REFINITIV

# DELTA REPORT

## 10-Q

EFSC - ENTERPRISE FINANCIAL SERV

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

The following comparison report has been automatically generated

| TOTAL DELTAS | 576 |
|---|---|
| CHANGES | 317 |
| DELETIONS | 131 |
| ADDITIONS | 128 |

**UNITED STATES**
**SECURITIES AND EXCHANGE COMMISSION**
**WASHINGTON, D. C. 20549**

# FORM 10-Q

☒ Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended June 30, 2024 September 30, 2024.

☐ Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from ______ to ______

Commission file number 001-15373

# ENTERPRISE FINANCIAL SERVICES CORP

**Incorporated in the State of Delaware**
**I.R.S. Employer Identification # 43-1706259**
**Address: 150 North Meramec**
**Clayton, MO 63105**
**Telephone: (314) 725-5500**

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

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|---|---|---|
| Common Stock, par value $0.01 per share | EFSC | Nasdaq Global Select Market |
| Depositary Shares, each representing a 1/40th interest in a share of 5.00% Fixed Rate Non-Cumulative Perpetual Preferred Stock, Series A | EFSCP | Nasdaq Global Select Market |

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

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

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

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

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act)

Yes ☐ No ☒

As of July 24, 2024 October 30, 2024, the Registrant had 37,367,430 37,127,800 shares of outstanding common stock, $0.01 par value per share.

This document is also available through our website at http://www.enterprisebank.com.

**ENTERPRISE FINANCIAL SERVICES CORP AND SUBSIDIARIES**
**TABLE OF CONTENTS**



**Glossary of Acronyms, Abbreviations and Entities**

The acronyms and abbreviations identified below are used in various sections of this Form 10-Q, including “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” in Item 2 and the Condensed Consolidated Financial Statements and the Notes to Condensed Consolidated Financial Statements in Item 1 of this Form 10-Q.

| | | | |
|---|---|---|---|
| ACL | Allowance for Credit Losses | Federal Reserve | Federal Reserve Board |
| ASU | Accounting Standards Update | FHLB | Federal Home Loan Bank |
| Bank | Enterprise Bank & Trust | GAAP | Generally Accepted Accounting Principles (United States) |
| C&I | Commercial and Industrial | GDP | Gross Domestic Product |
| CCB | Capital Conservation Buffer | ICE | The Intercontinental Exchange |
| CECL | Current Expected Credit Loss | LIBOR | London Interbank Offered Rate |
| Company | Enterprise Financial Services Corp and Subsidiaries | NIM | Net Interest Margin |
| CRE | Commercial Real Estate | NM | Not meaningful |
| EFSC | Enterprise Financial Services Corp and Subsidiaries | SBA | Small Business Administration |
| Enterprise | Enterprise Financial Services Corp and Subsidiaries | SEC | Securities and Exchange Commission |
| FASB | Financial Accounting Standards Board | SOFR | Secured Overnight Financing Rate |
| FDIC | Federal Deposit Insurance Corporation | We, Us, Our | Enterprise Financial Services Corp and Subsidiaries |

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**PART I - ITEM 1 - FINANCIAL STATEMENTS**

**ENTERPRISE FINANCIAL SERVICES CORP AND SUBSIDIARIES**

Condensed Consolidated Balance Sheets (Unaudited)

| *($ in thousands, except share data)* | *($ in thousands, except share data)* | June 30, 2024 | December 31, 2023 | *($ in thousands, except share data)* | September 30, 2024 | December 31, 2023 |
|---|---|---|---|---|---|---|
| **Assets** | **Assets** | | | **Assets** | | |
| Cash and due from banks | | | | | | |
| Federal funds sold | | | | | | |
| Interest-earning deposits | | | | | | |
| Total cash and cash equivalents | | | | | | |
| Interest-earning deposits greater than 90 days | | | | | | |
| Securities available-for-sale | | | | | | |
| Securities held-to-maturity, net | | | | | | |
| Loans held-for-sale | | | | | | |
| Loans | | | | | | |
| Allowance for credit losses on loans | | | | | | |
| Total loans, net | | | | | | |
| Other investments | | | | | | |
| Other investments | | | | | | |
| Other investments | | | | | | |
| Fixed assets, net | | | | | | |
| Goodwill | | | | | | |
| Goodwill | | | | | | |
| Goodwill | | | | | | |
| Intangible assets, net | | | | | | |
| Other assets | | | | | | |
| Other assets | | | | | | |
| Other assets | | | | | | |
| Total assets | | | | | | |

| | | |
|---|---|---|
| **Liabilities and Shareholders' Equity** | | |
| **Liabilities and Shareholders' Equity** | | |
| **Liabilities and Shareholders' Equity** | | |
| Noninterest-bearing demand accounts | | |
| Interest-bearing demand accounts | | |
| Money market accounts | | |
| Savings accounts | | |
| Certificates of deposit: | Certificates of deposit: | Certificates of deposit: |
| Brokered | | |
| Customer | | |
| Total deposits | | |
| Subordinated debentures and notes | | |
| FHLB advances | | |
| Other borrowings | | |
| Other liabilities | | |
| Other liabilities | | |
| Other liabilities | | |
| Total liabilities | | |
| Commitments and contingent liabilities (Note 5) | | |
| Commitments and contingent liabilities (Note 5) | | |
| Commitments and contingent liabilities (Note 5) | | |
| Shareholders' equity: | | |
| Shareholders' equity: | | |
| Shareholders' equity: | | |
| Preferred stock, $0.01 par value; 5,000,000 shares authorized; 75,000 shares issued and outstanding ($1,000 per share liquidation preference) | | |
| Common stock, $0.01 par value; 75,000,000 shares authorized; 37,343,548 and 37,416,028 shares issued and outstanding | | |
| Common stock, $0.01 par value; 75,000,000 shares authorized; 37,183,784 and 37,416,028 shares issued and outstanding | | |
| Additional paid in capital | | |
| Additional paid in capital | | |
| Additional paid in capital | | |
| Retained earnings | | |
| Accumulated other comprehensive loss, net | | |
| Total shareholders' equity | | |
| Total liabilities and shareholders' equity | | |

The accompanying notes are an integral part of these Consolidated Financial Statements.

**ENTERPRISE FINANCIAL SERVICES CORP AND SUBSIDIARIES**

Condensed Consolidated Statements of Income (Unaudited)

| | | Three months ended June 30, | | Six months ended June 30, | | | Three months ended September 30, | Nine months ended September 30, | | |
|---|---|---|---|---|---|---|---|---|---|---|
| *($ in thousands, except per share data)* | *($ in thousands, except per share data)* | 2024 | 2023 | 2024 | 2023 | *($ in thousands, except per share data)* | 2024 | 2023 | 2024 | 2023 |
| Interest income: | | | | | | | | | | |
| Loans | | | | | | | | | | |
| Loans | | | | | | | | | | |
| Loans | | | | | | | | | | |
| Debt securities: | | | | | | | | | | |
| Taxable | | | | | | | | | | |
| Taxable | | | | | | | | | | |

| |
|---|
| Taxable |
| Nontaxable |
| Interest-earning deposits |
| Interest-earning deposits |
| Interest-earning deposits |
| Dividends on equity securities |
| Total interest income |
| Interest expense: |
| Deposits |
| Deposits |
| Deposits |
| Subordinated debentures and notes |
| FHLB advances |
| Other borrowings |
| Total interest expense |
| Net interest income |
| Provision for credit losses |
| Net interest income after provision for credit losses |
| Noninterest income: |
| Deposit service charges |
| Deposit service charges |
| Deposit service charges |
| Wealth management revenue |
| Card services revenue |
| Tax credit income (loss) |
| Tax credit income (loss) |
| Tax credit income (loss) |
| Other income |
| Other income |
| Other income |
| Total noninterest income |
| Noninterest expense: |
| Employee compensation and benefits |
| Employee compensation and benefits |
| Employee compensation and benefits |
| Deposit costs |
| Occupancy |
| Data processing |
| Professional fees |
| Other expense |
| Other expense |
| Other expense |
| Total noninterest expense |
| Income before income tax expense |
| Income before income tax expense |
| Income before income tax expense |
| Income tax expense |
| Net income |
| Dividends on preferred stock |

Net income available to common shareholders

Earnings per common share

Earnings per common share

Earnings per common share

Basic

Basic

Basic

Diluted

The accompanying notes are an integral part of these Consolidated Financial Statements.

**ENTERPRISE FINANCIAL SERVICES CORP AND SUBSIDIARIES**

Condensed Consolidated Statements of Comprehensive Income (Unaudited)

| | | Three months ended June 30, | | Six months ended June 30, | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Three months ended September 30, | | Nine months ended September 30, | | | | | | |
| *($ in thousands)* | *($ in thousands)* | 2024 | 2023 | 2024 | 2023 | *($ in thousands)* | 2024 | 2023 | 2024 | 2023 |
| Net income | | | | | | | | | | |
| Other comprehensive income (loss), net of tax: | | | | | | | | | | |
| Change in unrealized gain (loss) on available-for-sale securities | | | | | | | | | | |
| Change in unrealized gain (loss) on available-for-sale securities | | | | | | | | | | |
| Change in unrealized gain (loss) on available-for-sale securities | | | | | | | | | | |
| Reclassification of gain on the sale of available-for-sale securities | | | | | | | | | | |
| Reclassification of gain on held-to-maturity securities | | | | | | | | | | |
| Change in unrealized loss on cash flow hedges | | | | | | | | | | |
| Change in unrealized gain (loss) on cash flow hedges | | | | | | | | | | |
| Reclassification of loss on cash flow hedges | | | | | | | | | | |
| Total other comprehensive income (loss), net of tax | | | | | | | | | | |
| Total comprehensive income | | | | | | | | | | |

The accompanying notes are an integral part of these Consolidated Financial Statements.

