid on interest bearing liabilities was 4.11% 4.16% for the six nine months ended June 30, 2024 September 30, 2024, compared to 3.32% 3.49% for the six nine months ended June 30, 2023 September 30, 2023.

Interest Income. Total interest income on a tax-equivalent basis was $120.2 million $183.5 million for the six nine months ended June 30, 2024 September 30, 2024, compared to $107.8 million $165.0 million for the six nine months ended June 30, 2023 September 30, 2023. The $12.4 million $18.5 million increase in total interest income on a tax-equivalent basis was primarily due to an increase in cash balances, organic growth in the loan portfolio, purchases of investment securities and higher earning asset yields in the rising higher interest rate environment.

Interest income on the investment securities portfolio, on a tax-equivalent basis, increased $3.7 million $5.9 million during the six nine months ended June 30, 2024 September 30, 2024, compared to the six nine months ended June 30, 2023 September 30, 2023, primarily due to a $72.0 million $83.1 million, or 12.0% 13.9%, increase in average balances and a 64 63 basis point increase in yield between the periods.

Interest income on loans, on a tax-equivalent basis, was $153.6 million for the six nine months ended June 30, 2024 was $101.5 million September 30, 2024, compared to $93.3 million $142.7 million for the six nine months ended June 30, 2023 September 30, 2023. The $8.1 million $10.9 million increase was primarily due to a 2.1% 1.4% increase in the average balances of loans outstanding and a 32 31 basis point increase in yield.

Interest Expense. Interest expense on interest bearing liabilities was $69.9 million $107.3 million for the six nine months ended June 30, 2024 September 30, 2024, an increase of $17.4 million $23.4 million, compared to $52.6 million $83.9 million for the six nine months ended June 30, 2023 September 30, 2023. The increases were increase was primarily due to higher rates paid on deposits growth and continued deposit repricing in the rising higher interest rate environment, and increased offset partially by decreased utilization of FHLB advances, offset partially be a decrease in federal funds purchased.

Interest expense on deposits increased to $61.8 million $96.0 million for the six nine months ended June 30, 2024 September 30, 2024, compared to $39.4 million $66.6 million for the six nine months ended June 30, 2023 September 30, 2023. The $22.4 million $29.4 million increase in interest expense on deposits was primarily due to upward repricing of the deposit portfolio in the higher interest rate environment.

Interest expense on borrowings was $8.1 million $11.4 million for the six nine months ended June 30, 2024 September 30, 2024, compared to $13.2 million $17.3 million for the six nine months ended June 30, 2023 September 30, 2023. This decrease was primarily due to lower average balances of federal funds purchased, offset partially by higher average balances of FHLB advances. purchased.

Provision for Credit Losses

The provision for credit losses on loans was $600,000 $-0- for both the second third quarter of 2024 compared to $550,000 for and the second third quarter of 2023. The provision for credit losses on loans was $1.5 million for the six nine months ended June 30, 2024 September 30, 2024, compared to $2.1 million for the six nine months ended June 30, 2023 September 30, 2023.The Although loans decreased during the quarter, increased loss rates and other qualitative factor adjustments resulted in no provision for credit losses on loans recorded in the second quarter of 2024 was primarily attributable to changes in the mix of the loan portfolio. quarter. The allowance for credit losses on loans to total loans was 1.37% 1.38% at June 30, 2024 September 30, 2024, compared to 1.36% at June 30, 2023 December 31, 2023.

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The following table presents a summary of the activity in the allowance for credit losses on loans for the periods indicated:

(dollars in thousands)	Three Months Ended June 30, 2024	Three Months Ended June 30, 2023	Six Months Ended June 30, 2024	Six Months Ended June 30, 2023	Three Months Ended September 30, 2024	Three Months Ended September 30, 2023	Nine Months Ended September 30, 2024	Nine Months Ended September 30, 2023
Balance at Beginning of Period	$ 51,347	$ 50,148	$ 50,494	$ 47,996	$51,949	$50,701	$50,494	$47,996
Impact of Adopting CECL	—	—	—	650	—	—	—	650
Provision for Credit Losses	600	550	1,450	2,050	—	—	1,450	2,050
Charge-offs	(10)	(3)	(12)	(7)	(937)	(122)	(949)	(129)
Recoveries	12	6	17	12	6	6	23	18
Balance at End of Period	$ 51,949	$ 50,701	$ 51,949	$ 50,701	$51,018	$50,585	$51,018	$50,585

There was no The provision for credit losses for off-balance sheet credit exposures was $-0- for the second third quarter of 2024, compared to a negative provision of $500,000 $600,000 for the second third quarter of 2023. No provision was recorded during the second third quarter of 2024 2024 due to unfunded commitments remaining stable as the migration to funded loans was offset by the volume of newly originated loans with unfunded commitments. The provision for credit losses for off-balance sheet exposures was a negative provision of $100,000 for the six nine months ended June 30, 2024 September 30, 2024, compared to a negative provision of $1.4 million $2.0 million for the six nine months ended June 30, 2023 September 30, 2023. The negative provision for both periods was due to a reduction in outstanding unfunded commitments. The allowance for credit losses on off-balance sheet credit exposures was $2.9 million as of second quarter of 2024, September 30, 2024, compared to $3.0 million as of December 31, 2023.

The following table presents a summary of the activity in the provision for credit losses for the periods indicated:

	Three Months Ended June 30,		Increase/	Six Months Ended June 30,		Increase/	Three Months Ended September 30,		Increase/	Nine Months Ended September 30,		Increase/
(dollars in thousands)	2024	2023	(Decrease)	2024	2023	(Decrease)	2024	2023	(Decrease)	2024	2023	(Decrease)
Provision for Credit Losses on Loans	$ 600	$ 550	$ 50	$1,450	$ 2,050	$ (600)	$ —	$ —	$ —	$1,450	$ 2,050	$ (600)
Provision for (Recovery of) Credit Losses for Off-Balance Sheet Credit Exposures	—	(500)	500	(100)	(1,375)	1,275	—	(600)	600	(100)	(1,975)	1,875
Provision for Credit Losses	$ 600	$ 50	$ 550	$1,350	$ 675	$ 675						
Provision for (Recovery of) Credit Losses							$ —	$ (600)	$ 600	$1,350	$ 75	$ 1,275

Noninterest Income

Noninterest income was $1.8 million $1.5 million for the second third quarter of 2024, an increase a decrease of $348,000 $204,000 from $1.4 million $1.7 million for the second third quarter of 2023. The increase decrease was primarily due to a net gain on sale $493,000 of securities and FHLB prepayment income recognized in the previous year which did not reoccur, offset partially by higher letter of credit fees, an increase in the cash surrender value of bank-owned life insurance. insurance and an increase in other income. Noninterest income was $3.3 million $4.8 million for the six nine months ended June 30, 2024 September 30, 2024, a decrease of $45,000 $249,000 from $3.4 million $5.1 million for the six nine months ended June 30, 2023 September 30, 2023. The decrease was primarily due to lower letter of credit fees and $299,000 $792,000 of FHLB prepayment income recognized in the previous year which did not reoccur, offset partially by an increase in net gain on sale of securities. securities and an increase in the cash surrender value of bank-owned life insurance.

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The following table presents the major components of noninterest income for the periods indicated:

	Three Months Ended June 30,		Increase/	Six Months Ended June 30,		Increase/	Three Months Ended September 30,		Increase/	Nine Months Ended September 30,		Increase/
(dollars in thousands)	2024	2023	(Decrease)	2024	2023	(Decrease)	2024	2023	(Decrease)	2024	2023	(Decrease)
Noninterest Income:												
Customer Service Fees	$ 366	$ 368	$ (2)	$ 708	$ 717	$ (9)	$ 373	$ 379	$ (6)	$1,081	$1,096	$ (15)
Net Gain (Loss) on Sales of Securities	320	50	270	413	(6)	419	(28)	—	(28)	385	(6)	391
Letter of Credit Fees	387	379	8	703	1,013	(310)	424	315	109	1,127	1,328	(201)
Debit Card Interchange Fees	155	155	—	296	293	3	152	150	2	448	443	5
Bank-Owned Life Insurance	312	238	74	613	472	141	352	252	100	965	724	241
FHLB Prepayment Income	—	—	—	—	299	(299)	—	493	(493)	—	792	(792)
Other Income	223	225	(2)	580	570	10	249	137	112	829	707	122
Totals	$ 1,763	$ 1,415	$ 348	$3,313	$3,358	$ (45)	$ 1,522	$ 1,726	$ (204)	$4,835	$5,084	$ (249)

Noninterest Expense

Second Third Quarter of 2024 Compared to Second Third Quarter of 2023

Noninterest expense was $15.5 million $15.8 million for the second third quarter of 2024, an increase of $1.3 million $523,000 from $14.3 million $15.2 million for the second third quarter of 2023. The increase was primarily attributable to increases in salaries and employee benefits, higher derivative collateral professional and consulting fees and relating to the acquisition of First Minnetonka City Bank, increases in information technology and telecommunications, and marketing and advertising expense, offset partially by a decrease in the FDIC insurance assessment. assessment andlower derivative collateral fees.

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

Noninterest expense was $30.7 million $46.5 million for the six nine months ended June 30, 2024 September 30, 2024, an increase of $2.4 million $2.9 million, from $28.3 million $43.6 million for the six nine months ended June 30, 2023 September 30, 2023. The increase was primarily attributable to increases in salaries and employee benefits higher derivative collateral fees and increases in information technology and communications,higher professional and consulting fees and data processing fees.

driven by the acquisition of First Minnetonka City Bank.

The Company had 258 265 full-time equivalent employees at the end of the second third quarter of 2024, compared to 253 255 at the end of the second third quarter of 2023.

Efficiency Ratio. The efficiency ratio, a non-GAAP financial measure, reports total noninterest expense, less amortization of intangible assets, as a percentage of net interest income plus total noninterest income, less gains (losses) on sales of securities. Management believes this non-GAAP financial measure provides a meaningful comparison of operational performance and facilitates investors' assessments of business performance and trends in comparison to peers in the banking industry.

The efficiency ratio was 58.7% 58.0% for the second third quarter of 2024, compared to 52.3% 56.1% for the second third quarter of 2023. The efficiency ratio for the six nine months ended June 30, 2024 September 30, 2024 and 2023 was 58.5% 58.3% and 48.9% 51.2%, respectively. The efficiencies of the Company's "branch-light" model have positioned the Company well to continue navigating a challenging environment for a more spread-based revenue model.