**ENTERPRISE FINANCIAL SERVICES CORP AND SUBSIDIARIES**

Condensed Consolidated Statements of Shareholders' Equity (Unaudited)

| | |
|---|---|
| **Three and six months ended June 30, 2024** | |
| **Three and six months ended June 30, 2024** | |
| **Three and six months ended June 30, 2024** | |
| **Three and nine months ended September 30, 2024** | |
| **Three and nine months ended September 30, 2024** | |
| **Three and nine months ended September 30, 2024** | |
| | Preferred Stock |
| | Preferred Stock |
| | Preferred Stock |
| *($ in thousands, except per share data)* | |
| *($ in thousands, except per share data)* | |
| *($ in thousands, except per share data)* | |
| **Balance at March 31, 2024** | |
| **Balance at March 31, 2024** | |
| **Balance at March 31, 2024** | |
| **Balance at June 30, 2024** | |
| **Balance at June 30, 2024** | |

| |
|---|
| **Balance at June 30, 2024** |
| Net income |
| Net income |
| Net income |
| Other comprehensive loss |
| Other comprehensive income |
| Other comprehensive loss |
| Other comprehensive income |
| Other comprehensive loss |
| Common stock dividends ($0.26 per share) |
| Common stock dividends ($0.26 per share) |
| Common stock dividends ($0.26 per share) |
| Other comprehensive income |
| Common stock dividends ($0.27 per share) |
| Common stock dividends ($0.27 per share) |
| Common stock dividends ($0.27 per share) |
| Preferred stock dividends ($12.50 per share) |
| Preferred stock dividends ($12.50 per share) |
| Preferred stock dividends ($12.50 per share) |
| Repurchase of common stock |
| Repurchase of common stock |
| Repurchase of common stock |
| Issuance under equity compensation plans, net |
| Issuance under equity compensation plans, net |
| Issuance under equity compensation plans, net |
| Share-based compensation |
| Share-based compensation |
| Share-based compensation |
| **Balance at June 30, 2024** |
| **Balance at September 30, 2024** |
| **Balance at June 30, 2024** |
| **Balance at September 30, 2024** |
| **Balance at June 30, 2024** |
| **Balance at September 30, 2024** |
| **Balance at December 31, 2023** |
| **Balance at December 31, 2023** |
| **Balance at December 31, 2023** |
| Net income |
| Net income |
| Net income |
| Other comprehensive loss |
| Other comprehensive loss |
| Other comprehensive loss |
| Common stock dividends ($0.51 per share) |
| Common stock dividends ($0.51 per share) |
| Common stock dividends ($0.51 per share) |
| Preferred stock dividends ($25.00 per share) |
| Preferred stock dividends ($25.00 per share) |
| Preferred stock dividends ($25.00 per share) |
| Other comprehensive income |
| Other comprehensive income |
| Other comprehensive income |
| Common stock dividends ($0.78 per share) |
| Common stock dividends ($0.78 per share) |
| Common stock dividends ($0.78 per share) |
| Preferred stock dividends ($37.50 per share) |
| Preferred stock dividends ($37.50 per share) |
| Preferred stock dividends ($37.50 per share) |
| Repurchase of common stock |

Repurchase of common stock
Repurchase of common stock
Issuance under equity compensation plans, net
Issuance under equity compensation plans, net
Issuance under equity compensation plans, net
Share-based compensation
Share-based compensation
Share-based compensation
**Balance at June 30, 2024**
**Balance at June 30, 2024**
**Balance at June 30, 2024**
**Balance at September 30, 2024**
**Balance at September 30, 2024**
**Balance at September 30, 2024**

**Three and six months ended, June 30, 2023**
**Three and six months ended, June 30, 2023**
**Three and six months ended, June 30, 2023**
**Three and nine months ended, September 30, 2023**
**Three and nine months ended, September 30, 2023**
**Three and nine months ended, September 30, 2023**

Preferred
Preferred
Preferred

*($ in thousands, except per share data)*
*($ in thousands, except per share data)*

| *($ in thousands, except per share data)* | Shares | Amount | Shares | Amount | Additional Paid in Capital | Retained Earnings | Accumulated Other Comprehensive Income (Loss) | Total Shareholders' Equity | Shares | Amount | Shares | Amount | Additional Paid in Capital | Retained Earnings | Accumulated Other Comprehensive Income (Loss) | Total Shareholders' Equity |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Balance at March 31, 2023** | | | | | | | | | | | | | | | | |
| **Balance at June 30, 2023** | | | | | | | | | | | | | | | | |
| Net income | | | | | | | | | | | | | | | | |
| Other comprehensive income | | | | | | | | | | | | | | | | |
| Other comprehensive loss | | | | | | | | | | | | | | | | |
| Other comprehensive income | | | | | | | | | | | | | | | | |
| Other comprehensive loss | | | | | | | | | | | | | | | | |
| Other comprehensive income | | | | | | | | | | | | | | | | |
| Other comprehensive loss | | | | | | | | | | | | | | | | |
| Common stock dividends ($0.25 per share) | | | | | | | | | | | | | | | | |
| Preferred stock dividends ($12.50 per share) | | | | | | | | | | | | | | | | |

| |
|---|
| Issuance under equity compensation plans, net |
| Issuance under equity compensation plans, net |
| Issuance under equity compensation plans, net |
| Share-based compensation |
| Share-based compensation |
| Share-based compensation |
| **Balance at June 30, 2023** |
| **Balance at September 30, 2023** |
| **Balance at June 30, 2023** |
| **Balance at September 30, 2023** |
| **Balance at June 30, 2023** |
| **Balance at September 30, 2023** |
| **Balance at December 31, 2022** |
| **Balance at December 31, 2022** |
| **Balance at December 31, 2022** |
| Net income |
| Other comprehensive income |
| Common stock dividends ($0.50 per share) |
| Preferred stock dividends ($25.00 per share) |
| Other comprehensive loss |
| Common stock dividends ($0.75 per share) |
| Preferred stock dividends ($37.50 per share) |
| Issuance under equity compensation plans, net |
| Share-based compensation |
| **Balance at June 30, 2023** |
| **Balance at September 30, 2023** |

The accompanying notes are an integral part of these Consolidated Financial Statements.

**ENTERPRISE FINANCIAL SERVICES CORP AND SUBSIDIARIES**

Condensed Consolidated Statements of Cash Flows (Unaudited)

| | | Six months ended June 30, | | | Nine months ended September 30, | |
|---|---|---|---|---|---|---|
| *($ in thousands)* | *($ in thousands)* | 2024 | 2023 | *($ in thousands)* | 2024 | 2023 |
| **Cash flows from operating activities:** | **Cash flows from operating activities:** | | | **Cash flows from operating activities:** | | |
| Net income | | | | | | |
| Adjustments to reconcile net income to net cash provided by operating activities | | | | | | |
| Depreciation | | | | | | |

Depreciation

Depreciation

Provision for credit losses

Deferred income taxes

Net amortization of discount/premiums on debt securities

Net amortization on loan discount/premiums

Amortization of intangible assets

Amortization of servicing assets

Mortgage loans originated-for-sale

Proceeds from mortgage loans sold

Loss (gain) on:

Net loss (gain) on:

Sale of investment securities

Sale of investment securities

Sale of investment securities

Sale of SBA loans

Sale of other real estate

Sale of fixed assets

Sale of state tax credits

Share-based compensation

Share-based compensation

Share-based compensation

Net change in other assets and liabilities

Net change in other assets and liabilities

Net change in other assets and liabilities

Net cash provided by operating activities

Net cash provided by operating activities

Net cash provided by operating activities

| | | |
|---|---|---|
| **Cash flows from investing activities:** | **Cash flows from investing activities:** | **Cash flows from investing activities:** |

Net increase in loans

Net increase in loans

Net increase in loans

Proceeds received from:

Proceeds received from:

Proceeds received from:

Sale of debt securities, available-for-sale

Sale of debt securities, available-for-sale

Sale of debt securities, available-for-sale

Paydown or maturity of debt securities, available-for-sale

Paydown or maturity of debt securities, held-to-maturity

Redemption of other investments

Sale of SBA loans

Sale of state tax credits held for sale

Sale of other real estate

Sale of fixed assets

Payments for the purchase of:

Payments for the purchase of:

Payments for the purchase of:

Available-for-sale debt securities

Available-for-sale debt securities

Available-for-sale debt securities

Held-to-maturity debt securities

| | |
|---|---|
| Other investments | |
| State tax credits held for sale | |
| State tax credits held for sale | |
| State tax credits held for sale | |
| Fixed assets | |
| Net cash used in investing activities | |

| ($ in thousands) | ($ in thousands) | Six months ended June 30, 2024 | 2023 | ($ in thousands) | Nine months ended September 30, 2024 | 2023 |
|---|---|---|---|---|---|---|
| **Cash flows from financing activities:** | **Cash flows from financing activities:** | | | **Cash flows from financing activities:** | | |
| Net decrease in noninterest-bearing deposit accounts | | | | | | |
| Net increase in interest-bearing deposit accounts | | | | | | |
| Net increase in FHLB advances | | | | | | |
| Net increase (decrease) in FHLB advances | | | | | | |
| Repayments of notes payable | | | | | | |
| Repayments of notes payable | | | | | | |
| Repayments of notes payable | | | | | | |
| Net decrease in other borrowings | | | | | | |
| Net decrease in other borrowings | | | | | | |
| Net decrease in other borrowings | | | | | | |
| Repurchase of common stock | | | | | | |
| Repurchase of common stock | | | | | | |
| Repurchase of common stock | | | | | | |
| Cash dividends paid on common stock | | | | | | |
| Cash dividends paid on preferred stock | | | | | | |
| Other | | | | | | |
| Net cash provided by financing activities | | | | | | |
| Net cash provided by financing activities | | | | | | |
| Net cash provided by financing activities | | | | | | |
| Net increase (decrease) in cash and cash equivalents | | | | | | |
| Cash and cash equivalents, beginning of period | | | | | | |
| **Cash and cash equivalents, end of period** | | | | | | |
| Supplemental disclosures of cash flow information: | Supplemental disclosures of cash flow information: | | | Supplemental disclosures of cash flow information: | | |
| Cash paid during the period for: | Cash paid during the period for: | | | Cash paid during the period for: | | |
| Interest | | | | | | |
| Income taxes | | | | | | |
| Noncash investing and financing transactions: | | | | | | |
| Transfer to other bank owned assets | | | | | | |
| Transfer to other bank owned assets | | | | | | |
| Transfer to other bank owned assets | | | | | | |
| Right-of-use assets obtained in exchange for lease obligations | | | | | | |
| Right-of-use assets obtained in exchange for lease obligations | | | | | | |
| Right-of-use assets obtained in exchange for lease obligations | | | | | | |
| Transfer to securities available-for-sale in settlement of loans | | | | | | |

The accompanying notes are an integral part of these Consolidated Financial Statements.

**ENTERPRISE FINANCIAL SERVICES CORP AND SUBSIDIARIES**
**Notes to Condensed Consolidated Financial Statements (Unaudited)**

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used by the Company in the preparation of the condensed consolidated financial statements are summarized below:

**Business and Consolidation**

Enterprise is a financial holding company that provides a full range of banking and wealth management services to individuals and corporate customers primarily located in Arizona, California, Florida, Kansas, Missouri, Nevada, and New Mexico, and SBA loan and deposit productions offices throughout the country through its banking subsidiary, Enterprise Bank & Trust.

Operating results for the three and six nine months ended June 30, 2024 September 30, 2024 are not necessarily indicative of the results that may be expected for any other interim period or for the year ending December 31, 2024. These financial statements should be read in conjunction with the consolidated financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2023, as filed with the SEC.

**Basis of Financial Statement Presentation**

The accompanying unaudited condensed consolidated financial statements of the Company and its subsidiaries have been prepared in accordance with GAAP for interim financial information and pursuant to the rules and regulations of the SEC. Certain information and note disclosures normally included in annual financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to those rules and regulations, although the Company believes that the disclosures made are adequate to make the information presented not misleading. Except as disclosed herein, there has been no material change in the information disclosed in the Notes to Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2023.

The condensed consolidated financial statements include the accounts of the Company and its subsidiaries, all of which are wholly owned. All intercompany accounts and transactions have been eliminated.

In the opinion of management, the consolidated financial statements contain all adjustments (consisting of normal recurring accruals) considered necessary for the fair presentation of the statements of financial position, results of operations, and cash flow for the interim periods.

**Recent Accounting Pronouncements**

**FASB ASU 2022-03, *Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions.*** ASU 2022-03 was issued in June 2022 to (1) clarify the guidance in Topic 820, Fair Value Measurement, when measuring the fair value of an equity security subject to contractual restrictions that prohibit the sale of an equity security, (2) amend a related illustrative example, and (3) introduce new disclosure requirements for equity securities subject to contractual sale restrictions that are measured at fair value in accordance with Topic 820. The amendments in this update are effective for fiscal years beginning after December 15, 2023, and interim periods within those fiscal years. The adoption of ASU 2022-03 did not have a material effect on the consolidated financial statements.

**FASB ASU 2023-02, *Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method*.** ASU 2023-02 was issued in March 2023 to allow reporting entities to consistently account for equity investments made primarily for the purpose of receiving income tax credits and other income tax benefits. If certain conditions are met, a reporting entity may elect to account for its tax equity investments by using the proportional amortization method regardless of the program from which it receives income tax credits, instead of only low-

income-housing tax credit ("LIHTC") structures. This amendment also eliminates certain LIHTC-specific guidance aligning the accounting with other equity investments in tax credit structures. The amendments in this update are effective for fiscal years beginning after December 15, 2023, and interim periods within those fiscal years. The adoption of ASU 2023-02 did not have a material effect on the consolidated financial statements.

**FASB ASU 2023-07, *Improvements to Reportable Segment Disclosures*.** ASU 2023-07 was issued in November 2023 to improve reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment disclosures. The amendments in this update require annual and interim disclosures on significant segment expenses that are regularly provided to the chief operating decision maker and require annual and interim disclosures on "other segment items" that comprise the difference between segment revenue less segment expense compared to the reported measure of segment profit or loss. In addition, the amendments will require all annual disclosures that are currently required to be reported on an interim basis and requires disclosure of the title and position of the chief operating decision maker and how that position uses the information to assess segment performance and the allocation of resources. ASU 2023-07 also requires entities that have a single reportable segment, such as the Company, to provide all disclosures required in this update and the existing segment disclosures in Topic 280. The amendments in this update are effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. The Company is evaluating the accounting and disclosure requirements of ASU 2023-07 and does not expect them to have a material effect on the consolidated financial statements.

**FASB ASU 2023-09, *Income Tax Disclosures*.** ASU 2023-09 was issued in December 2023 to require annual disclosures on specific categories in the income tax rate reconciliation and provide additional information for reconciling items that meet a quantitative threshold. Annual disclosures are required on income taxes paid, including the amounts paid for federal, state and foreign taxes and the amount paid in individual jurisdictions if the amount is equal to or greater than 5% of total income taxes paid (net of refunds received). Additional annual disclosures are required on pre-tax income from continuing operations and income tax expense, disaggregated by domestic and foreign amounts. The amendments in this update are effective for fiscal years beginning after December 15, 2024. The Company is evaluating the accounting and disclosure requirements of ASU 2023-09 and does not expect them to have a material effect on the consolidated financial statements.

**NOTE 2 - EARNINGS PER SHARE**

Basic earnings per common share data is calculated by dividing net income available to common shareholders by the weighted average number of common shares outstanding during the period. Diluted earnings per common share gives effect to all dilutive potential common shares outstanding during the period using the treasury stock method.

The following table presents a summary of per common share data and amounts for the periods indicated.

| |
|---|
| *(in thousands, except per share data)* |
| *(in thousands, except per share data)* |
| *(in thousands, except per share data)* |
| Net income available to common shareholders |
| Net income available to common shareholders |
| Net income available to common shareholders |
| Weighted average common shares outstanding |
| Weighted average common shares outstanding |
| Weighted average common shares outstanding |
| Additional dilutive common stock equivalents |
| Additional dilutive common stock equivalents |
| Additional dilutive common stock equivalents |
| Weighted average diluted common shares outstanding |
| Weighted average diluted common shares outstanding |
| Weighted average diluted common shares outstanding |
| Basic earnings per common share: |
| Basic earnings per common share: |
| Basic earnings per common share: |
| Diluted earnings per common share: |
| Diluted earnings per common share: |
| Diluted earnings per common share: |

For the three and six nine months ended June 30, 2024 September 30, 2024, common stock equivalents of approximately 634,000 441,000 and 621,000, 572,000, respectively, were excluded from the earnings per share calculations because their effect would have been anti-dilutive. Comparatively, there were 462,000 440,000 and 411,000 430,000 common stock equivalents excluded in the three and six nine months ended June 30, 2023 September 30, 2023, respectively.

**NOTE 3 - INVESTMENTS**

The following tables present the amortized cost, gross unrealized gains and losses, allowance for credit losses and fair value of securities available for sale and held to maturity:

| | June 30, 2024 | | | | | September 30, 2024 | | | |
|---|---|---|---|---|---|---|---|---|---|
| *($ in thousands)* | *($ in thousands)* | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value | *($ in thousands)* | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
| Available-for-sale securities: | | | | | | | | | | |
| Obligations of U.S. Government-sponsored enterprises | | | | | | | | | | |
| Obligations of U.S. Government-sponsored enterprises | | | | | | | | | | |
| Obligations of U.S. Government-sponsored enterprises | | | | | | | | | | |
| Obligations of states and political subdivisions | | | | | | | | | | |
| Agency mortgage-backed securities | | | | | | | | | | |
| U.S. Treasury bills | | | | | | | | | | |

| |
|---|
| Corporate debt securities |
| Total securities available for sale |
| Held-to-maturity securities: |
| Obligations of states and political subdivisions |
| Obligations of states and political subdivisions |
| Obligations of states and political subdivisions |
| Agency mortgage-backed securities |
| Corporate debt securities |
| Total securities held-to-maturity |
| Allowance for credit losses |
| Total securities held-to-maturity, net |
| Total securities held-to-maturity, net |
| Total securities held-to-maturity, net |

| | December 31, 2023 | | | |
|---|---|---|---|---|
| ($ in thousands) | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
| Available-for-sale securities: | | | | |
| Obligations of U.S. Government-sponsored enterprises | $ 316,511 | $ 303 | $ (20,368) | $ 296,446 |
| Obligations of states and political subdivisions | 500,881 | 57 | (68,767) | 432,171 |
| Agency mortgage-backed securities | 758,283 | 1,181 | (59,083) | 700,381 |
| U.S. Treasury Bills | 184,709 | 62 | (3,070) | 181,701 |
| Corporate debt securities | 8,750 | — | (1,176) | 7,574 |
| Total securities available for sale | $ 1,769,134 | $ 1,603 | $ (152,464) | $ 1,618,273 |
| Held-to-maturity securities: | | | | |
| Obligations of states and political subdivisions | $ 575,699 | $ 7,078 | $ (47,461) | $ 535,316 |
| Agency mortgage-backed securities | 52,100 | — | (5,424) | 46,676 |
| Corporate debt securities | 123,420 | 216 | (8,981) | 114,655 |
| Total securities held to maturity | $ 751,219 | $ 7,294 | $ (61,866) | $ 696,647 |
| Allowance for credit losses | (785) | | | |
| Total securities held-to-maturity, net | $ 750,434 | | | |

The balance of held-to-maturity securities in the "Amortized Cost" column in the table above includes a cumulative net unamortized unrealized gain of $12.5 million$11.7 million and $14.1 million at June 30, 2024September 30, 2024 and December 31, 2023, respectively. Such amounts are amortized over the remaining life of the securities.

At June 30, 2024September 30, 2024 and December 31, 2023, there were no holdings of securities of any one issuer in an amount greater than 10% of shareholders' equity, other than U.S. Government agencies and sponsored enterprises. The agency mortgage-backed securities are all issued by U.S. Government agencies and sponsored enterprises. Securities of $1.2 billion and $1.6 billion at June 30, 2024September 30, 2024 and December 31, 2023, respectively, were pledged as collateral to secure deposits of public institutions and for other purposes as required by law or contract provisions, in addition to collateral securing borrowing bases with the FHLB and the Federal Reserve Bank.

The amortized cost and estimated fair value of debt securities at June 30, 2024September 30, 2024, by contractual maturity, are shown below. Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties. The weighted average life of the mortgage-backed securities is approximately four years.

| | Available for sale | | | Available for sale | | Held to maturity | | | Available for sale | | Held to maturity | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| ($ in thousands) | ($ in thousands) | Amortized Cost | Estimated Fair Value | Amortized Cost | Estimated Fair Value | ($ in thousands) | Amortized Cost | | Estimated Fair Value | Amortized Cost | Estimated Fair Value | |
| Due in one year or less | | | | | | | | | | | | |
| Due after one year through five years | | | | | | | | | | | | |

| | |
|---|---|
| Due after five years through ten years | |
| Due after ten years | |
| Agency mortgage-backed securities | |

The following tables presents a summary of available-for-sale investment securities in an unrealized loss position:

| | | June 30, 2024 | | | | | | September 30, 2024 | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Less than 12 months | | 12 months or more | | Total | Less than 12 months | | | 12 months or more | | | Total | | |
| ($ in thousands) | ($ in thousands) | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses | ($ in thousands) | Fair Value | Unrealized Losses | | Fair Value | Unrealized Losses | | Fair Value |
| Obligations of U.S. Government-sponsored enterprises | | | | | | | | | | | | | | | |
| Obligations of states and political subdivisions | | | | | | | | | | | | | | | |
| Agency mortgage-backed securities | | | | | | | | | | | | | | | |
| U.S. Treasury bills | | | | | | | | | | | | | | | |
| Corporate debt securities | | | | | | | | | | | | | | | |

| | | December 31, 2023 | | | | | | December 31, 2023 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Less than 12 months | | 12 months or more | | Total | Less than 12 months | | | | 12 months or more | | | Total | | | |
| ($ in thousands) | ($ in thousands) | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses | Fair Value | | Unrealized Losses | ($ in thousands) | Fair Value | Unrealized Losses | | Fair Value | | Unrealized Losses | | Fa Val |
| Obligations of U.S. Government-sponsored enterprises | | | | | | | | | | | | | | | | | |
| Obligations of states and political subdivisions | | | | | | | | | | | | | | | | | |
| Agency mortgage-backed securities | | | | | | | | | | | | | | | | | |
| U.S. Treasury bills | | | | | | | | | | | | | | | | | |

Corporate debt securities

The unrealized losses at both June 30, 2024 September 30, 2024 and December 31, 2023 were attributable primarily to changes in market interest rates after the securities were purchased. At each of June 30, 2024 September 30, 2024 and December 31, 2023, the Company did not have an allowance for credit losses on available-for-sale securities.

Accrued interest on held-to-maturity debt securities totaled $6.9 million $7.8 million and $6.5 million at June 30, 2024 September 30, 2024 and December 31, 2023, respectively, and is excluded from the estimate of expected credit losses. The estimate of expected credit losses considers historical credit loss information adjusted for current conditions and reasonable and supportable forecasts. The ACL on held-to-maturity securities was $0.3 million at June 30, 2024 September 30, 2024 and $0.8 million at December 31, 2023.

There were no sales of available-for-sale securities during neither the three and six nine months ended June 30, 2024 September 30, 2024, nor the three months ended June 30, 2023 September 30, 2023. The Company sold $28.4 million of available-for-sale securities during the six nine months ended June 30, 2023 September 30, 2023 for a gain of $0.4 million.