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The following table presents the major components of noninterest expense for the periods indicated:

	Three Months Ended June 30,		Increase/	Six Months Ended June 30,		Increase/	Three Months Ended September 30,		Increase/	Nine Months Ended September 30,		Increase/
(dollars in thousands)	2024	2023	(Decrease)	2024	2023	(Decrease)	2024	2023	(Decrease)	2024	2023	(Decrease)
Noninterest Expense:												
Salaries and Employee Benefits	$ 9,675	$ 8,589	$ 1,086	$19,108	$17,404	$ 1,704	$ 9,851	$ 9,519	$ 332	$28,959	$26,923	$ 2,036
Occupancy and Equipment	1,092	1,075	17	2,149	2,284	(135)	1,069	1,101	(32)	3,218	3,385	(167)
FDIC Insurance Assessment	725	900	(175)	1,600	1,565	35	750	1,075	(325)	2,350	2,640	(290)
Data Processing	472	401	71	884	758	126	368	392	(24)	1,252	1,150	102
Professional and Consulting Fees	852	829	23	1,741	1,584	157	1,149	715	434	2,890	2,299	591
Derivative Collateral Fees	528	404	124	1,014	784	230	381	543	(162)	1,395	1,327	68
Information Technology and Telecommunications	812	711	101	1,608	1,394	214	840	683	157	2,448	2,077	371
Marketing and Advertising	317	321	(4)	639	583	56	367	222	145	1,006	805	201
Intangible Asset Amortization	8	34	(26)	17	82	(65)	9	9	—	26	91	(65)
Other Expense	1,058	1,010	48	1,968	1,905	63	976	978	(2)	2,944	2,883	61
Totals	$ 15,539	$ 14,274	$ 1,265	$30,728	$28,343	$ 2,385	$ 15,760	$ 15,237	$ 523	$46,488	$43,580	$ 2,908

Income Tax Expense

The provision for income taxes includes both federal and state taxes. Fluctuations in effective tax rates reflect the differences in the inclusion or deductibility of certain income and expenses for income tax purposes and the recognition of tax credits. The Company's future effective income tax rate will fluctuate based on the mix of taxable and tax-free investments and loans, the recognition and availability of tax credit investments, and overall taxable income.

Income tax expense was $2.5 million $2.7 million for the second third quarter of 2024, compared to $3.1 $2.9 million for the second third quarter of 2023. The effective combined federal and state income tax rate for the second third quarter of 2024 was 23.6%, compared to 24.3% 23.0% for the second third quarter of 2023. Income tax expense was $4.9 million $7.6 million for the six nine months ended June 30, 2024 September 30, 2024, compared to $7.3 million $10.2 million for the six nine months ended June 30, 2023 September 30, 2023. The effective combined federal and state income tax rate for the six nine months ended June 30, 2024 September 30, 2024 and 2023 was 23.6% and 25.4% 24.7%, respectively. The decrease fluctuations in the effective tax rate across both periods was primarily due to the timing and delivery of tax credits.

Financial Condition

Assets

Total assets at June 30, 2024 September 30, 2024 were $4.69 billion, an increase of $75.0 million $79.5 million, or 1.6% 1.7%, over total assets of $4.61 billion at December 31, 2023, and an increase of $83.9 million $134.4 million, or 1.8% 3.0%, over total assets of $4.60 billion $4.56 billion at June 30, 2023 September 30, 2023. The year-to-date and year-over-year growth was were primarily due to organic loan growth. The year-over-year growth was primarily due to organic loan growth an increase in cash and cash equivalents and purchases of investment securities, offset partially by a decrease in cash and cash equivalents. securities.

Investment Securities Portfolio

The investment securities portfolio is used to make various term investments and is intended to provide the Company with adequate liquidity, a source of stable income, and at times, serve as collateral for certain types of deposits or borrowings. Investment balances in the investment securities portfolio are subject to change over time based on funding needs and interest rate risk management objectives. The liquidity levels take into account anticipated future cash flows and are maintained at levels management believes are appropriate to ensure future flexibility in meeting anticipated funding needs.

The investment securities portfolio consists primarily of U.S. government agency mortgage backed securities, municipal securities, and corporate securities comprised primarily of subordinated debentures of banks and financial holding companies. In addition, the Company also holds U.S. treasury securities, other mortgage backed and other debt securities, all with

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securities. The investment securities portfolio has varying contractual maturities. These maturities, some of these maturities do not necessarily represent the expected life of the securities as the securities may be called or paid down without penalty prior to their stated maturities. All investment securities are held as available for sale.

Securities available for sale were $601.1 $664.7 million at June 30, 2024 September 30, 2024, compared to $604.1 million at December 31, 2023, a decrease an increase of $3.0 million $60.6 million, or 0.5% 10.0%. At June 30, 2024 September 30, 2024, U.S. government agency mortgage-backed securities represented 16.5% 15.5% of the portfolio, municipal securities represented 22.1% 16.8% of the portfolio, corporate securities represented 23.3% 20.8% of the portfolio, U.S. treasury securities represented 15.9% of the portfolio, SBA securities represented 2.6% 2.2% of the portfolio, other mortgage-backed securities represented 17.5% 16.1% of the portfolio, and asset-backed securities represented 18.0% 12.7% of the portfolio.

The following table presents the amortized cost and fair value of securities available for sale, by type, at June 30, 2024 September 30, 2024 and December 31, 2023:

	June 30, 2024		December 31, 2023		September 30, 2024		December 31, 2023	
(dollars in thousands)	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
U.S. Treasury Securities					$105,998	$105,875	$ —	$ —
SBA Securities	$ 15,708	$ 15,908	$ 18,497	$ 18,674	14,105	14,266	18,497	18,674
Mortgage-Backed Securities Issued or Guaranteed by U.S. Agencies (MBS):								
Residential Pass-Through:								
Guaranteed by GNMA	6,946	6,293	45,256	44,188	6,947	6,484	45,256	44,188
Issued by FNMA and FHLMC	23,526	20,504	24,319	21,687	23,117	20,970	24,319	21,687
Other Residential Mortgage-Backed Securities	71,861	62,104	74,832	65,617	73,153	65,738	74,832	65,617
Commercial Mortgage-Backed Securities	10,580	10,012	10,811	10,292	10,316	9,975	10,811	10,292
All Other Commercial MBS	106,999	104,988	94,237	93,531	105,017	107,304	94,237	93,531
Total MBS	219,912	203,901	249,455	235,315	218,550	210,471	249,455	235,315
Municipal Securities	152,030	132,551	151,512	132,524	125,423	111,887	151,512	132,524
Corporate Securities	149,103	140,297	142,098	130,605	144,539	138,107	142,098	130,605
Asset-Backed Securities	107,826	108,400	87,054	86,986	83,964	84,109	87,054	86,986
Total	$ 644,579	$ 601,057	$ 648,616	$ 604,104	$692,579	$664,715	$648,616	$604,104

Loan Portfolio

The Company focuses on lending to borrowers located or investing in the Minneapolis-St. Paul-Bloomington, MN-WI Metropolitan Statistical Area across a diverse range of industries and property types. The Company lends primarily to commercial customers, consisting of loans secured by nonfarm, nonresidential properties, multifamily residential properties, land, and non-real estate business assets. Responsive service, local decision making, and an efficient turnaround time from application to closing have been significant factors in growing the loan portfolio.

The Company manages concentrations of credit exposure through a risk management program which implements formalized processes and procedures specifically for managing and mitigating risk within the loan portfolio. The processes and procedures include board and management oversight, commercial real estate exposure limits, portfolio monitoring tools, management information systems, market reports, underwriting standards, internal and external loan review, and stress testing.

Total gross loans at June 30, 2024 September 30, 2024 were $3.80 billion $3.69 billion, an increase a decrease of $76.1 million $38.7 million, or 2.0% 1.0%, over total gross loans of $3.72 billion at December 31, 2023, and an increase a decrease of $64.2 million $36.7 million, or 1.7% 1.0%, over total gross loans of $3.74 billion $3.72 billion at June 30, 2023 September 30, 2023. For the six months ended June 30, 2024, Tthe increase he decrease in the loan portfolio during both periods was primarily due to increased elevated loan originations, payoffs, offset partially offset by an increase in loan payoffs. Gross loans grew on an annualized basis of 4.1% during the six months ended June 30, 2024. originations. The pace of loan growth has moderated in recent quarters, when compared to historical levels, due to active balance sheet management to continue to align loan growth with the funding outlook and ultimately the impact of the higher interest rate environment on the number of prospective deals that meet underwriting standards.

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The following table presents the dollar and percentage composition of the loan portfolio by category, at the dates indicated:

(dollars in thousands)	June 30, 2024		March 31, 2024		December 31, 2023		September 30, 2023		June 30, 2023		September 30, 2024		June 30, 2024		March 31, 202	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	P
Commercial	$ 518,762	13.6 %	$ 483,069	12.8 %	$ 464,061	12.4 %	$ 459,854	12.3 %	$ 460,061	12.3 %	$ 493,403	13.4 %	$ 518,762	13.6 %	$ 483,069	
Construction and Land Development	134,096	3.5	200,970	5.3	232,804	6.3	294,818	7.9	351,069	9.4	118,596	3.2	134,096	3.5	200,970	
1-4 Family Construction	60,551	1.6	65,606	1.7	65,087	1.8	64,463	1.7	69,648	1.8	45,822	1.3	60,551	1.6	65,606	
Real Estate Mortgage:																
1-4 Family Mortgage	416,944	11.0	417,773	11.0	402,396	10.8	404,716	10.9	400,708	10.7	421,179	11.4	416,944	11.0	417,773	
Multifamily	1,404,835	37.0	1,389,345	36.7	1,388,541	37.3	1,378,669	37.0	1,314,524	35.2	1,379,814	37.4	1,404,835	37.0	1,389,345	
CRE Owner Occupied	185,988	4.9	182,589	4.8	175,783	4.7	159,485	4.3	159,088	4.3	182,239	5.0	185,988	4.9	182,589	
CRE Nonowner Occupied	1,070,050	28.2	1,035,702	27.4	987,306	26.5	951,263	25.6	971,532	26.0	1,032,142	28.0	1,070,050	28.2	1,035,702	
Total Real Estate Mortgage Loans	3,077,817	81.1	3,025,409	79.9	2,954,026	79.3	2,894,133	77.8	2,845,852	76.2	3,015,374	81.8	3,077,817	81.1	3,025,409	
Consumer and Other	9,159	0.2	9,151	0.3	8,304	0.2	9,003	0.3	9,581	0.3	12,395	0.3	9,159	0.2	9,151	
Total Loans, Gross	3,800,385	100.0 %	3,784,205	100.0 %	3,724,282	100.0 %	3,722,271	100.0 %	3,736,211	100.0 %	3,685,590	100.0 %	3,800,385	100.0 %	3,784,205	1
Allowance for Credit Losses	(51,949)		(51,347)		(50,494)		(50,585)		(50,701)		(51,018)		(51,949)		(51,347)	
Net Deferred Loan Fees	(6,214)		(6,356)		(6,573)		(7,222)		(7,718)		(5,705)		(6,214)		(6,356)	
Total Loans, Net	$3,742,222		$3,726,502		$3,667,215		$3,664,464		$3,677,792		$3,628,867		$3,742,222		$3,726,502	

The Company primarily focuses on real estate mortgage lending, which constituted 81.1% 81.8% of the portfolio at June 30, 2024 September 30, 2024. The composition of the portfolio has remained relatively consistent with prior periods and the Company does not expect any significant changes in the foreseeable future in the composition of the loan portfolio or in the emphasis on real estate lending. lending in the foreseeable future.