**Other Investments**

At June 30, 2024 September 30, 2024 and December 31, 2023, other investments totaled $72.0 million $75.8 million and $66.2 million,respectively. As a member of the FHLB system administered by the Federal Housing Finance Agency, the Bank is required to maintain a minimum investment in capital stock with the FHLB consisting of membership stock and activity-based stock. The FHLB capital stock of $12.2 million $15.5 million at June 30, 2024 September 30, 2024 and $7.8 million at December 31, 2023 is recorded at cost, which represents redemption value, and is included in other investments in the consolidated balance sheets. The remaining amounts in other investments primarily include investments in Small Business Investment Companies, Community Development Financial Institutions, private equity investments, and the Company's investment in unconsolidated trusts used to issue trust preferred securities to third parties.

**NOTE 4 - LOANS**

The following table presents a summary of loans by category:

| *($ in thousands)* | *($ in thousands)* | June 30, 2024 | December 31, 2023 | *($ in thousands)* | September 30, 2024 | December 31, 2023 |
|---|---|---|---|---|---|---|
| Commercial and industrial | | | | | | |
| Real estate: | Real estate: | | | Real estate: | | |
| Commercial - investor owned | | | | | | |
| Commercial - owner occupied | | | | | | |
| Construction and land development | | | | | | |
| Residential | | | | | | |
| Total real estate loans | | | | | | |
| Other | | | | | | |
| Loans, before unearned loan fees | | | | | | |
| Unearned loan fees, net | | | | | | |
| Loans, including unearned loan fees | | | | | | |

The loan balance includes a net premium on acquired loans of $9.2 million $8.5 million and $9.6 million at June 30, 2024 September 30, 2024 and December 31, 2023, respectively. At June 30, 2024 September 30, 2024 and December 31, 2023, loans and securities of $5.5 billion and $4.8 billion, respectively, were pledged to the FHLB and the Federal Reserve Bank.

Accrued interest totaled $70.1 million $52.5 million and $66.7 million at June 30, 2024 September 30, 2024 and December 31, 2023, respectively, and was reported in "Other Assets" on the consolidated balance sheets.

SBA 7(a) guaranteed loans sold during the six nine months ended June 30, 2024 September 30, 2024 totaled $23.1 million, $23.1 million, resulting in a gain on sale of $1.4 million. SBA 7(a) guaranteed loans sold during the six three and nine months ended June 30, 2023 September 30, 2023 totaled $8.8 $33.3 million resulting in a and $42.1 million, respectively. A gain on sale of $0.5 million. $1.5 million and $2.0 million was recognized for the three and nine months ended September 30, 2023, respectively. There were no sales SBA 7(a) guaranteed loans sold in the three months ended June 30, 2024 and 2023, respectively. September 30, 2024.

No consumer mortgage loans secured by residential real estate were in the process of foreclosure at June 30, 2024 September 30, 2024, compared to $1.0 million at December 31, 2023.

A summary of the activity, by loan category, in the ACL on loans for the three and six nine months ended June 30, 2024 September 30, 2024 and 2023 is as follows:

| *($ in thousands)* | *($ in thousands)* | Commercial and industrial | CRE - investor owned | CRE - owner occupied | Construction and land development | Residential real estate | Other | Total | *($ in thousands)* | Commercial and industrial | CRE - investor owned | CRE - owner occupied | Construction and land development | Residential real estate | Other | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Allowance for credit losses on loans: | | | | | | | | | | | | | | | | |
| Balance at March 31, 2024 | | | | | | | | | | | | | | | | |
| Balance at March 31, 2024 | | | | | | | | | | | | | | | | |
| Balance at March 31, 2024 | | | | | | | | | | | | | | | | |
| Balance at June 30, 2024 | | | | | | | | | | | | | | | | |
| Balance at June 30, 2024 | | | | | | | | | | | | | | | | |
| Balance at June 30, 2024 | | | | | | | | | | | | | | | | |
| Provision (benefit) for credit losses | | | | | | | | | | | | | | | | |
| Charge-offs | | | | | | | | | | | | | | | | |
| Recoveries | | | | | | | | | | | | | | | | |
| Balance at June 30, 2024 | | | | | | | | | | | | | | | | |
| Balance at September 30, 2024 | | | | | | | | | | | | | | | | |

*($ in thousands)*

*($ in thousands)*

| *($ in thousands)* | Commercial and industrial | CRE - investor owned | CRE - owner occupied | Construction and land development | Residential real estate | Other | Total | Commercial and industrial | CRE - investor owned | CRE - owner occupied | Construction and land development | Residential real estate | Other | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Allowance for credit losses on loans: | | | | | | | | | | | | | | |
| Balance at December 31, 2023 | | | | | | | | | | | | | | |
| Balance at December 31, 2023 | | | | | | | | | | | | | | |
| Balance at December 31, 2023 | | | | | | | | | | | | | | |
| Provision (benefit) for credit losses | | | | | | | | | | | | | | |
| Charge-offs | | | | | | | | | | | | | | |
| Recoveries | | | | | | | | | | | | | | |
| Balance at June 30, 2024 | | | | | | | | | | | | | | |
| Balance at September 30, 2024 | | | | | | | | | | | | | | |

*($ in thousands)*

*($ in thousands)*

| *($ in thousands)* | | Commercial and industrial | CRE - investor owned | CRE - owner occupied | Construction and land development | Residential real estate | | Other | Total | Commercial and industrial | CRE - investor owned | CRE - owner occupied | Construction and land development | Residential real estate | Other | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Allowance for credit losses on loans: | Allowance for credit losses on loans: | | | | | | Allowance for credit losses on loans: | | | | | | | | | |
| Balance at March 31, 2023 | | | | | | | | | | | | | | | | |
| Balance at June 30, 2023 | | | | | | | | | | | | | | | | |
| Balance at March 31, 2023 | | | | | | | | | | | | | | | | |
| Balance at June 30, 2023 | | | | | | | | | | | | | | | | |
| Balance at March 31, 2023 | | | | | | | | | | | | | | | | |
| Balance at June 30, 2023 | | | | | | | | | | | | | | | | |

Provision (benefit) for credit losses

Charge-offs

Recoveries

Balance at June 30, 2023

Balance at September 30, 2023

*($ in thousands)*

*($ in thousands)*

| *($ in thousands)* | Commercial and industrial | CRE - investor owned | CRE - owner occupied | Construction and land development | Residential real estate | Other | Total | Commercial and industrial | CRE - investor owned | CRE - owner occupied | Construction and land development | Residential real estate | Other | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Allowance for credit losses on loans: | Allowance for credit losses on loans: | | | | | Allowance for credit losses on loans: | | | | | | | | |
| Balance at December 31, 2022 | | | | | | | | | | | | | | |
| Provision (benefit) for credit losses | | | | | | | | | | | | | | |
| Charge-offs | | | | | | | | | | | | | | |
| Recoveries | | | | | | | | | | | | | | |
| Balance at June 30, 2023 | | | | | | | | | | | | | | |
| Balance at September 30, 2023 | | | | | | | | | | | | | | |

The ACL on sponsor finance loans, which is included in the categories above, represented $19.9 million $23.0 million at both September 30, 2024 and $23.0 million December 31, 2023, respectively, as of June 30, 2024 and December 31, 2023. respectively.

The CECL methodology incorporates various economic scenarios. The Company utilizes three forecasts in the model: Moody's baseline, a stronger near-term growth upside and a moderate recession downside forecast. The Company weights these scenarios at 40%, 30%, and 30%, respectively, which added approximately $14.6 million $14.5 million to the ACL on loans over the baseline model at June 30, 2024 September 30, 2024. The baseline forecast incorporates an expectation that the federal funds rate has peaked at the range of 5.25% will continue to 5.50% and will begin falling fall in the latter half last quarter of 2024. It is also assumed that the bank failures in early 2023 were not an indication of a broader problem in the industry. The Company has also recognized various risks posed by loans in certain segments, including the commercial office and agricultural sectors, by allocating additional reserves to those segments. Some of the key risks to the forecasts that could result in future provision for credit losses are market reactions to the Federal Reserve policy actions that could push the economy into a recession, persistently higher inflation, tightening in the credit markets, and further weakness in the financial system.

In addition to the CECL methodology, the Company incorporates qualitative adjustments into the ACL on loans to capture credit risks inherent within the loan portfolio that are not captured in the CECL model. Included in these risks are 1) changes in lending policies and procedures, 2) actual and expected changes in business and economic conditions, 3) changes in the nature and volume of the portfolio, 4) changes in lending management, 5) changes in volume and the severity of past due loans, 6) changes in the quality of the loan review system, 7) changes in the value of underlying collateral, 8) the existence and effect of concentrations of credit and 9) other factors such as the regulatory, legal and competitive environments and events such as natural disasters and pandemics. At June 30, 2024 September 30, 2024, the ACL on loans included a qualitative adjustment of approximately $42.2 million $49.1 million. Of this amount, approximately $12.6 million $16.1 million was allocated to Sponsor Finance sponsor finance loans due to their mostly unsecured nature.

The current year-to-date gross charge-offs by loan class and year of origination is presented in the following tables:

June 30, 2024

June 30, 2024

June 30, 2024

September 30, 2024

September 30, 2024

September 30, 2024

Term Loans by Origination Year

*($ in thousands)*

*($ in thousands)*

| *($ in thousands)* | 2023 | 2022 | 2021 | 2020 | Prior | Revolving Loans Converted to Term Loans | Revolving Loans | Total | 2024 | 2023 | 2022 | 2021 | 2020 | Prior | Revolving Loans Converted to Term Loans | Revolving Loans | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Commercial and industrial | | | | | | | | | | | | | | | | | |
| Real estate: | | | | | | | | | | | | | | | | | |
| Commercial - investor owned | | | | | | | | | | | | | | | | | |
| Commercial - investor owned | | | | | | | | | | | | | | | | | |
| Commercial - investor owned | | | | | | | | | | | | | | | | | |
| Commercial - owner occupied | | | | | | | | | | | | | | | | | |
| Residential | | | | | | | | | | | | | | | | | |
| Residential | | | | | | | | | | | | | | | | | |
| Construction and land development | | | | | | | | | | | | | | | | | |
| Residential | | | | | | | | | | | | | | | | | |
| Other | | | | | | | | | | | | | | | | | |
| Total charge-offs by origination year | | | | | | | | | | | | | | | | | |
| Total gross charge-offs by performing status | | | | | | | | | | | | | | | | | |
| Total gross charge-offs | | | | | | | | | | | | | | | | | |

| | December 31, 2023 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Term Loans by Origination Year | | | | | | | | |
| *($ in thousands)* | 2023 | 2022 | 2021 | 2020 | 2019 | Prior | Revolving Loans Converted to Term Loans | Revolving Loans | Total |
| Commercial and industrial | $ 600 | $ 2,999 | $ 1,940 | $ 2,539 | $ — | $ — | $ 12,533 | $ 15,178 | $ 35,789 |
| Real estate: | | | | | | | | | |
| Commercial - investor owned | — | — | 170 | — | 4,692 | 7 | — | — | 4,869 |
| Construction and land development | — | — | — | — | — | 9 | — | — | 9 |
| Residential | — | — | — | — | — | 480 | 176 | — | 656 |
| Other | — | 3 | 459 | — | — | 319 | 12 | — | 793 |
| Total charge-offs by origination year | $ 600 | $ 3,002 | $ 2,569 | $ 2,539 | $ 4,692 | $ 815 | $ 12,721 | $ 15,178 | $ 42,116 |
| Total gross charge-offs by performing status | | | | | | | | | 1,099 |
| Total gross charge-offs | | | | | | | | | $ 43,215 |

The following tables present the recorded investment in nonperforming loans by category, excluding government guaranteed balances:

June 30, 2024

June 30, 2024

June 30, 2024

September 30, 2024

September 30, 2024

September 30, 2024

| ($ in thousands) | ($ in thousands) Nonaccrual | Loans over 90 days past due and still accruing interest | Total nonperforming loans | Nonaccrual loans with no allowance | ($ in thousands) Nonaccrual | Loans over 90 days past due and still accruing interest | Total nonperforming loans | Nonaccrual loans with no allowance |
|---|---|---|---|---|---|---|---|---|
| Commercial and industrial | | | | | | | | |
| Real estate: | | | | | | | | |
| Commercial - investor owned | | | | | | | | |
| Commercial - investor owned | | | | | | | | |
| Commercial - investor owned | | | | | | | | |
| Commercial - owner occupied | | | | | | | | |
| Construction and land development | | | | | | | | |
| Residential | | | | | | | | |
| Other | | | | | | | | |
| Other | | | | | | | | |
| Other | | | | | | | | |
| Total | | | | | | | | |
| Total | | | | | | | | |
| Total | | | | | | | | |

| | December 31, 2023 | | | |
|---|---|---|---|---|
| ($ in thousands) | Nonaccrual | Loans over 90 days past due and still accruing interest | Total nonperforming loans | Nonaccrual loans with no allowance |
| Commercial and industrial | $ 7,641 | $ 115 | $ 7,756 | $ 6,179 |
| Real estate: | | | | |
| Commercial - investor owned | 20,404 | — | 20,404 | 19,466 |
| Commercial - owner occupied | 12,972 | 363 | 13,335 | 9,010 |
| Construction and land development | 1,205 | 64 | 1,269 | 464 |
| Residential | 959 | — | 959 | 959 |
| Other | — | 5 | 5 | — |
| Total | $ 43,181 | $ 547 | $ 43,728 | $ 36,078 |

The nonperforming loan balances at June 30, 2024 September 30, 2024 and December 31, 2023 exclude government guaranteed balances of $12.9 $11.9 million and $10.7 million respectively.

Interest income recognized on nonaccrual loans was immaterial during the three and six nine months ended June 30, 2024 September 30, 2024 and 2023.

Collateral-dependent nonperforming loans by class of loan is presented as of the dates indicated:

| | | June 30, 2024 | | | | September 30, 2024 | | | | Type of Collateral |
|---|---|---|---|---|---|---|---|---|---|---|
| ($ in thousands) | ($ in thousands) | Commercial Real Estate | Residential Real Estate | Blanket Lien | Other | ($ in thousands) | Commercial Real Estate | Residential Real Estate | Blanket Lien | Other |
| Commercial and industrial | | | | | | | | | | |
| Real estate: | | | | | | | | | | |
| Commercial - investor owned | | | | | | | | | | |
| Commercial - investor owned | | | | | | | | | | |
| Commercial - investor owned | | | | | | | | | | |
| Commercial - owner occupied | | | | | | | | | | |
| Construction and land development | | | | | | | | | | |

Total

Total

Total

| | December 31, 2023 | | | |
|---|---|---|---|---|
| | Type of Collateral | | | |
| *($ in thousands)* | Commercial Real Estate | Residential Real Estate | Blanket Lien | Other |
| Commercial and industrial | $ 527 | $ 1,864 | $ 344 | $ 3,445 |
| Real estate: | | | | |
| Commercial - investor owned | 19,467 | — | — | — |
| Commercial - owner occupied | 5,904 | 1,638 | 1,831 | — |
| Construction and land development | 528 | 741 | — | — |
| Residential | — | 959 | — | — |
| Total | $ 26,426 | $ 5,202 | $ 2,175 | $ 3,445 |

The aging of the recorded investment in past due loans by class and category is presented as of the dates indicated.

| | | June 30, 2024 | | | | | | September 30, 2024 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| *($ in thousands)* | *($ in thousands)* | 30-89 Days Past Due | 90 or More Days Past Due | Total Past Due | Current | Total | *($ in thousands)* | 30-89 Days Past Due | 90 or More Days Past Due | Total Past Due | Current | Total |
| Commercial and industrial | | | | | | | | | | | | |
| Real estate: | | | | | | | | | | | | |
| Commercial - investor owned | | | | | | | | | | | | |
| Commercial - investor owned | | | | | | | | | | | | |
| Commercial - investor owned | | | | | | | | | | | | |
| Commercial - owner occupied | | | | | | | | | | | | |
| Construction and land development | | | | | | | | | | | | |
| Residential | | | | | | | | | | | | |
| Other | | | | | | | | | | | | |
| Loans, before unearned loan fees | | | | | | | | | | | | |
| Unearned loan fees, net | | | | | | | | | | | | |
| Total | | | | | | | | | | | | |

| | December 31, 2023 | | | | |
|---|---|---|---|---|---|
| *($ in thousands)* | 30-89 Days Past Due | 90 or More Days Past Due | Total Past Due | Current | Total |
| Commercial and industrial | $ 3,445 | $ 9,037 | $ 12,482 | $ 4,661,574 | $ 4,674,056 |
| Real estate: | | | | | |
| Commercial - investor owned | 1,905 | 18,395 | 20,300 | 2,432,102 | 2,452,402 |
| Commercial - owner occupied | 8,409 | 14,142 | 22,551 | 2,321,566 | 2,344,117 |
| Construction and land development | 770 | 1,908 | 2,678 | 757,444 | 760,122 |
| Residential | 1,620 | 959 | 2,579 | 369,416 | 371,995 |
| Other | 82 | 4 | 86 | 285,567 | 285,653 |
| Loans, before unearned loan fees | $ 16,231 | $ 44,445 | $ 60,676 | $ 10,827,669 | $ 10,888,345 |
| Unearned loan fees, net | | | | | (4,227) |
| Total | | | | | $ 10,884,118 |

The allowance for credit losses on loans incorporates an estimate of lifetime expected credit losses and is recorded on each asset upon origination or acquisition. The starting point for the estimate of the allowance for credit losses on loans is historical loss information, which includes losses from modifications of receivables to borrowers experiencing financial difficulty. The Company uses a probability of default and loss given default model to determine the allowance for credit losses on loans.

An assessment of whether a borrower is experiencing financial difficulty is made on the date of a modification. The effect of most modifications made to borrowers experiencing financial difficulty is already included in the allowance for credit losses on loans because of the measurement methodologies used to estimate the allowance.

The most common concession the Company provides to borrowers experiencing financial difficulty is a term extension. In limited circumstances, the Company may modify loans by providing principal forgiveness or an interest rate reduction. When principal forgiveness is provided, the amortized cost basis of the asset is written off against the allowance for credit losses on loans. The amount of the principal forgiveness is deemed to be uncollectible; therefore, that portion of the loan is written off, resulting in a reduction of the amortized cost basis and a corresponding adjustment to the allowance for credit losses on loans.

In some cases, the Company will modify a loan by providing multiple types of concessions. Typically, one type of concession, such as a term extension, is granted initially. If the borrower continues to experience financial difficulty, another concession, such as an interest rate reduction or principal forgiveness, may be granted.

The following tables show the recorded investment at the end of the dates listed for loans modified to borrowers experiencing financial difficulty, disaggregated by loan class and type of concession granted:

| | Term Extension |
|---|---|
| | Term Extension |
| | Term Extension |
| | Three months ended |
| | Three months ended |
| | Three months ended |
| *($ in thousands)* | |
| *($ in thousands)* | |
| *($ in thousands)* | |
| Commercial and industrial | |
| Commercial and industrial | |
| Commercial and industrial | |
| Real estate: | |
| Real estate: | |
| Real estate: | |
| Commercial - investor owned | |
| Commercial - investor owned | |
| Commercial - investor owned | |
| Total | |
| Total | |
| Total | |

| | | Term Extension | | | Payment Delay | | | Total | | | | Payment Delay | | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Term Extension | | | Six months ended | | | | | | | Nine months ended | | |
| | | Term Extension | | | | | | | | | | | | |
| *($ in thousands)* | *($ in thousands)* | June 30, 2024 | | Percent of Total Loan Class | June 30, 2024 | | Percent of Total Loan Class | June 30, 2024 | | Percent of Total Loan Class | *($ in thousands)* | September 30, 2024 | | Percent of Total Loan Class |
| Commercial and industrial | Commercial and industrial | $50,260 | 1.09 | 1.09 % | $ 567 | 0.01 | 0.01 % | $ 50,827 | 1.10 | 1.10 % | Commercial and industrial | $ 60,256 | 1.30 | 1.30 |

| | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Real estate: | | | | | | | | | | | | | | | | |
| Commercial - investor owned | | | | | | | | | | | | | | | | |
| Commercial - investor owned | | | | | | | | | | | | | | | | |
| Commercial - investor owned | 8,409 | 0.34 | 0.34 % | — | — | — % | 8,409 | 0.34 | 0.34 % | 8,667 | | 0.34 | | 0.34 | % | |
| Commercial - owner occupied | Commercial - owner occupied | 94 | NM | NM | — | — | — % | 94 | NM | NM | Commercial - owner occupied | 94 | NM | | | |
| Residential | | | | | | | | | | | | | | | | |
| Residential | | | | | | | | | | | | | | | | |
| Residential | 7,644 | 2.17 | 2.17 % | — | — | — % | 7,644 | 2.17 | 2.17 % | 7,644 | | 2.15 | | 2.15 | % | |
| Total | | | | | | | | | | | | | | | | |
| Total | | | | | | | | | | | | | | | | |
| Total | | | | | | | | | | | | | | | | |

| | | | | | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Term Extension | | | | | | | | | | | | | | | | | | |
| | | Term Extension | | | | | | | | | | | | | | | | | | |
| | | Term Extension | | | | | | | | | | | | | | | | | | |
| | | Three months ended | | Three months ended | | | Six months ended | | | | | Three months ended | | | Nine months ended | | | | | |
| *(in thousands)* | | June 30, 2023 | | Percent of Total Loan Class | | June 30, 2023 | | Percent of Total Loan Class | | | | | | | | | | | | |
| *($ in thousands)* | | September 30, 2023 | | Percent of Total Loan Class | | September 30, 2023 | | Percent of Total Loan Class | | | | | | | | | | | | |
| Commercial and industrial | Commercial and industrial | $ 6,533 | 0.15 | 0.15 % | $ | 27,690 | 0.63 | 0.63 % | Commercial and industrial | $66 | — | — % | $26,033 | 0.59 | 0.59 % | | | | | |
| Real estate: | | | | | | | | | | | | | | | | | | | | |
| Commercial - owner occupied | | | | | | | | | | | | | | | | | | | | |
| Commercial - owner occupied | | | | | | | | | | | | | | | | | | | | |
| Commercial - investor owned | | | | | | | | | | | | | | | | | | | | |
| Commercial - investor owned | | | | | | | | | | | | | | | | | | | | |
| Commercial - investor owned | | 1,000 | | 0.04 % | 1,000 | | | 0.04 % | | | | | | | | | | | | |
| Commercial - owner occupied | | 95 | — | — % | | 95 | — | — % | Commercial - owner occupied | — | — | — % | 94 | — | — % | | | | | |
| Construction and land development | Construction and land development | 396 | 0.06 | 0.06 % | | 1,138 | 0.17 | 0.17 % | Construction and land development | — | — | — % | 1,137 | 0.16 | 0.16 % | | | | | |
| Residential | Residential | 74 | 0.02 | 0.02 % | | 74 | 0.02 | 0.02 % | Residential | 28 | 0.01 | 0.01 % | 102 | 0.03 | 0.03 % | | | | | |
| Total | | | | | | | | | | | | | | | | | | | | |