As of June 30, 2024 September 30, 2024, investor CRE loans totaled $2.67 billion $2.58 billion, consisting of $1.07 billion $1.03 billion of loans secured by nonowner occupied CRE, $1.40 billion $1.38 billion of loans secured by multifamily residential properties, $60.6 million $45.8 million of 1-4 family construction loans and $134.1 million $118.6 million of construction and land development loans. Investor CRE loans represented 70.2% 69.9% of the total gross loan portfolio and 465.9% 449.1% of the Bank's total risk-based capital at June 30, 2024 September 30, 2024, compared to 71.8% and 482.4%, respectively, at December 31, 2023.

The following table provides a breakdown of CRE nonowner occupied loans by collateral types as of June 30, 2024 September 30, 2024:

(dollars in thousands)	Balance	Percent of CRE Nonowner Occupied Portfolio	Percent of Total Loan Portfolio	Balance	Percent of CRE Nonowner Occupied Portfolio	Percent of Total Loan Portfolio
Collateral Type:						

Industrial	$ 262,652	24.5 %	6.9 %	$ 251,428	24.4 %	6.8 %
Office	200,459	18.7	5.3	197,309	19.1	5.4
Retail	166,715	15.6	4.4	168,750	16.3	4.6
Nursing/Assisted Living	143,248	13.4	3.8	108,846	10.6	2.9
Mini Storage Facility	105,865	9.9	2.8	107,473	10.4	2.9
Medical Office	90,870	8.5	2.4	98,551	9.6	2.7
Other	100,241	9.4	2.6	99,785	9.6	2.7
Total CRE Nonowner Occupied	$ 1,070,050	100.0 %	28.2 %	$1,032,142	100.0 %	28.0 %

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The following tables present time to contractual maturity and sensitivity to interest rate changes for the loan portfolio as of June 30, 2024 September 30, 2024 and December 31, 2023:

(dollars in thousands)	As of June 30, 2024				As of September 30, 2024			
	Due in One Year or Less	More Than One Year to Five Years	More Than Five Year to Fifteen Years	After Fifteen Years	Due in One Year or Less	More Than One Year to Five Years	More Than Five Year to Fifteen Years	After Fifteen Years
Commercial	$ 214,580	$ 206,255	$ 94,218	$ 3,709	$ 201,028	$ 220,303	$ 68,399	$ 3,673
Construction and Land Development	48,910	60,226	24,960	—	50,820	65,868	1,908	—
1-4 Family Construction	40,610	9,823	10,118	—	37,959	7,662	201	—
Real Estate Mortgage:								
1-4 Family Mortgage	63,587	272,285	80,434	638	67,910	279,126	73,509	634
Multifamily	236,900	564,434	516,352	87,149	223,731	563,634	505,554	86,895
CRE Owner Occupied	8,420	105,356	72,212	—	5,793	112,218	64,228	—
CRE Nonowner Occupied	262,718	527,232	280,100	—	267,106	505,874	259,162	—
Total Real Estate Mortgage Loans	571,625	1,469,307	949,098	87,787	564,540	1,460,852	902,453	87,529
Consumer and Other	6,261	2,690	—	208	8,760	3,408	—	227
Total Loans, Gross	$ 881,986	$ 1,748,301	$ 1,078,394	$ 91,704	$ 863,107	$ 1,758,093	$ 972,961	$ 91,429
Interest Rate Sensitivity:								

Fixed Interest Rates	$ 575,062	$ 1,445,295	$ 563,285	$ 26,446	$ 557,598	$ 1,463,797	$ 481,866	$ 26,531
Floating or Adjustable Rates	306,924	303,006	515,109	65,258	305,509	294,296	491,095	64,898
Total Loans, Gross	$ 881,986	$ 1,748,301	$ 1,078,394	$ 91,704	$ 863,107	$ 1,758,093	$ 972,961	$ 91,429

	As of December 31, 2023			
(dollars in thousands)	Due in One Year or Less	More Than One Year to Five Years	More Than Five Year to Fifteen Years	After Fifteen Years
Commercial	$ 157,047	$ 206,460	$ 96,826	$ 3,728
Construction and Land Development	99,183	93,013	40,608	—
1-4 Family Construction	46,601	9,476	9,010	—
Real Estate Mortgage:				
1-4 Family Mortgage	59,962	262,468	79,320	646
Multifamily	242,291	482,380	576,348	87,522
CRE Owner Occupied	8,271	83,280	84,232	—
CRE Nonowner Occupied	204,297	503,196	279,813	—
Total Real Estate Mortgage Loans	514,821	1,331,324	1,019,713	88,168
Consumer and Other	2,568	5,533	—	203
Total Loans, Gross	$ 820,220	$ 1,645,806	$ 1,166,157	$ 92,099
Interest Rate Sensitivity:				
Fixed Interest Rates	$ 502,454	$ 1,414,656	$ 673,563	$ 26,172
Floating or Adjustable Rates	317,766	231,150	492,594	65,927
Total Loans, Gross	$ 820,220	$ 1,645,806	$ 1,166,157	$ 92,099

Asset Quality

The Company emphasizes credit quality in the originating and monitoring of the loan portfolio, and success in underwriting is measured by the levels of classified and nonperforming assets and net charge-offs. Federal regulations and internal policies require the use of an asset classification system as a means of managing and reporting problem and potential problem assets. The Company has incorporated an internal asset classification system, substantially consistent with federal banking regulations, as a part of the credit monitoring system. Federal banking regulations set forth a classification scheme for problem and potential problem assets as “substandard,” “doubtful” or “loss” assets. An asset is considered “substandard” if it is inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. “Substandard” assets include those characterized by the “distinct possibility” that the financial institution will sustain “some loss” if the deficiencies are not corrected. Assets classified as “doubtful” have all of the weaknesses inherent in those classified “substandard” with the added characteristic that the weaknesses present make “collection or liquidation in full,” on the basis of currently existing facts, conditions, and values, “highly

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questionable and improbable.” Assets classified as “loss” are those considered “uncollectible” and of such little value that their continuance as assets without the establishment of a specific loss reserve is not warranted. Assets which do not currently expose the insured institution to sufficient risk to warrant classification in one of the aforementioned categories but possess weaknesses are required to be designated “watch.”

The following table presents information on loan classifications at June 30, 2024 September 30, 2024. The Company had no assets classified as doubtful or loss at June 30, 2024 September 30, 2024.

(dollars in thousands)	Risk Category Watch	Risk Category Substandard	Total	Risk Category Watch	Risk Category Substandard	Total
Commercial	$ 495	$ 14,898	$ 15,393	$ 495	$ 14,199	$14,694
Construction and Land Development	—	68	68	—	64	64
Real Estate Mortgage:						
1-4 Family Mortgage	—	652	652	826	648	1,474
Multifamily	12,952	—	12,952	12,878	—	12,878
CRE Owner Occupied	1,730	986	2,716	1,725	977	2,702
CRE Nonowner Occupied	15,259	17,304	32,563	16,067	15,749	31,816
Total Real Estate Mortgage Loans	29,941	18,942	48,883	31,496	17,374	48,870
Totals	$ 30,436	$ 33,908	$ 64,344	$31,991	$ 31,637	$63,628

Loans that have potential weaknesses that warranted a watchlist risk rating at June 30, 2024 September 30, 2024 totaled $30.4 million $32.0 million, compared to $26.5 million at December 31, 2023. Loans that warranted a substandard risk rating at June 30, 2024 September 30, 2024 totaled $33.9 million $31.6 million, compared to $35.9 million at December 31, 2023. Management continues to actively work with these borrowers and closely monitor substandard credits.

Nonperforming Assets

Nonperforming loans include loans accounted for on a nonaccrual basis and loans 90 days past due and still accruing. Nonaccrual loans totaled $678,000 at June 30, 2024 $8.4 million as of September 30, 2024 and $919,000 at as of December 31, 2023, a decrease of $242,000.. There were no loans 90 days past due and still accruing as of June 30, 2024 September 30, 2024 or December 31, 2023. As of September 30, 2024, there were $434,000 of foreclosed assets. There were no foreclosed assets as of June 30, 2024 and December 31, 2023.The overall increase in nonperforming assets was primarily due to one central business district office loan, which previously had a substandard risk rating.

The following table presents a summary of nonperforming assets, by category, at the dates indicated:

(dollars in thousands)	June 30, 2024	December 31, 2023	September 30, 2024	December 31, 2023
Total Nonaccrual Loans	$ 678	$ 919	$ 8,378	$ 919
Total Nonperforming Loans	$ 678	$ 919	$ 8,378	$ 919
Plus: Foreclosed Assets	—	—	434	—
Total Nonperforming Assets (1)	$ 678	$ 919	$ 8,812	$ 919
Nonaccrual Loans to Total Loans	0.02 %	0.02 %	0.23 %	0.02 %
Nonperforming Loans to Total Loans	0.02	0.02	0.23	0.02
Nonperforming Assets to Total Loans Plus Foreclosed Assets (1)	0.02	0.02	0.24	0.02

(1) Nonperforming assets are defined as nonaccrual loans and loans greater than 90 days past due still accruing plus foreclosed assets. There were no loans greater than 90 days past due still accruing for any period shown.

The balance of nonperforming assets can fluctuate due to changes in economic conditions. The Company has established a policy to discontinue accruing interest on a loan (that is, to place the loan on nonaccrual status) after it has become 90 days delinquent as to payment of principal or interest, unless the loan is considered to be well-collateralized and is actively in the process of collection. In addition, a loan will be placed on nonaccrual status before it becomes 90 days delinquent unless management believes that the collection of interest is expected. Interest previously accrued but

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uncollected on such loans is reversed and charged against current income when the receivable is determined to be uncollectible. If management believes that a loan will not be collected in full, an increase to the allowance for credit

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losses on loans is recorded to reflect management's estimate of any potential exposure or loss. Generally, payments received on nonaccrual loans are applied directly to principal. Gross For the three and nine months ended September 30, 2024, the gross income that would have been recorded on nonaccrual loans during was $116,000 and $152,000, respectively. For the three and six nine months ended June 30, 2024 September 30, 2023, gross income that would have been recorded on nonacrrual loans was $23,000 $20,000 and $36,000, $51,000, respectively.

Allowance for Credit Losses

The allowance for credit losses on loans is a reserve established through charges to earnings in the form of a provision for credit losses. The Company maintains an allowance for credit losses at a level management considers adequate to provide for expected lifetime losses in the portfolio. Although management strives to maintain an allowance it deems adequate, future economic changes, deterioration of borrowers' creditworthiness, and the impact of examinations by regulatory agencies, among other factors, all could cause changes to the allowance for credit losses on loans.

At June 30, 2024 September 30, 2024, the allowance for credit losses on loans was $51.9 million $51.0 million, an increase of $1.5 million $524,000 from $50.5 million at December 31, 2023. Net charge-offs (recoveries) totaled ($2,000) $931,000 during the second third quarter of 2024 and ($3,000) $116,000 during the second third quarter of 2023. Net charge-offs (recoveries) totaled ($5,000) $926,000 for both the six nine months ended June 30, 2024 September 30, 2024 and June 30, 2023 $111,000 for the nine months ended September 30, 2023. The allowance for credit losses on loans as a percentage of total loans was 1.37% 1.38% at June 30, 2024 September 30, 2024, compared to 1.36% at December 31, 2023.

The following table presents a summary of net charge-offs for the periods indicated:

	Three Months Ended June 30,		Six Months Ended June 30,		Three Months Ended September 30,		Nine Months Ended September 30,	
(dollars in thousands)	2024	2023	2024	2023	2024	2023	2024	2023
Net Charge-offs (Recoveries)								
Commercial	$ (2)	$ (2)	$ (5)	$ (5)	$ (5)	$ 94	$ (10)	$ 89
Real Estate Mortgage:								
1-4 Family Mortgage	(2)	(1)	(3)	(2)	—	(2)	(3)	(4)
CRE Nonowner Occupied					935	—	935	—

Total Real Estate Mortgage Loans	(2)	(1)	(3)	(2)	935	(2)	932	(4)
Consumer and Other	2	—	3	2	1	24	4	26
Total Net Charge-offs (Recoveries)	$ (2)	$ (3)	$ (5)	$ (5)	$ 931	$ 116	$ 926	$ 111
Net Charge-offs to Average Loans								
Commercial	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %	0.08 %	0.00 %	0.03 %
Real Estate Mortgage:								
1-4 Family Mortgage	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
CRE Nonowner Occupied					0.35	0.00	0.12	0.00
Total Real Estate Mortgage Loans	0.00	0.00	0.00	0.00	0.12	0.00	0.04	0.00
Consumer and Other	0.09	0.00	0.02	0.04	0.04	1.02	0.05	0.36
Total Net Charge-offs (Recoveries) (Annualized) to Average Loans	0.00 %	0.00 %	0.00 %	0.00 %	0.10 %	0.01 %	0.03 %	0.00 %
Gross Loans, End of Period	$3,800,385	$3,736,211	$3,800,385	$3,736,211	$3,685,590	$3,722,271	$3,685,590	$3,722,271
Average Loans	3,771,768	3,716,534	3,750,561	3,673,728	3,721,654	3,722,594	3,740,855	3,690,196
Allowance for Credit Losses to Total Gross Loans	1.37 %	1.36 %	1.37 %	1.36 %	1.38 %	1.36 %	1.38 %	1.36 %

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The following table presents a summary of the allocation of the allowance for credit losses on loans by loan portfolio segment as of the dates indicated:

(dollars in thousands)	June 30, 2024 Amount	June 30, 2024 Percent	December 31, 2023 Amount	December 31, 2023 Percent	September 30, 2024 Amount	September 30, 2024 Percent	December 31, 2023 Amount	December 31, 2023 Percent
Commercial	$ 6,018	11.6 %	$ 5,398	10.7 %	$ 5,673	11.1 %	$ 5,398	10.7 %
Construction and Land Development	1,220	2.4	2,156	4.3	1,079	2.1	2,156	4.3
1-4 Family Construction	522	1.0	558	1.1	394	0.8	558	1.1
Real Estate Mortgage:								
1 - 4 Family Mortgage	2,774	5.3	2,651	5.3	2,779	5.4	2,651	5.3
Multifamily	22,480	43.3	22,217	44.0	22,355	43.8	22,217	44.0
CRE Owner Occupied	1,258	2.4	1,184	2.3	1,233	2.4	1,184	2.3
CRE Nonowner Occupied	17,581	33.8	16,225	32.1	17,376	34.1	16,225	32.1
Total Real Estate Mortgage Loans	44,093	84.8	42,277	83.7	43,743	85.7	42,277	83.7
Consumer and Other	96	0.2	105	0.2	129	0.3	105	0.2
Total Allowance for Credit Losses	$ 51,949	100.0 %	$ 50,494	100.0 %	$51,018	100.0 %	$50,494	100.0 %

Deposits

The principal sources of funds for the Company are deposits, consisting of demand deposits, money market accounts, savings accounts, and certificates of deposit. The following table presents the dollar and percentage composition of the deposit portfolio, by category, at the dates indicated:

(dollars in thousands)	June 30, 2024 Amount	June 30, 2024 Percent	March 31, 2024 Amount	March 31, 2024 Percent	December 31, 2023 Amount	December 31, 2023 Percent	September 30, 2023 Amount	September 30, 2023 Percent	June 30, 2023 Amount	June 30, 2023 Percent	September 30, 2024 Amount	September 30, 2024 Percent	June 30, 2024 Amount	June 30, 2024 Percent	March 31, 202 Amount	Pe
Noninterest Bearing Transaction Deposits	$ 705,175	18.5 %	$ 698,432	18.3 %	$ 756,964	20.4 %	$ 754,297	20.5 %	$ 751,217	21.0 %	$ 713,309	19.0 %	$ 705,175	18.5 %	$ 698,432	
Interest Bearing Transaction Deposits	752,568	19.8	783,736	20.6	692,801	18.7	780,863	21.3	719,488	20.1	805,756	21.5	752,568	19.8	783,736	
Savings and Money Market Deposits	943,994	24.8	979,773	25.7	935,091	25.2	872,534	23.7	860,613	24.1	980,345	26.2	943,994	24.8	979,773	
Time Deposits	373,713	9.8	352,510	9.3	300,651	8.1	265,737	7.2	271,783	7.6	347,080	9.3	373,713	9.8	352,510	
Brokered Deposits	1,032,262	27.1	992,774	26.1	1,024,441	27.6	1,002,078	27.3	974,831	27.2	900,952	24.0	1,032,262	27.1	992,774	
Total Deposits	$3,807,712	100.0 %	$3,807,225	100.0 %	$3,709,948	100.0 %	$3,675,509	100.0 %	$3,577,932	100.0 %	$3,747,442	100.0 %	$3,807,712	100.0 %	$3,807,225	1

Total deposits at June 30, 2024 September 30, 2024 were $3.81 billion $3.75 billion, an increase of $97.8 million $37.5 million, or 1.0%, compared to total deposits of $3.71 billion at December 31, 2023, and an increase of $229.8 million $71.9 million, or 6.4% 2.0%, over total deposits of $3.58 billion $3.68 billion at June 30, 2023 September 30, 2023. Core deposits, defined as total deposits excluding brokered deposits and time deposits greater than $250,000, increased $37.6 million $131.2 million, or 3.0% 6.9% annualized, from December 31, 2023. Growth in core deposits was primarily due to increased balances of existing clients and new client acquisitions. Based on the nature of these inflows, the Company's client base, management believes core deposits could fluctuate in future periods as deposit growth is not always linear.

The Company relies on increasing the deposit base to fund loans and other asset growth. The Company is in a highly competitive market and competes for local deposits by offering attractive products with competitive rates. The Company expects to have a higher average cost of funds for local deposits compared to competitor banks due to the lack of an extensive branch network. The Company's strategy is to offset the higher cost of funding with a lower level of operating expense. When appropriate, the Company utilizes alternative funding sources such as brokered deposits. The brokered deposit market provides flexibility in structure, optionality and efficiency not afforded in traditional retail deposit channels. As of June 30, 2024 September 30, 2024, total brokered deposits were $1.03 billion $901.0 million, an increase a decrease of $7.8 million $123.5 million, compared to total brokered deposits of $1.02 billion at December 31, 2023. Brokered deposits continue to be used as a supplemental funding source, as needed, to support loan portfolio growth.

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The following table presents the average balance and average rate paid on each of the following deposit categories as of and for the three months ended June 30, 2024 September 30, 2024 and 2023:

(dollars in thousands)	As of and for the Three Months Ended June 30, 2024 Average Balance	Average Rate	As of and for the Three Months Ended June 30, 2023 Average Balance	Average Rate	As of and for the Three Months Ended September 30, 2024 Average Balance	Average Rate	As of and for the Three Months Ended September 30, 2023 Average Balance	Average Rate
Noninterest Bearing Transaction Deposits	$ 691,891	— %	$ 755,040	— %	$ 710,192	— %	$ 754,567	— %
Interest Bearing Transaction Deposits	732,923	4.54	683,034	3.48	804,161	4.63	730,244	3.88
Savings and Money Market Deposits	914,397	4.16	861,947	3.28	939,665	4.34	874,612	3.67
Time Deposits < $250,000	180,855	3.79	188,318	2.17	184,397	4.01	181,689	2.56
Time Deposits > $250,000	179,836	4.80	81,121	3.37	170,653	4.80	84,946	3.70
Brokered Deposits	976,467	4.13	896,989	3.72	989,712	4.28	985,276	4.04
Total Deposits	$ 3,676,369	3.46 %	$ 3,466,449	2.66 %	$ 3,798,780	3.58 %	$ 3,611,334	2.99 %

The Company's total uninsured deposits, which are the amounts of deposit accounts that exceed the FDIC insurance limit, currently $250,000, were approximately $858.0 million $944.0 million, or 22.5% 25.0% of total deposits, at June 30, 2024 September 30, 2024 and $900.0 million, or 24.3% of total deposits, at December 31, 2023. These amounts were estimated based on the same methodologies and assumptions used for regulatory reporting purposes.

Borrowed Funds

Other Borrowings

At June 30, 2024 September 30, 2024, the Company had outstanding FHLB advances of $287.0 million $349.5 million, compared to $319.5 million at December 31, 2023. The Company's borrowing capacity at the FHLB is determined based on collateral pledged, generally consisting of loans. The Company had additional borrowing capacity under this credit facility of $451.2 million $509.2 million and $498.7 million at June 30, 2024 September 30, 2024 and December 31, 2023, respectively.