The following tables summarize the financial impacts of loan modifications made to borrowers experiencing financial difficulty and outstanding at the date indicated:

| | | | | | | |
|---|---|---|---|---|---|---|
| | Weighted Average Term Extension (in months) | | | | | |
| | Weighted Average Term Extension (in months) | | | | | |
| | Weighted Average Term Extension (in months) | | Weighted Average Term Extension (in months) | Payment Delay | Weighted Average Term Extension (in months) | Payment Delay |
| | Three months ended | Three months ended | Six months ended | | Three months ended | Nine months ended |

| ($ in thousands) | ($ in thousands) | June 30, 2024 | June 30, 2024 | ($ in thousands) | September 30, 2024 | September 30, 2024 |
|---|---|---|---|---|---|---|
| Commercial and industrial | | | | | | |
| Real estate: | | | | | | |
| Commercial - investor owned | | | | | | |
| Commercial - investor owned | | | | | | |
| Commercial - investor owned | | | | | | |
| Commercial - owner occupied | | | | | | |
| Residential | | | | | | |
| Residential | | | | | | |
| Residential | | | | | | |

| | | Weighted Average Term Extension (in months) | | Weighted Average Term Extension (in months) | | | Weighted Average Term Extension (in months) |
|---|---|---|---|---|---|---|---|
| | | Three months ended | Three months ended | | Six months ended | Three months ended | Nine months ended |
| | | | June 30, 2023 | | | | September 30, 2023 |
| Commercial and industrial | Commercial and industrial | 5 | 6 | Commercial and industrial | 4 | | 9 |
| Real estate: | | | | | | | |
| Commercial - owner occupied | | | | | | | |
| Commercial - owner occupied | | | | | | | |
| Commercial - investor owned | | | | | | | |
| Commercial - investor owned | | | | | | | |
| Commercial - investor owned | | 3 | 3 | | | | |
| Commercial - owner occupied | | 3 | 3 | Commercial - owner occupied | — | 5 | 5 |
| Construction and land development | Construction and land development | 6 | 8 | Construction and land development | — | 10 | 10 |
| Residential | Residential | 5 | 5 | Residential | 60 | | 22 |

The following table shows the aging of the recorded investment in modified loans in the last 12 months by class at the date indicated:

| | June 30, 2024 | | | | | September 30, 2024 | | | |
|---|---|---|---|---|---|---|---|---|---|
| ($ in thousands) | ($ in thousands) | Current | 30-89 Days Past Due | 90 or More Days Past Due | Total | ($ in thousands) | Current | 30-89 Days Past Due | 90 or More Days Past Due | Total |
| Commercial and industrial | | | | | | | | | | |
| Real estate: | | | | | | | | | | |
| Commercial - investor owned | | | | | | | | | | |
| Commercial - investor owned | | | | | | | | | | |
| Commercial - investor owned | | | | | | | | | | |
| Commercial - owner occupied | | | | | | | | | | |
| Commercial - owner occupied | | | | | | | | | | |
| Commercial - owner occupied | | | | | | | | | | |
| Construction and land development | | | | | | | | | | |
| Residential | | | | | | | | | | |
| Residential | | | | | | | | | | |
| Residential | | | | | | | | | | |
| Total | | | | | | | | | | |
| Total | | | | | | | | | | |

Total

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | June 30, 2023 | | | | | | | |
| | | June 30, 2023 | | | | | | | |
| | | June 30, 2023 | | | | | | | |
| | | September 30, 2023 | | | | | | | |
| | | September 30, 2023 | | | | | | | |
| | | September 30, 2023 | | | | | | | |
| *($ in thousands)* | *($ in thousands)* | Current | 90 or More Days Past Due | Total | *($ in thousands)* | Current | 30-89 Days Past Due | 90 or More Days Past Due | Total |
| Commercial and industrial | | | | | | | | | |
| Real estate: | Real estate: | | | | | Real estate: | | | |
| Commercial - owner occupied | | | | | | | | | |
| Commercial - owner occupied | | | | | | | | | |
| Commercial - investor owned | | | | | | | | | |
| Commercial - owner occupied | | | | | | | | | |
| Construction and land development | | | | | | | | | |
| Residential | | | | | | | | | |
| Total | | | | | | | | | |
| Total | | | | | | | | | |
| Total | | | | | | | | | |

The following table summarizes loans that experienced a default during the six nine months ended June 30, 2024 September 30, 2024, subsequent to being granted a modification in the preceding twelve months. All of these loans were charged off charged-off during the preceding period. There were no loans that experienced a default during the three months ended June 30, 2024 September 30, 2024 or September 30, 2023, subsequent to being granted a modification in the preceding twelve months.

| | Term Extension | |
|---|---|---|
| | Six months ended | |
| *($ in thousands)* | June 30, 2024 | Percent of Total Loan Class |
| Commercial and industrial | $ 1,000 | 0.02 % |
| Real estate: | | |
| Construction and land development | 1,748 | 0.20 % |
| Other | 4 | NM |
| Total | $ 2,752 | |

As of June 30, 2023, commercial and industrial loans totaling $0.7 million experienced a default subsequent to being granted a term extension modification in the prior twelve months. Default is defined as movement to nonperforming status, foreclosure or charge-off.

| | Term Extension | |
|---|---|---|
| | Nine months ended | |
| *($ in thousands)* | September 30, 2024 | Percent of Total Loan Class |
| Commercial and industrial | $ 1,000 | 0.02 % |
| Real estate: | | |
| Construction and land development | 1,748 | 0.20 % |
| Other | 4 | NM |
| Total | $ 2,752 | |

As of June 30, 2024 September 30, 2024, the Company allocated an immaterial amount in specific reserves to loans that have been restructured.

The Company categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt, such as current financial information, payment experience, credit documentation, and current economic factors among other factors. This analysis is performed on a quarterly basis. The Company uses the following definitions for risk ratings:

- *Grades 1, 2, and 3* – Includes loans to borrowers with a continuous record of strong earnings, sound balance sheet condition and capitalization, ample liquidity with solid cash flow, and whose management team has experience and depth within their industry.
- *Grade 4* – Includes loans to borrowers with positive trends in profitability, satisfactory capitalization and balance sheet condition, and sufficient liquidity and cash flow.
- *Grade 5* – Includes loans to borrowers that may display fluctuating trends in sales, profitability, capitalization, liquidity, and cash flow.
- *Grade 6* – Includes loans to borrowers where an adverse change or perceived weakness has occurred, but may be correctable in the near future. Alternatively, this rating category may also include circumstances where the borrower is starting to reverse a negative trend or condition, or has recently been upgraded from a 7, 8, or 9 rating.
- *Grade 7 – Special Mention* credits are borrowers that have experienced financial setback of a nature that is not determined to be severe or influence 'ongoing concern' expectations. Although possible, no loss is anticipated, due to strong collateral and/or guarantor support.
- *Grade 8 – Substandard* credits include those borrowers characterized by significant losses and sustained downward trends in balance sheet condition, liquidity, and cash flow. Repayment reliance may have shifted to secondary sources. Collateral exposure may exist and additional reserves may be warranted.
- *Grade 9 – Doubtful* credits include borrowers that may show deteriorating trends that are unlikely to be corrected. Collateral values may appear insufficient for full recovery, therefore requiring a partial charge-off, or debt renegotiation with the borrower. The borrower may have declared bankruptcy or bankruptcy is likely in the near term. All doubtful rated credits will be on non-accrual.

The recorded investment by risk category of the loans by class and year of origination is presented in the following tables as of the dates indicated:

| | June 30, 2024 | | | | | | | | | September 30, 2024 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Term Loans by Origination Year | | | | | | | | | | | | | | | | | |
| *($ in thousands)* | | | | | | | | | | | | | | | | | | |
| *($ in thousands)* | | | | | | | | | | | | | | | | | | |
| *($ in thousands)* | 2024 | 2023 | 2022 | 2021 | 2020 | Prior | Revolving Loans Converted to Term Loans | Revolving Loans | Total | 2024 | 2023 | 2022 | 2021 | 2020 | Prior | Revolving Loans Converted to Term Loans | Revolving Loans | Total |
| **Commercial and industrial** | | | | | | | | | | | | | | | | | | |
| Pass (1-6) | | | | | | | | | | | | | | | | | | |
| Pass (1-6) | | | | | | | | | | | | | | | | | | |
| Pass (1-6) | | | | | | | | | | | | | | | | | | |
| Special Mention (7) | | | | | | | | | | | | | | | | | | |
| Classified (8-9) | | | | | | | | | | | | | | | | | | |
| **Total Commercial and industrial** | | | | | | | | | | | | | | | | | | |
| **Commercial real estate-investor owned** | | | | | | | | | | | | | | | | | | |
| **Commercial real estate-investor owned** | | | | | | | | | | | | | | | | | | |
| **Commercial real estate-investor owned** | | | | | | | | | | | | | | | | | | |
| Pass (1-6) | | | | | | | | | | | | | | | | | | |
| Pass (1-6) | | | | | | | | | | | | | | | | | | |
| Pass (1-6) | | | | | | | | | | | | | | | | | | |
| Special Mention (7) | | | | | | | | | | | | | | | | | | |
| Classified (8-9) | | | | | | | | | | | | | | | | | | |
| **Total Commercial real estate-investor owned** | | | | | | | | | | | | | | | | | | |
| **Commercial real estate-owner occupied** | | | | | | | | | | | | | | | | | | |

| |
|---|
| **Commercial real estate-owner occupied** |
| **Commercial real estate-owner occupied** |
| Pass (1-6) |
| Pass (1-6) |
| Pass (1-6) |
| Special Mention (7) |
| Classified (8-9) |
| **Total Commercial real estate-owner occupied** |
| **Construction real estate** |
| **Construction real estate** |
| **Construction real estate** |
| Pass (1-6) |
| Pass (1-6) |
| Pass (1-6) |
| Special Mention (7) |
| Classified (8-9) |
| **Total Construction real estate** |
| **Residential real estate** |
| **Residential real estate** |
| **Residential real estate** |
| Pass (1-6) |
| Pass (1-6) |
| Pass (1-6) |
| Special Mention (7) |
| Classified (8-9) |
| **Total residential real estate** |
| **Other** |
| **Other** |
| **Other** |
| Pass (1-6) |
| Pass (1-6) |
| Pass (1-6) |
| Special Mention (7) |
| Classified (8-9) |
| **Total Other** |
| **Total loans classified by risk category** |
| **Total loans classified by risk category** |
| **Total loans classified by risk category** |
| **Total loans classified by performing status** |
| **Total loans** |