The Company has an outstanding Loan and Security Agreement and revolving note with a third party correspondent lender, which is secured by 100% of the issued and outstanding stock of the Bank. TheOn September 1, 2024, the Company entered into a third amendment to the agreement which extended the maturity date of the Company's existing revolving line of credit with a maximum principal amount of $40.0 million from September 1, 2024 to September 1, 2026. The amendment also increased the revolving line of credit is $40.0 million and matures on September 1, 2024 floor rate from 3.85% to 4.50%. As of both June 30, 2024 September 30, 2024 and December 31, 2023, the Company had $13.8 million of outstanding balances under the revolving line of credit.

Additionally, the Company has borrowing capacity from other sources. As of June 30, 2024 September 30, 2024, the Bank was eligible to use the Federal Reserve discount window for borrowings. Based on assets pledged as collateral as of the applicable date, the Bank's borrowing availability was approximately $1.02 billion $868.0 million and $979.4 million at June 30, 2024 September 30, 2024 and December 31, 2023, respectively. As of June 30, 2024 September 30, 2024 and December 31, 2023, the Company had no outstanding advances from the discount window.

Subordinated Debentures

As of June 30, 2024 September 30, 2024 and December 31, 2023, the Company had subordinated debentures, net of issuance costs, of $79.5 million $79.6 million and $79.3 million, respectively.

For additional information, see "Note 8 – Subordinated Debentures" of the Company's Consolidated Financial Statements included as part of this report.

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Contractual Obligations

The following table presents supplemental information regarding total contractual obligations at June 30, 2024 September 30, 2024:

(dollars in thousands)	Within One Year	One to Three Years	Three to Five Years	After Five Years	Total	Within One Year	One to Three Years	Three to Five Years	After Five Years	Total
Deposits Without a Stated Maturity	$2,541,900	$ —	$ —	$ —	$2,541,900	$2,638,892	$ —	$ —	$ —	$2,638,892
Time Deposits	421,417	602,842	196,847	44,706	1,265,812	335,002	586,182	174,611	12,755	1,108,550
Notes Payable	13,750	—	—	—	13,750	—	13,750	—	—	13,750
FHLB Advances	215,500	49,000	22,500	—	287,000	278,000	49,000	22,500	—	349,500
Subordinated Debentures	—	—	—	80,000	80,000	—	—	—	80,000	80,000
Commitment to Fund Tax Credit Investments	2,693	—	—	—	2,693	2,881	—	—	—	2,881
Operating Lease Obligations	593	899	427	5	1,924	596	811	370	—	1,777
Totals	$3,195,853	$652,741	$219,774	$124,711	$4,193,079	$3,255,371	$649,743	$197,481	$92,755	$4,195,350

The Company believes that it will be able to meet all contractual obligations as they come due through the maintenance of adequate cash levels. The Company expects to maintain adequate cash levels through earnings, loan and securities repayments and maturity activity and continued deposit gathering activities. As described above, the Company has in place various borrowing mechanisms for both short-term and long-term liquidity needs.

Capital

Total shareholders' equity at June 30, 2024 September 30, 2024 was $439.2 million $452.2 million, an increase of $13.7 million $26.7 million, or 3.2% 6.3%, compared to total shareholders' equity of $425.5 million at December 31, 2023. The increase was primarily due to net income retained and an increase a decrease in unrealized losses in the securities portfolio, offset partially by a decrease in unrealized gains in the derivatives portfolio, offset partially by preferred stock dividends, and stock repurchases.

Tangible book value per share, a non-GAAP financial measure, was $13.53 $13.96 as of June 30, 2024 September 30, 2024, an increase of 5.4% 8.8% from $12.84 as of December 31, 2023. Tangible common equity as a percentage of tangible assets, a non-GAAP financial measure, was 7.90% 8.17% at June 30, 2024 September 30, 2024, compared to 7.73% at December 31, 2023.

Stock Repurchase Program. During the three months ended June 30, 2024 September 30, 2024, the Company repurchased 252,707 no shares of its common stock, representing less than 1% of the Company's outstanding shares. Shares were repurchased during this period at a weighted average price of $11.48 for a total of $2.9 million. stock. During the six nine months ended June 30, 2024 September 30, 2024, the Company repurchased 446,509 shares of its common stock, representing 1.6% of the Company's issued and outstanding shares. shares at that time. Shares were repurchased during this period at a weighted average price of $11.60 per share, for a total of $5.2 million. All shares repurchased under the stock repurchase program were converted to authorized but unissued shares.

On July 23, 2024, the Company's Board of Directors extended At June 30, 2024 the expiration date of the Company's previously announced stock repurchase program (the "2022 Stock Repurchase Program") from August 16, 2024 to August 20, 2025. As of September 30, 2024, the remaining amount that could be used to repurchase shares under the stock repurchase program was $15.3 million. The Company remains committed to maintaining strong capital levels while enhancing shareholder value as it strategically executes its stock repurchase program based on various factors including valuation, capital levels and other uses of capital.

Regulatory Capital. The Company and the Bank are subject to various regulatory capital requirements administered by federal banking regulators. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by federal banking regulators that, if undertaken, could have a direct material effect on the Company's and Bank's business.

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Management believes the Company and the Bank met all capital adequacy requirements to which they were subject as of June 30, 2024 September 30, 2024. The regulatory capital ratios for the Company and the Bank to meet the minimum capital adequacy standards and for the Bank to be considered well capitalized under the prompt corrective action framework are set forth in the following tables. The Company's and the Bank's actual capital amounts and ratios as of the dates indicated are presented in the following tables:

	Actual		Minimum Required For Capital Adequacy Purposes		For Capital Adequacy Purposes Plus Capital Conservation Buffer		To be Well Capitalized Under Prompt Corrective Action Regulations		Actual		Minimum Required For Capital Adequacy Purposes		For Capital A Purposes Plu Conservatio
(dollars in thousands)	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount
June 30, 2024													
September 30, 2024													
Company (Consolidated):													
Total Risk-based Capital	$579,988	14.16 %	$ 327,576	8.00 %	$429,943	10.50 %	N/A	N/A	$589,088	14.62 %	$322,278	8.00 %	$422,990
Tier 1 Risk-based Capital	451,764	11.03	245,682	6.00	348,049	8.50	N/A	N/A	460,827	11.44	241,709	6.00	342,420
Common Equity Tier 1 Capital	385,250	9.41	184,261	4.50	286,629	7.00	N/A	N/A	394,313	9.79	181,281	4.50	281,993
Tier 1 Leverage Ratio	451,764	9.66	187,110	4.00	187,110	4.00	N/A	N/A	460,827	9.75	189,109	4.00	189,109
Bank:													
Total Risk-based Capital	$572,981	14.01 %	$ 327,129	8.00 %	$429,357	10.50 %	$ 408,912	10.00 %	$573,720	14.27 %	$321,749	8.00 %	$422,296
Tier 1 Risk-based Capital	524,306	12.82	245,347	6.00	347,575	8.50	327,129	8.00	525,114	13.06	241,312	6.00	341,859

Common Equity Tier 1 Capital	524,306	12.82	184,010	4.50	286,238	7.00	265,793	6.50	525,114	13.06	180,984	4.50	281,531
Tier 1 Leverage Ratio	524,306	11.22	186,895	4.00	186,895	4.00	233,619	5.00	525,114	11.12	188,832	4.00	188,832

	Actual		Minimum Required For Capital Adequacy Purposes		For Capital Adequacy Purposes Plus Capital Conservation Buffer		To be Well Capitalized Under Prompt Corrective Action Regulations	
(dollars in thousands)	**Amount**	**Ratio**	**Amount**	**Ratio**	**Amount**	**Ratio**	**Amount**	**Ratio**
December 31, 2023								
Company (Consolidated):								
Total Risk-based Capital	$ 570,770	13.97 %	$ 326,872	8.00 %	$ 429,019	10.50 %	N/A	N/A
Tier 1 Risk-based Capital	440,947	10.79	245,154	6.00	347,301	8.50	N/A	N/A
Common Equity Tier 1 Capital	374,433	9.16	183,865	4.50	286,013	7.00	N/A	N/A
Tier 1 Leverage Ratio	440,947	9.57	184,383	4.00	184,383	4.00	N/A	N/A
Bank:								
Total Risk-based Capital	$ 554,269	13.58 %	$ 326,528	8.00 %	$ 428,568	10.50 %	$ 408,160	10.00 %
Tier 1 Risk-based Capital	503,787	12.34	244,896	6.00	346,936	8.50	326,528	8.00
Common Equity Tier 1 Capital	503,787	12.34	183,672	4.50	285,712	7.00	265,304	6.50
Tier 1 Leverage Ratio	503,787	10.95	184,037	4.00	184,037	4.00	230,047	5.00

Regulations include a capital conservation buffer of 2.5% that was added to the minimum requirements for capital adequacy purposes. A banking organization with a conservation buffer of less than the required amount is subject to limitations on capital distributions, including dividend payments, stock repurchases and certain discretionary bonus payments to executive officers. At June 30, 2024 September 30, 2024, the ratios for the Company and the Bank were sufficient to meet the conservation buffer.

Off-Balance Sheet Arrangements

In the normal course of business, the Company enters into various transactions to meet the financing needs of clients, which, in accordance with GAAP, are not included in the consolidated balance sheets. These transactions include commitments to extend credit, standby letters of credit, and commercial letters of credit, which involve, to varying degrees, elements of credit risk and interest rate risk in excess of the amounts recognized in the consolidated balance sheets. Most of these commitments mature within two years and the standby letters of credit are expected to expire without being drawn upon. All off-balance sheet commitments are included in the determination of the amount of risk-based capital that the Company and the Bank are required to hold.

The Company's exposure to credit loss in the event of non-performance by the other party to the financial instrument for commitments to extend credit, standby letters of credit, and commercial letters of credit is represented by the contractual or notional amount of those instruments. The Company decreases its exposure to losses under these commitments by subjecting them to credit approval and monitoring procedures. The Company assesses the credit risk associated with certain commitments to extend credit and establishes a liability for probable credit losses.

The following table presents credit arrangements and financial instruments whose contract amounts represented credit risk as of June 30, 2024 September 30, 2024 and December 31, 2023:

	June 30, 2024		December 31, 2023		September 30, 2024		December 31, 2023	
	Fixed	Variable	Fixed	Variable	Fixed	Variable	Fixed	Variable
(dollars in thousands)								

Unfunded Commitments Under Lines of Credit	$ 155,024	$ 363,243	$ 164,880	$ 381,752	$162,664	$361,034	$164,880	$381,752
Letters of Credit	8,554	97,930	6,780	96,509	5,745	106,324	6,780	96,509
Totals	$ 163,578	$ 461,173	$ 171,660	$ 478,261	$168,409	$467,358	$171,660	$478,261

The Company had outstanding letters of credit with the FHLB of $164.2 million $133.9 million and $114.4 million at June 30, 2024 September 30, 2024 and December 31, 2023, respectively, on behalf of customers and to secure public deposits.