| | |
|---|---|
| December 31, 2023 | |
| Term Loans by Origination Year | |

| ($ in thousands) | 2023 | 2022 | 2021 | 2020 | 2019 | Prior | Revolving Loans Converted to Term Loans | Revolving Loans | Total |
|---|---|---|---|---|---|---|---|---|---|
| **Commercial and industrial** | | | | | | | | | |
| Pass (1-6) | $ 1,567,738 | $ 1,052,462 | $ 345,292 | $ 194,972 | $ 123,425 | $ 71,205 | $ 12,163 | $ 1,108,233 | $ 4,475,490 |
| Special Mention (7) | 52,523 | 6,845 | 8,597 | 544 | 453 | 242 | 272 | 19,590 | 89,066 |
| Classified (8-9) | 12,824 | 19,306 | 1,833 | 812 | 339 | 363 | 508 | 45,830 | 81,815 |
| **Total Commercial and industrial** | $ 1,633,085 | $ 1,078,613 | $ 355,722 | $ 196,328 | $ 124,217 | $ 71,810 | $ 12,943 | $ 1,173,653 | $ 4,646,371 |
| **Commercial real estate-investor owned** | | | | | | | | | |
| Pass (1-6) | $ 495,131 | $ 544,223 | $ 492,974 | $ 323,175 | $ 165,343 | $ 236,914 | $ 5,222 | $ 51,413 | $ 2,314,395 |
| Special Mention (7) | 3,626 | 22,725 | 51,851 | 1,657 | 164 | 5,526 | — | — | 85,549 |
| Classified (8-9) | 9,411 | 1,034 | 43 | 15,838 | 2,831 | 4,919 | 48 | — | 34,124 |
| **Total Commercial real estate-investor owned** | $ 508,168 | $ 567,982 | $ 544,868 | $ 340,670 | $ 168,338 | $ 247,359 | $ 5,270 | $ 51,413 | $ 2,434,068 |
| **Commercial real estate-owner occupied** | | | | | | | | | |
| Pass (1-6) | $ 407,901 | $ 486,701 | $ 489,589 | $ 301,399 | $ 183,872 | $ 313,474 | $ 5,083 | $ 30,036 | $ 2,218,055 |
| Special Mention (7) | 13,739 | 2,521 | 4,652 | 10,492 | 5,439 | 15,833 | — | 1,493 | 54,169 |
| Classified (8-9) | 3,389 | 3,413 | 2,247 | 3,181 | 8,878 | 24,857 | 5,056 | — | 51,021 |
| **Total Commercial real estate-owner occupied** | $ 425,029 | $ 492,635 | $ 496,488 | $ 315,072 | $ 198,189 | $ 354,164 | $ 10,139 | $ 31,529 | $ 2,323,245 |
| **Construction real estate** | | | | | | | | | |
| Pass (1-6) | $ 292,689 | $ 325,010 | $ 96,426 | $ 30,956 | $ 1,413 | $ 3,408 | $ 10 | $ 3,700 | $ 753,612 |
| Special Mention (7) | 42 | 2,958 | 1,046 | 210 | 123 | 114 | — | — | 4,493 |
| Classified (8-9) | 1,137 | 704 | — | — | 13 | 466 | — | — | 2,320 |
| **Total Construction real estate** | $ 293,868 | $ 328,672 | $ 97,472 | $ 31,166 | $ 1,549 | $ 3,988 | $ 10 | $ 3,700 | $ 760,425 |
| **Residential real estate** | | | | | | | | | |
| Pass (1-6) | $ 59,259 | $ 41,956 | $ 51,436 | $ 30,713 | $ 17,793 | $ 77,327 | $ 1,464 | $ 78,351 | $ 358,299 |
| Special Mention (7) | 322 | — | — | — | 75 | 1,801 | — | 614 | 2,812 |
| Classified (8-9) | 127 | 1,073 | 69 | — | 30 | 1,492 | 74 | 7,500 | 10,365 |
| **Total residential real estate** | $ 59,708 | $ 43,029 | $ 51,505 | $ 30,713 | $ 17,898 | $ 80,620 | $ 1,538 | $ 86,465 | $ 371,476 |
| **Other** | | | | | | | | | |
| Pass (1-6) | $ 10,071 | $ 55,923 | $ 67,766 | $ 53,569 | $ 9,382 | $ 19,657 | $ 7 | $ 28,464 | $ 244,839 |
| Special Mention (7) | — | — | 14,472 | — | — | — | — | 11,645 | 26,117 |
| Classified (8-9) | — | — | — | — | — | 8 | — | — | 8 |
| **Total Other** | $ 10,071 | $ 55,923 | $ 82,238 | $ 53,569 | $ 9,382 | $ 19,665 | $ 7 | $ 40,109 | $ 270,964 |
| **Total loans classified by risk category** | $ 2,929,929 | $ 2,566,854 | $ 1,628,293 | $ 967,518 | $ 519,573 | $ 777,606 | $ 29,907 | $ 1,386,869 | $ 10,806,549 |
| **Total loans classified by performing status** | | | | | | | | | 77,569 |
| **Total loans** | | | | | | | | | $ 10,884,118 |

In the tables above, loan originations in 2024 and 2023 with a classification of “special mention” or “classified” primarily represent renewals or modifications initially underwritten and originated in prior years.

For certain loans, the Company evaluates credit quality based on the aging status.

The following tables present the recorded investment on loans based on payment activity as of the dates indicated:

June 30, 2024 September 30, 2024

| ($ in thousands) | ($ in thousands) | Performing | Non Performing | Total | ($ in thousands) | Performing | Non Performing | Total |
|---|---|---|---|---|---|---|---|---|
| Commercial and industrial | | | | | | | | |
| Real estate: | | | | | | | | |
| Commercial - investor owned | | | | | | | | |
| Commercial - investor owned | | | | | | | | |
| Commercial - investor owned | | | | | | | | |
| Commercial - owner occupied | | | | | | | | |
| Residential | | | | | | | | |
| Residential | | | | | | | | |
| Residential | | | | | | | | |
| Other | | | | | | | | |
| Total | | | | | | | | |

| | December 31, 2023 | | |
|---|---|---|---|
| ($ in thousands) | Performing | Non Performing | Total |
| Commercial and industrial | $ 26,076 | $ 112 | $ 26,188 |
| Real estate: | | | |
| Commercial - investor owned | 17,885 | — | 17,885 |
| Commercial - owner occupied | 28,373 | — | 28,373 |
| Residential | 712 | — | 712 |
| Other | 4,406 | 5 | 4,411 |
| Total | $ 77,452 | $ 117 | $ 77,569 |

**NOTE 5 - COMMITMENTS AND CONTINGENT LIABILITIES**

The Company issues financial instruments in the normal course of its business of meeting the financing needs of its customers. These financial instruments include commitments to extend credit and standby letters of credit. These instruments may involve, to varying degrees, elements of credit and interest rate risk in excess of the amounts recognized in the consolidated balance sheets.

The Company's extent of involvement and maximum potential exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit and standby letters of credit is not more than the contractual amount of these instruments.

The Company uses the same credit policies in making commitments and conditional obligations as it does for financial instruments included on its consolidated balance sheets.

The contractual amounts of significant off-balance-sheet financial instruments are as follows:

| ($ in thousands) | ($ in thousands) | June 30, 2024 | December 31, 2023 | ($ in thousands) | September 30, 2024 | December 31, 2023 |
|---|---|---|---|---|---|---|
| Commitments to extend credit | | | | | | |
| Letters of credit | | | | | | |

**Off-Balance Sheet Credit Risk**

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments usually have fixed expiration dates or other termination clauses, may have significant usage restrictions, and may require payment of a fee. Of the total commitments to extend credit at June 30, 2024 September 30, 2024 and December 31, 2023, $182.8 $169.2 million and $191.6 million, respectively, represent fixed rate loan commitments. Since certain of the commitments may expire without being drawn upon or may be revoked, the total commitment amounts do not necessarily represent future cash obligations. The Company evaluates each customer's credit worthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Company upon extension of credit, is based on management's credit evaluation of the borrower. Collateral held varies, but may include accounts receivable, inventory, premises and equipment, and real estate. Other liabilities includes $5.9 $5.7 million and $6.6 million for estimated losses attributable to the unadvanced commitments at June 30, 2024 September 30, 2024 and December 31, 2023, respectively.

Letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. These letters of credit are issued to support contractual obligations of the Company's customers. The credit risk involved in issuing letters of credit is essentially the same as the risk involved in extending loans to customers. As of June 30, 2024 September 30, 2024, the approximate remaining terms of standby letters of credit range from 1 month to 9 4 years.

**Contingencies**

The Company and its subsidiaries are, from time to time, parties to various legal proceedings arising out of their businesses. Management believes there are no such proceedings pending or threatened against the Company or its subsidiaries which, if determined adversely, would have a material adverse effect on the business, consolidated financial condition, results of operations or cash flows of the Company or any of its subsidiaries.

**NOTE 6 - DERIVATIVE FINANCIAL INSTRUMENTS**

**Risk Management Objective of Using Derivatives**

The Company is exposed to certain risks arising from both its business operations and economic conditions. The Company principally manages its exposures to a wide variety of business and operational risks through management of its core business activities. The Company manages economic risks, including interest rate, liquidity, and credit risk primarily by managing the amount, sources, and duration of its assets and liabilities and the use of derivative financial instruments. Specifically, the Company enters into derivative financial instruments to manage exposures that arise from business activities that result in the receipt or payment of future known and uncertain cash amounts, the value of which are determined by interest rates. The Company's derivative financial instruments are used to manage differences in the amount, timing, and duration of the Company's known or expected cash receipts and its known or expected cash payments principally related to the Company's loans and borrowings. The Company does not enter into derivative financial instruments for trading purposes.

**Cash Flow Hedges of Interest Rate Risk**

The Company's objectives in using interest rate derivatives are to add stability to interest income and expense and to manage its exposure to interest rate movements. To accomplish this objective, the Company primarily uses interest rate swaps as part of its interest rate risk management strategy.

For hedges of the Company's variable-rate loans, interest rate swaps designated as cash flow hedges involve the receipt of fixed amounts and the Company making variable rate payments. The Company has executed cash flow hedges to reduce a portion of variability in cash flows on the Company's prime based loan portfolio. Select terms of the hedges are as follows:

*($ in thousands)*

| | Notional | Fixed Rate | Effective Date | Maturity Date |
|---|---|---|---|---|
| $ | 50,000 | 6.56 % | January 25, 2023 | February 1, 2027 |
| $ | 100,000 | 6.63 % | December 20, 2022 | January 1, 2028 |
| $ | 100,000 | 6.66 % | April 1, 2025 | April 1, 2030 |

In addition, the Company has a prime based interest rate collar with a notional amount of $100.0 million. The collar includes a cap of 8.14% and a floor of 5.25%. This transaction, commonly referred to as a zero cost collar, involves the Company selling an interest rate cap where payments will be made when the index exceeds the cap rate, and the purchase of a floor where payments will be received if the index falls below the floor. The collar became effective on October 27, 2022 and matures on October 1, 2029.