Liquidity

Liquidity is the Company's capacity to meet cash and collateral obligations at a reasonable cost. Maintaining an adequate level of liquidity depends on the Company's ability to efficiently meet both expected and unexpected cash flow and collateral needs without adversely affecting either daily operations or financial condition. The Bank's Asset Liability Management, or ALM, Committee, which is comprised of members of senior management, is responsible for managing commitments to meet the needs of customers while achieving the Company's financial objectives. The ALM Committee meets regularly to review balance sheet composition, funding capacities, and current and forecasted loan demand.

The Company manages liquidity by maintaining adequate levels of cash and other assets from on- and off-balance sheet arrangements. Specifically, on-balance sheet liquidity consists of cash and due from banks and unpledged investment securities available for sale, which are referred to as primary liquidity. In regards to off-balance sheet capacity, the Company maintains available borrowing capacity under secured borrowing lines with the FHLB, the Federal Reserve Bank of Minneapolis, and a correspondent lender, as well as unsecured lines of credit for the purpose of overnight funds with various correspondent banks, which the Company refers to as secondary liquidity. During the second quarter of 2024, the Company elected not to renew its membership and discontinued its use of the American Financial Exchange, or AFX. This had no impact on liquidity ratios as the availability of funds changed daily and therefore was not previously included in secondary liquidity. The Company had no borrowings outstanding through the AFX as of December 31, 2023.

Total on- and off-balance sheet liquidity was $2.22 billion $2.29 billion as of June 30, 2024 September 30, 2024, compared to $2.23 billion at December 31, 2023. The Company did not utilize the Federal Reserve Discount Window during the six nine months ended June 30, 2024 September 30, 2024.

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The following tables present a summary of primary and secondary liquidity levels as of the dates indicated:

Primary Liquidity—On-Balance Sheet	June 30, 2024	December 31, 2023	September 30, 2024	December 31, 2023
(dollars in thousands)				
Cash and Cash Equivalents	$ 97,237	$ 96,594	$ 167,869	$ 96,594
Securities Available for Sale	601,057	604,104	664,715	604,104
Less: Pledged Securities	(169,095)	(170,727)	(146,144)	(170,727)
Total Primary Liquidity	$ 529,199	$ 529,971	$ 686,440	$ 529,971
Ratio of Primary Liquidity to Total Deposits	13.9 %	14.3 %	18.3 %	14.3 %

Secondary Liquidity—Off-Balance Sheet				
Net Secured Borrowing Capacity with the FHLB	$ 451,171	$ 498,736	$ 509,223	$ 498,736
Net Secured Borrowing Capacity with the Federal Reserve Bank	1,015,873	979,448	867,955	979,448
Unsecured Borrowing Capacity with Correspondent Lenders	200,000	200,000	200,000	200,000
Secured Borrowing Capacity with Correspondent Lender	26,250	26,250	26,250	26,250
Total Secondary Liquidity	1,693,294	1,704,434	1,603,428	1,704,434

Total Primary and Secondary Liquidity	$ 2,222,493	$ 2,234,405	$ 2,289,868	$ 2,234,405
Ratio of Primary and Secondary Liquidity to Total Deposits	58.4 %	60.2 %	61.1 %	60.2 %

During the six nine months ended June 30, 2024 September 30, 2024, primary liquidity decreased increased by $772,000 $156.5 million due to a $3.0 million decrease in securities available for sale, offset partially by a $643,000 $71.3 million increase in cash and cash equivalents, a $60.6 million increase in securities available for sale and a $1.6 million $24.6 million decrease in pledged securities, when compared to December 31, 2023. Secondary liquidity decreased by $11.1 million $101.0 million as of June 30, 2024 September 30, 2024, when compared to December 31, 2023, due to a $47.6 million $111.5 million decrease in the borrowing capacity with the FHLB, offset partially by a $36.4 million increase in the borrowing capacity with the Federal Reserve Bank. Bank, offset partially by a $10.5 million increase in the borrowing capacity with the FHLB.

In addition to primary liquidity, the Company generates liquidity from cash flows from the loan and securities portfolios and from the large base of core customer deposits, defined as noninterest bearing transaction, interest bearing transaction, savings, non-brokered money market accounts and non-brokered time deposits less than $250,000. At June 30, 2024 September 30, 2024, core deposits totaled approximately $2.58 $2.68 billion and represented 67.9% 71.5% of total deposits. These core deposits are normally less volatile, often with customer relationships tied to other products offered by the Company, which promote long-standing relationships and stable funding sources.

The Company uses brokered deposits, the availability of which is uncertain and subject to competitive market forces and regulation, for liquidity and interest rate risk management purposes. At June 30, 2024 September 30, 2024, brokered deposits totaled $1.03 billion $901.0 million, consisting of $892.1 million $761.5 million of brokered time deposits and $140.2 million $139.5 million of non-maturity brokered money market and transaction accounts. At December 31, 2023, brokered deposits totaled $1.02 billion, consisting of $850.5 million of brokered time deposits and $174.0 million of non-maturity brokered money market and transaction accounts.

The Company's liquidity policy includes guidelines for On-Balance Sheet Liquidity (a measurement of primary liquidity to total deposits plus borrowings), Total On-Balance Sheet Liquidity with Borrowing Capacity (a measurement of primary and secondary liquidity to total deposits plus borrowings), Wholesale Funding Ratio (a measurement of total wholesale funding to total deposits plus borrowings), and other guidelines developed for measuring and maintaining liquidity.

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Non-GAAP Financial Measures

In addition to financial measures presented in accordance with GAAP, the Company routinely supplements its evaluation with an analysis of certain non-GAAP financial measures. The Company believes these non-GAAP financial measures, in addition to the related GAAP measures, provide meaningful information to investors to help them understand the Company's operating performance and trends, and to facilitate comparisons with the performance of peers. These disclosures should not be viewed as a substitute for operating results determined in accordance with GAAP, nor are they necessarily comparable to non-GAAP performance measures that may be presented by other companies. Reconciliations of non-GAAP disclosures used in this report to the comparable GAAP measures are provided in the following tables:

	For the Three Months Ended					For the Six Months Ended		For the Three Months Ended			
(dollars in thousands)	June 30, 2024	March 31, 2024	December 31, 2023	September 30, 2023	June 30, 2023	June 30, 2024	June 30, 2023	September 30, 2024	June 30, 2024	March 31, 2024	December 3 2023
Pre-Provision Net Revenue											
Noninterest Income	$ 1,763	$ 1,550	$ 1,409	$ 1,726	$ 1,415	$ 3,313	$ 3,358	$ 1,522	$ 1,763	$ 1,550	$ 1,409
Less: (Gain) Loss on Sales of Securities	(320)	(93)	27	—	(50)	(413)	6	28	(320)	(93)	27

Less: FHLB Advance Prepayment Income	—	—	—	(493)	—	—	(299)	—	—	—	—
Total Operating Noninterest Income	1,443	1,457	1,436	1,233	1,365	2,900	3,065	1,550	1,443	1,457	1,436
Plus: Net Interest Income	24,996	24,631	25,314	25,421	25,872	49,627	54,439	25,599	24,996	24,631	25,314
Net Operating Revenue	$ 26,439	$ 26,088	$ 26,750	$ 26,654	$ 27,237	$ 52,527	$ 57,504	$ 27,149	$ 26,439	$ 26,088	$ 26,750
Noninterest Expense	$ 15,539	$ 15,189	$ 15,740	$ 15,237	$ 14,274	$ 30,728	$ 28,343	$ 15,760	$ 15,539	$ 15,189	$ 15,740
Total Operating Noninterest Expense	$ 15,539	$ 15,189	$ 15,740	$ 15,237	$ 14,274	$ 30,728	$ 28,343	$ 15,760	$ 15,539	$ 15,189	$ 15,740
Pre-Provision Net Revenue	$ 10,900	$ 10,899	$ 11,010	$ 11,417	$ 12,963	$ 21,799	$ 29,161	$ 11,389	$ 10,900	$ 10,899	$ 11,010
Plus:											
Non-Operating Revenue Adjustments	320	93	(27)	493	50	413	293	(28)	320	93	(27
Less:											
Provision for (Recovery of) Credit Losses	600	750	(250)	(600)	50	1,350	675	—	600	750	(250
Provision for Income Taxes	2,505	2,411	2,360	2,881	3,147	4,916	7,321	2,686	2,505	2,411	2,360
Net Income	$ 8,115	$ 7,831	$ 8,873	$ 9,629	$ 9,816	$ 15,946	$ 21,458	$ 8,675	$ 8,115	$ 7,831	$ 8,873
Average Assets	$4,646,517	$4,592,838	$ 4,567,446	$ 4,504,937	$4,483,662	$4,619,678	$4,444,664	$ 4,703,804	$4,646,517	$4,592,838	$ 4,567,446
Pre-Provision Net Revenue Return on Average Assets	0.94 %	0.95 %	0.96 %	1.01 %	1.16 %	0.95 %	1.32 %	0.96 %	0.94 %	0.95 %	0.96

	For the Three Months Ended					For the Six Months Ended		For the Three Months Ended				
(dollars in thousands)	**June 30, 2024**	**March 31, 2024**	**December 31, 2023**	**September 30, 2023**	**June 30, 2023**	**June 30, 2024**	**June 30, 2023**	**September 30, 2024**	**June 30, 2024**	**March 31, 2024**	**December 31, 2023**	**Septe**
Core Net Interest Margin												
Net Interest Income (Tax-equivalent Basis)	$ 25,288	$ 24,992	$ 25,683	$ 25,822	$ 26,280	$ 50,280	$ 55,227	$ 25,905	$ 25,288	$ 24,992	$ 25,683	$
Less: Loan Fees	(767)	(608)	(751)	(914)	(941)	(1,374)	(1,939)	(968)	(767)	(608)	(751)	
Core Net Interest Income	$ 24,521	$ 24,384	$ 24,932	$ 24,908	$ 25,339	$ 48,906	$ 53,288	$ 24,937	$ 24,521	$ 24,384	$ 24,932	$
Average Interest Earning Assets	$4,545,920	$4,492,756	$ 4,480,428	$ 4,416,424	$4,395,050	$ 4,519,338	$ 4,359,577	$ 4,595,521	$4,545,920	$4,492,756	$ 4,480,428	$ 4
Core Net Interest Margin	2.17 %	2.18 %	2.21 %	2.24 %	2.31 %	2.18 %	2.46 %	2.16 %	2.17 %	2.18 %	2.21 %	

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	For the Three Months Ended					For the Six Months Ended		For the Three Months Ended					
(dollars in thousands)	**June 30, 2024**	**March 31, 2024**	**December 31, 2023**	**September 30, 2023**	**June 30, 2023**	**June 30, 2024**	**June 30, 2023**	**September 30, 2024**	**June 30, 2024**	**March 31, 2024**	**December 31, 2023**	**September 30, 2023**	**Se**
Efficiency Ratio													
Noninterest Expense	$15,539	$ 15,189	$ 15,740	$ 15,237	$14,274	$ 30,728	$ 28,343	$ 15,760	$15,539	$ 15,189	$ 15,740	$ 15,237	$
Less: Amortization of Intangible Assets	(8)	(9)	(9)	(9)	(34)	(17)	(82)	(9)	(8)	(9)	(9)	(9)	

Adjusted Noninterest Expense	$15,531	$ 15,180	$ 15,731	$ 15,228	$14,240	$ 30,711	$ 28,261	$ 15,751	$15,531	$ 15,180	$ 15,731	$ 15,228	$
Net Interest Income	$24,996	$ 24,631	$ 25,314	$ 25,421	$25,872	49,627	54,439	$ 25,599	$24,996	$ 24,631	$ 25,314	$ 25,421	
Noninterest Income	1,763	1,550	1,409	1,726	1,415	3,313	3,358	1,522	1,763	1,550	1,409	1,726	
Less: Gain (Loss) on Sales of Securities	(320)	(93)	27	—	(50)	(413)	6	28	(320)	(93)	27	—	
Adjusted Operating Revenue	$26,439	$ 26,088	$ 26,750	$ 27,147	$27,237	$ 52,527	$ 57,803	$ 27,149	$26,439	$ 26,088	$ 26,750	$ 27,147	$
Efficiency Ratio	58.7 %	58.2 %	58.8 %	56.1 %	52.3 %	58.5 %	48.9 %	58.0 %	58.7 %	58.2 %	58.8 %	56.1 %	

	For the Three Months Ended					For the Six Months Ended		For the Three Months Ended				
	June 30,	March 31,	December 31,	September 30,	June 30,	June 30,	June 30,	September 30,	June 30,	March 31,	December 31,	Se
(dollars in thousands)	2024	2024	2023	2023	2023	2024	2023	2024	2024	2024	2023	
Tangible Common Equity and Tangible Common Equity/Tangible Assets												
Total Shareholders' Equity	$ 439,241	$ 433,611	$ 425,515	$ 415,960	$ 409,126			$ 452,200	$ 439,241	$ 433,611	$ 425,515	$
Less: Preferred Stock	(66,514)	(66,514)	(66,514)	(66,514)	(66,514)			(66,514)	(66,514)	(66,514)	(66,514)	
Total Common Shareholders' Equity	372,727	367,097	359,001	349,446	342,612			385,686	372,727	367,097	359,001	
Less: Intangible Assets	(2,797)	(2,806)	(2,814)	(2,823)	(2,832)			(2,789)	(2,797)	(2,806)	(2,814)	
Tangible Common Equity	$ 369,930	$ 364,291	$ 356,187	$ 346,623	$ 339,780			$ 382,897	$ 369,930	$ 364,291	$ 356,187	$
Total Assets	$4,687,035	$4,723,109	$ 4,611,990	$ 4,557,070	$4,603,185			$ 4,691,517	$4,687,035	$4,723,109	$ 4,611,990	$
Less: Intangible Assets	(2,797)	(2,806)	(2,814)	(2,823)	(2,832)			(2,789)	(2,797)	(2,806)	(2,814)	
Tangible Assets	$4,684,238	$4,720,303	$ 4,609,176	$ 4,554,247	$4,600,353			$ 4,688,728	$4,684,238	$4,720,303	$ 4,609,176	$
Tangible Common Equity/Tangible Assets	7.90 %	7.72 %	7.73 %	7.61 %	7.39 %			8.17 %	7.90 %	7.72 %	7.73 %	
Tangible Book Value Per Share												
Book Value Per Common Share	$ 13.63	$ 13.30	$ 12.94	$ 12.47	$ 12.25			$ 14.06	$ 13.63	$ 13.30	$ 12.94	$
Less: Effects of Intangible Assets	(0.10)	(0.10)	(0.10)	(0.10)	(0.10)			(0.10)	(0.10)	(0.10)	(0.10)	
Tangible Book Value Per Common Share	$ 13.53	$ 13.20	$ 12.84	$ 12.37	$ 12.15			$ 13.96	$ 13.53	$ 13.20	$ 12.84	$
Return on Average Tangible Common Equity												
Net Income Available to Common Shareholders	$ 7,101	$ 6,818	$ 7,859	$ 8,616	$ 8,802	$ 13,919	$ 19,431	$ 7,662	$ 7,101	$ 6,818	$ 7,859	$
Average Shareholders' Equity	$ 435,585	$ 428,248	$ 417,789	$ 414,047	$ 406,347	$ 431,916	$ 404,948	$ 443,077	$ 435,585	$ 428,248	$ 417,789	$
Less: Average Preferred Stock	(66,514)	(66,514)	(66,514)	(66,514)	(66,514)	(66,514)	(66,514)	(66,514)	(66,514)	(66,514)	(66,514)	
Average Common Equity	369,071	361,734	351,275	347,533	339,833	365,402	338,434	376,563	369,071	361,734	351,275	
Less: Effects of Average Intangible Assets	(2,802)	(2,811)	(2,819)	(2,828)	(2,846)	(2,806)	(2,870)	(2,794)	(2,802)	(2,811)	(2,819)	
Average Tangible Common Equity	$ 366,269	$ 358,923	$ 348,456	$ 344,705	$ 336,987	$ 362,596	$ 335,564	$ 373,769	$ 366,269	$ 358,923	$ 348,456	$
Return on Average Tangible Common Equity	7.80 %	7.64 %	8.95 %	9.92 %	10.48 %	7.72 %	11.68 %	8.16 %	7.80 %	7.64 %	8.95 %	

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Interest Rate Risk

As a financial institution, the Company's primary market risk is interest rate risk, which is defined as the risk of loss of net interest income or net interest margin because of changes in interest rates. The Company continually seeks to measure and manage the potential impact of interest rate risk. Interest rate risk occurs when interest earning assets and interest bearing liabilities mature or re-price at different times, on a different basis or in unequal amounts. Interest rate risk also arises when assets and liabilities each respond differently to changes in interest rates.

The Company's management of interest rate risk is overseen by its ALM Committee, based on a risk management infrastructure approved by the board of directors that outlines reporting and measurement requirements. In particular, this infrastructure sets limits and management targets for various metrics, including net interest income simulation involving parallel shifts in interest rate curves, steepening and flattening yield curves, and various prepayment and deposit duration assumptions. The Company's risk management infrastructure also requires a periodic review of all key assumptions used, such as identifying appropriate interest rate scenarios, setting loan prepayment rates

based on historical analysis and noninterest bearing and interest bearing transaction deposit durations based on historical analysis. The Company does not engage in speculative trading activities relating to interest rates, foreign exchange rates, commodity prices, equities or credit.

The Company manages the interest rate risk associated with interest earning assets by managing the interest rates and terms associated with the investment securities portfolio by purchasing and selling investment securities from time to time. The Company manages the interest rate risk associated with interest bearing liabilities by managing the interest rates and terms associated with wholesale borrowings and deposits from customers which the Company relies on for funding. For example, the Company occasionally uses special offers on deposits to alter the interest rates and terms associated with interest bearing liabilities.

The Company has entered into certain hedging transactions including interest rate swaps and caps, which are designed to lessen elements of the Company's interest rate exposure. Cash flow hedge relationships mitigate exposure to the variability of future cash flows or other forecasted transactions. The Company utilizes cash flow hedges to manage interest rate exposure for the brokered deposit and wholesale borrowing portfolios. At June 30, 2024 both September 30, 2024 and December 31, 2023, these cash flow hedges had a total notional amount of $278.0 million and $308.0 million. Fair value hedge relationships mitigate exposure to changes in the fair value of a recognized asset or value. The Company utilizes fair value hedges to manage fair value exposure for the U.S. treasury security portfolio. At September 30, 2024, respectively. these fair value hedges had a total notional amount of $97.7 million. There were no fair value hedges at December 31, 2023. In the event that interest rates do not change in the manner anticipated, such transactions may adversely affect the Company's results of operations.

Net Interest Income Simulation

The Company uses a net interest income simulation model to measure and evaluate potential changes in net interest income that would result over the next 12 months from immediate and sustained changes in interest rates as of the measurement date. This model has inherent limitations and the results are based on a given set of rate changes and assumptions as of a certain point in time. For purposes of the simulation, the Company assumes no growth in either interest-sensitive assets or liabilities over the next 12 months; therefore, the model's results reflect an interest rate shock to a static balance sheet. The simulation model also incorporates various other assumptions, which the Company believes are reasonable but which may have a significant impact on results, such as: (1) the timing of changes in interest rates, (2) shifts or rotations in the yield curve, (3) re-pricing characteristics for market-rate-sensitive instruments, (4) differing sensitivities of financial instruments due to differing underlying rate indices, (5) varying loan prepayment speeds for different interest rate scenarios, (6) the effect of interest rate limitations in assets, such as floors and caps, and (7) overall growth and repayment rates and product mix of assets and liabilities. Because of the limitations inherent in any approach used to measure interest rate risk, simulation results are not intended as a forecast of the actual effect of a change in market interest rates on the results, but rather as a means to better plan and execute appropriate asset-liability management strategies and to manage interest rate risk.

Potential changes to the Company's net interest income in hypothetical rising and declining rate scenarios calculated as of June 30, 2024 September 30, 2024 and December 31, 2023 are presented in the table below. The projections assume an immediate, parallel shift downward of the yield curve of 100, 200, and 300 basis points and immediate, parallel shifts upward of the yield curve of 100, 200, 300 and 400 basis points. In the current interest rate environment, a downward shift of the yield curve of 400 basis points does not provide us with meaningful results and thus is not presented.

(dollars in thousands)	June 30, 2024		December 31, 2023		September 30, 2024		December 31, 2023	
Change (basis points) in Interest Rates (12-Month Projection)	Forecasted Net Interest Income	Percentage Change from Base	Forecasted Net Interest Income	Percentage Change from Base	Forecasted Net Interest Income	Percentage Change from Base	Forecasted Net Interest Income	Percentage Change from Base
+400	$ 111,613	(4.94)%	$ 118,597	(2.39)%	$ 109,509	(6.58)%	$ 118,597	(2.39)%
+300	112,734	(3.98)	118,983	(2.08)	110,994	(5.31)	118,983	(2.08)
+200	113,715	(3.15)	119,395	(1.74)	112,118	(4.35)	119,395	(1.74)
+100	115,000	(2.05)	119,916	(1.31)	114,416	(2.39)	119,916	(1.31)
0	117,409	—	121,504	—	117,218	—	121,504	—
−100	121,268	3.29	125,138	2.99	120,865	3.11	125,138	2.99
−200	124,785	6.28	128,643	5.87	124,853	6.51	128,643	5.87
−300	129,127	9.98	132,269	8.86	130,226	11.10	132,269	8.86

The table above indicates that as of June 30, 2024 September 30, 2024, in the event of an immediate and sustained 400 basis point increase in interest rates, the Company would experience a 4.94% 6.58% decrease in net interest income. In the event of an immediate 300 basis point decrease in interest rates, the Company would experience a 9.98% an 11.10% increase in net interest income.

The results of this simulation analysis are hypothetical, and a variety of factors might cause actual results to differ substantially from what is depicted. For example, if the timing and magnitude of interest rate changes differ from those projected, net interest income might vary significantly. Non-parallel yield curve shifts such as a flattening or steepening of the yield curve or changes in interest rate spreads would also cause net interest income to be different from that depicted. An increasing interest rate environment could reduce projected net interest income if deposits and other short-term liabilities re-price faster than expected or re-price faster than the Company's assets. Actual results could differ from those projected if the Company grows assets and liabilities faster or slower than estimated, if the Company experienced a net outflow of deposit liabilities, or if the mix of assets and liabilities otherwise changes. Actual results could also differ from those projected if the Company experienced substantially different repayment speeds in the loan portfolio than those assumed in the simulation model. Finally, these simulation results do not contemplate all the actions that the Company may undertake in response to potential or actual changes in interest rates, such as changes to the Company's loan, investment, deposit, or funding strategies.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

The Company's Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of the design and operation of the Company's "disclosure controls and procedures" (as that term is defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, or the Exchange Act) as of June 30, 2024 September 30, 2024, the end of the fiscal quarter covered by this Quarterly Report on Form 10-Q. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that, as of June 30, 2024 September 30, 2024, the Company's disclosure controls and procedures were effective to ensure 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 SEC's rules and forms and is accumulated and communicated to the Company's management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

There has been no change in the Company's internal control over financial reporting that occurred during the period covered by this Quarterly Report on Form 10-Q that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

Neither the Company nor any of its subsidiaries is a party, and no property of these entities is subject, to any material pending legal proceedings, other than ordinary routine litigation incidental to the Bank's business. The Company does not know of any proceeding contemplated by a governmental authority against the Company or any of its subsidiaries.

Item 1.A. Risk Factors

There Other than disclosed below, there have been no material changes to the risk factors disclosed in the Company's Annual Report on Form 10-K filed with the SEC on March 7, 2024.

Transaction-Related Risks

The Company May Fail to Realize the Anticipated Benefits of the Proposed Merger with First Minnetonka City Bank.

Bridgewater Bank and First Minnetonka City Bank have operated and, until the consummation of the proposed merger, will continue to operate, independently. The success of the merger, including anticipated benefits and cost savings, will depend on, among other things, the Company's ability to combine the businesses of Bridgewater Bank and First Minnetonka City Bank in a manner that permits growth opportunities, including, among other things, enhanced revenues and revenue synergies, an expanded market reach and operating efficiencies, and does not materially disrupt the existing customer relationships of Bridgewater Bank and First Minnetonka City Bank nor result in decreased revenues due to any loss of customers. If the Company is not able to successfully achieve these objectives, the anticipated benefits of the merger may not be realized fully or at all or may take longer to realize than expected. Failure to achieve these anticipated benefits could result in increased costs, decreases in the amount of expected revenues and diversion of management's time and energy and could have an adverse effect on the surviving corporation's business, financial condition, operating results, prospects and stock price.

While individuals employed by First Minnetonka City Bank immediately prior to the effective time will automatically become employees of Bridgewater Bank following the merger, certain employees may not be retained by Bridgewater Bank after the merger. In addition, certain employees that the Company wishes to retain may elect to terminate their employment as a result of the merger, which could delay or disrupt the integration process. It is possible that the integration process could result in the disruption of the Company's or FMB's ongoing businesses or cause inconsistencies in standards, controls, procedures and policies that adversely affect the ability of Bridgewater Bank and First Minnetonka City Bank to maintain relationships with customers and employees or to achieve the anticipated benefits and cost savings of the merger.

Among the factors considered by the boards of directors of both the Company and FMB in connection with their respective approvals of the merger agreement were the anticipated benefits that could result from the merger. There can be no assurance that these benefits will be realized within the time periods contemplated or at all.

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

Issuer Repurchases of Equity Securities

The following table presents stock purchases made during the second third quarter of 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 (2)	Maximum Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs	Total Number of Shares Purchased (1)	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (2)	Maximum Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
April 1 - 30, 2024	215,855	$ 11.57	215,342	$ 15,690,188				
May 1 - 31, 2024	12,365	11.15	12,365	15,552,355				
June 1 - 30, 2024	25,242	10.85	25,000	15,281,253				
July 1 - 31, 2024					1,078	$ 11.52	—	$ 15,281,253
August 1 - 31, 2024					—	—	—	15,281,253
September 1 - 30, 2024					2,633	13.60	—	15,281,253
Total	253,462	$ 11.48	252,707	$ 15,281,253	3,711	$ 13.00	—	$ 15,281,253

(1) The total number of shares repurchased during the periods indicated includes shares repurchased as part of the Company's stock repurchase program and shares withheld for income tax purposes in connection with vesting of restricted stock. stock and stock options. The shares were purchased or otherwise valued at the closing price of the Company's common stock on the date of purchase and/or withholding.

(2) On August 17, 2022, the Company's board of directors approved a stock repurchase program which authorizes the Company to repurchase up to $25.0 million of its common stock, subject to certain limitations and conditions. The On July 23, 2024, the Company's Board of Directors extended the expiration date of the stock repurchase program will expire on from August 16, 2024 to August 20, 2025. The stock repurchase program does not obligate the Company to repurchase any shares of its common stock, and other than repurchases that have been completed to date, there is no assurance that the Company will do so. Under the stock repurchase program, the Company may repurchase shares of common stock from time to time in open market or privately negotiated transactions. The extent to which the Company repurchases its shares, and the timing of such repurchases, will depend upon a variety of factors, including general market and economic conditions, regulatory requirements, availability of funds, and other relevant considerations, as determined by the Company. The Company may, in its discretion, begin, suspend or terminate repurchases at any time prior to the Program's expiration, without any prior notice.

Unregistered Sales of Equity Securities

None.

Use of Proceeds from Registered Securities

None.

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Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Rule 10b5-1 Trading Plans

During the quarter ended June 30, 2024 September 30, 2024, none of the Company's directors or executive officers adopted or terminated any contract, instruction or written plan for the purchase or sale of Company securities that was intended to satisfy the affirmative defense conditions of Rule10b5-1(c) or any non-Rule 10b5-1 trading arrangement.

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Item 6. Exhibits

Exhibit Number	Description
3.1	Third Amended and Restated Articles of Incorporation of Bridgewater Bancshares, Inc. (incorporated herein by reference to Exhibit 3.1 on Form 8-K filed on April 27, 2023)
3.2	Second Amended and Restated Bylaws of Bridgewater Bancshares, Inc. (incorporated herein by reference to Exhibit 3.2 on Form 8-K filed on April 27, 2023)
3.3	Statement of Designation of 5.875% Non-Cumulative Perpetual Preferred Stock, Series A (incorporated herein by reference to Exhibit 3.1 on Form 8-K filed on August 17, 2021)
10.1	Second Third Amendment to Loan and Security Agreement, dated as of September 1, 2022 September 1, 2024, by and between Bridgewater Bancshares, Inc., as Borrower, and ServisFirst Bank, as Lender (incorporated herein by reference to Exhibit 10.1 on Form 8-K filed on September 1, 2022) September 6, 2024).
10.2	Amended and Restated Revolving Note, dated as of September 1, 2022 September 1, 2024, made by Bridgewater Bancshares, Inc., as Borrower, to and in favor of ServisFirst Bank, as Lender (incorporated herein by reference to Exhibit 10.2 on Form 8-K filed on September 1, 2022) September 6, 2024).
31.1	Certification of the Chief Executive Officer required by Rule 13a-14(a) of the Securities Exchange Act of 1934, and Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of the Chief Financial Officer required by Rule 13a-14(a) of the Securities Exchange Act of 1934, and Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.1	Financial information from the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2024 September 30, 2024, formatted in inline XBRL interactive data files pursuant to Rule 405 of Regulation S-T: (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
104	The cover page for Bridgewater Bancshares, Inc's Form 10-Q Report for the quarterly period ended June 30, 2024 September 30, 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.

Bridgewater Bancshares, Inc.

Date: August 1, 2024 October 31, 2024	By:	/s/ Jerry J. Baack
	Name:	Jerry J. Baack
	Title:	Chairman and Chief Executive Officer
		(Principal Executive Officer)
Date: August 1, 2024 October 31, 2024	By:	/s/ Joe M. Chybowski
	Name:	Joe M. Chybowski
	Title:	President and Chief Financial Officer
		(Principal Financial Officer)

Exhibit 31.1

Certification of Chief Executive Officer Pursuant to Exchange Act Rule 13a-14(a)/15d-14(a) as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Jerry J. Baack, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Bridgewater Bancshares, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

August 1, October 31, 2024

/s/ Jerry J. Baack

Jerry J. Baack
Chairman and Chief Executive Officer

Exhibit 31.2

Certification of Chief Financial Officer Pursuant to Exchange Act Rule 13a-14(a)/15d-14(a) as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Joe M. Chybowski, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Bridgewater Bancshares, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

August 1, October 31, 2024

/s/ Joe M. Chybowski

Joe M. Chybowski

President and Chief Financial Officer

Exhibit 32.1

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

In connection with the Quarterly Report of Bridgewater Bancshares, Inc. (the "Company") on Form 10-Q for the quarter ended June 30, 2024 September 30, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jerry J. Baack, Chairman and Chief Executive Officer of 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 Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, 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.

Dated: August 1, 2024 October 31, 2024

/s/ Jerry J. Baack

Jerry J. Baack

Chairman and Chief Executive Officer

Exhibit 32.2

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

In connection with the Quarterly Report of Bridgewater Bancshares, Inc. (the "Company") on Form 10-Q for the quarter ended June 30, 2024 September 30, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Joe M. Chybowski, President and Chief Financial Officer of 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 Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, 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.

Dated: August 1, 2024 October 31, 2024

/s/ Joe M. Chybowski
Joe M. Chybowski
President and Chief Financial Officer

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