For hedges of variable-rate liabilities, interest rate swaps designated as cash flow hedges involve the receipt of variable amounts from a counterparty in exchange for the Company making fixed-rate payments over the life of the agreements without exchange of the underlying notional amount. The Company has executed a series of cash flow hedges to fix the effective interest rate for payments due on $32.1 million of junior subordinated debentures to a weighted-average-fixed rate of 2.64%.

Select terms of the hedges are as follows:

*($ in thousands)*

| | Notional | Fixed Rate | Maturity Date |
|---|---|---|---|
| $ | 18,558 | 2.64 % | March 15, 2026 |
| $ | 13,506 | 2.64 % | March 17, 2026 |

The gain or loss on derivatives designated and qualified as cash flow hedges of interest rate risk are recorded in accumulated other comprehensive income and subsequently reclassified into interest income or expense in the same period(s) during which the hedged transaction affects earnings. Amounts reported in accumulated other comprehensive income related to derivatives will be reclassified to interest income or expense as interest payments are paid on the Company's variable-rate loans and debt. During the next twelve months, the Company estimates $0.8 million $0.5 million will be reclassified as a decrease to interest expense and $2.3 million $0.2 million will be reclassified as a decrease to interest income.

**Non-designated Hedges**

Derivatives not designated as hedges are not considered speculative and result from a service the Company provides to certain customers. The Company executes interest rate swaps with commercial banking customers to facilitate their respective risk management strategies. Those interest rate swaps are simultaneously hedged by offsetting derivatives the Company executes with a third party, such that the Company minimizes its net risk exposure resulting from such transactions. As the interest rate derivatives associated with this program do not meet the strict hedge accounting requirements, changes in the fair value of both the customer derivatives and the offsetting derivatives are recognized directly in earnings as a component of other noninterest income.

The table below presents the fair value of the Company's derivative financial instruments as well as their classification on the Balance Sheet:

| | Notional Amount | | Notional Amount | | Derivative Assets | | Derivative Liabilities | | | Notional Amount | Derivative Assets | | Derivative Liabilities | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| *($ in thousands)* | *($ in thousands)* | June 30, 2024 | December 31, 2023 | June 30, 2024 | December 31, 2023 | June 30, 2024 | December 31, 2023 | *($ in thousands)* | September 30, 2024 | December 31, 2023 | September 30, 2024 | December 31, 2023 | September 30, 2024 | December 31, 2023 |
| Derivatives designated as hedging instruments | | | | | | | | | | | | | | |
| Interest rate swaps | | | | | | | | | | | | | | |
| Interest rate collar | | | | | | | | | | | | | | |
| Total | | | | | | | | | | | | | | |
| Derivatives not designated as hedging instruments | | | | | | | | | | | | | | |
| Derivatives not designated as hedging instruments | | | | | | | | | | | | | | |
| Derivatives not designated as hedging instruments | | | | | | | | | | | | | | |
| Interest rate swaps | | | | | | | | | | | | | | |

Derivative assets are classified on the balance sheet in other assets. Derivative liabilities are classified on the balance sheet in other liabilities.

Derivative assets are classified on the balance sheet in other assets. Derivative liabilities are classified on the balance sheet in other liabilities.

Derivative assets are classified on the balance sheet in other assets. Derivative liabilities are classified on the balance sheet in other liabilities.

The table below presents a gross presentation, the effects of offsetting, and a net presentation of the Company's financial instruments subject to offsetting. The gross amounts of assets or liabilities can be reconciled to the tabular disclosure of fair value. The fair value table above provides the location of financial assets and liabilities presented on the Balance Sheet.

| | **As of June 30, 2024** | | | | | | **As of September 30, 2024** | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Gross Amounts Not Offset in the Statement of Financial Position | | | | | | | | | |
| ($ in thousands) | | | | | | | | | | | | |
| ($ in thousands) | | | | | | | | | | | | |
| ($ in thousands) | Gross Amounts Recognized | Gross Amounts Offset in the Statement of Financial Position | Net Amounts of Assets presented in the Statement of Financial Position | Financial Instruments | Fair Value Collateral Posted | Net Amount | Gross Amounts Recognized | Gross Amounts Offset in the Statement of Financial Position | Net Amounts of Assets presented in the Statement of Financial Position | Financial Instruments | Fair Value Collateral Posted | Net Amount |
| Assets: | | | | | | | | | | | | |
| Interest rate swaps | | | | | | | | | | | | |
| Interest rate swaps | | | | | | | | | | | | |
| Interest rate swaps | | | | | | | | | | | | |
| Interest rate collar | | | | | | | | | | | | |
| Liabilities: | | | | | | | | | | | | |
| Liabilities: | | | | | | | | | | | | |
| Liabilities: | | | | | | | | | | | | |

Interest rate swaps

Interest rate swaps

Interest rate swaps

Interest rate collar

Securities sold under agreements to repurchase

**As of December 31, 2023**

**As of December 31, 2023**
**As of December 31, 2023**
**As of December 31, 2023**
**As of December 31, 2023**
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**As of December 31, 2023**
**As of December 31, 2023**
**As of December 31, 2023**
**As of December 31, 2023**

Gross Amounts Not Offset in the Statement of Financial Position

($ in thousands)

($ in thousands)

| ($ in thousands) | Gross Amounts Recognized | Gross Amounts Offset in the Statement of Financial Position | Net Amounts of Assets presented in the Statement of Financial Position | Financial Instruments | Fair Value Collateral Posted | Net Amount | Gross Amounts Recognized | Gross Amounts Offset in the Statement of Financial Position | Net Amounts of Assets presented in the Statement of Financial Position | Financial Instruments | Fair Value Collateral Posted | Net Amount |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Assets: | | | | | | | | | | | | |





REFINITIV

| |
|---|
| Interest rate swaps |
| Interest rate swaps |
| Interest rate swaps |
| Interest rate collar |
| Liabilities: |
| Liabilities: |
| Liabilities: |
| Interest rate swaps |
| Interest rate swaps |
| Interest rate swaps |
| Securities sold under agreements to repurchase |
| Securities sold under agreements to repurchase |
| Securities sold under agreements to repurchase |

As of June 30, 2024 September 30, 2024, the fair value of derivatives in a net liability position, which includes accrued interest, was $17.4 million $10.2 million. The Company has minimum collateral posting thresholds with certain of its derivative counterparties and posts collateral related to derivatives in a net liability position. The Company has received cash collateral from derivative counterparties on contracts in a net asset position as noted in the tables above.

**NOTE 7 - FAIR VALUE MEASUREMENTS**

The following table summarizes financial instruments measured at fair value on a recurring basis segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value:

| | | June 30, 2024 | | | | | September 30, 2024 | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| *($ in thousands)* | *($ in thousands)* | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Total Fair Value | *($ in thousands)* | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Total Fair Value |
| Assets | | | | | | | | | | |
| Securities available for sale | | | | | | | | | | |
| Securities available for sale | | | | | | | | | | |
| Securities available for sale | | | | | | | | | | |
| Obligations of U.S. Government-sponsored enterprises | | | | | | | | | | |
| Obligations of U.S. Government-sponsored enterprises | | | | | | | | | | |
| Obligations of U.S. Government-sponsored enterprises | | | | | | | | | | |
| Obligations of states and political subdivisions | | | | | | | | | | |
| Agency mortgage-backed securities | | | | | | | | | | |
| Corporate debt securities | | | | | | | | | | |
| U.S. Treasury bills | | | | | | | | | | |

| |
|---|
| Total securities available for sale |
| Other investments |
| Other investments |
| Other investments |
| Derivatives |
| Derivatives |
| Derivatives |
| Total assets |
| Liabilities |
| Liabilities |
| Liabilities |
| Derivatives |
| Derivatives |
| Derivatives |
| Total liabilities |

| | December 31, 2023 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| *($ in thousands)* | Quoted Prices in Active Markets for Identical Assets (Level 1) | | Significant Other Observable Inputs (Level 2) | | Significant Unobservable Inputs (Level 3) | | Total Fair Value | |
| Assets | | | | | | | | |
| Securities available for sale | | | | | | | | |
| Obligations of U.S. Government-sponsored enterprises | $ | — | $ | 296,446 | $ | — | $ | 296,446 |
| Obligations of states and political subdivisions | | — | | 432,171 | | — | | 432,171 |
| Agency mortgage-backed securities | | — | | 700,381 | | — | | 700,381 |
| Corporate debt securities | | — | | 181,701 | | — | | 181,701 |
| U.S. Treasury bills | | — | | 7,574 | | — | | 7,574 |
| Total securities available-for-sale | | — | | 1,618,273 | | — | | 1,618,273 |
| Other investments | | — | | 2,941 | | — | | 2,941 |
| Derivative financial instruments | | — | | 17,789 | | — | | 17,789 |
| Total assets | $ | — | $ | 1,639,003 | $ | — | $ | 1,639,003 |
| Liabilities | | | | | | | | |
| Derivatives | $ | — | $ | 16,184 | $ | — | $ | 16,184 |
| Total liabilities | $ | — | $ | 16,184 | $ | — | $ | 16,184 |

From time to time, the Company measures certain assets at fair value on a nonrecurring basis. These include assets measured at the lower of cost or fair value that were recognized at fair value below cost at the end of the period. The amounts reported in the following tables include balances measured at fair value during the reporting period and still held as of the reporting date.

| | |
|---|---|
| | June 30, 2024 |
| | September 30, 2024 |
| | June 30, 2024 |
| | September 30, 2024 |
| | June 30, 2024 |
| | September 30, 2024 |
| *($ in thousands)* | |
| *($ in thousands)* | |
| *($ in thousands)* | |
| Individually-evaluated loans | |
| Individually-evaluated loans | |

| |
|---|
| Individually-evaluated loans |
| Other real estate |
| Other real estate |
| Other real estate |
| Total |
| Total |
| Total |

| | December 31, 2023 | | | |
|---|---|---|---|---|
| ($ in thousands) | Total Fair Value | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Individually-evaluated loans | $ 5,138 | $ — | $ — | $ 5,138 |
| Other real estate | 5,736 | — | — | 5,736 |
| Total | $ 10,874 | $ — | $ — | $ 10,874 |

Following is a summary of the carrying amounts and fair values of certain financial instruments:

| |
|---|
| *($ in thousands)* |
| *($ in thousands)* |
| *($ in thousands)* |
| Balance sheet assets |
| Balance sheet assets |
| Balance sheet assets |
| Securities held-to-maturity, net |
| Securities held-to-maturity, net |
| Securities held-to-maturity, net |
| Other investments |
| Other investments |
| Other investments |
| Loans held-for-sale |
| Loans held-for-sale |
| Loans held-for-sale |
| Loans, net |
| Loans, net |
| Loans, net |
| State tax credits, held-for-sale |
| State tax credits, held-for-sale |
| State tax credits, held-for-sale |
| Servicing asset |
| Servicing asset |
| Servicing asset |
| Balance sheet liabilities |
| Balance sheet liabilities |
| Balance sheet liabilities |
| Certificates of deposit |
| Certificates of deposit |
| Certificates of deposit |
| Subordinated debentures and notes |
| Subordinated debentures and notes |

| |
|---|
| Subordinated debentures and notes |
| FHLB advances |
| FHLB advances |
| FHLB advances |
| Other borrowings |
| Other borrowings |
| Other borrowings |

For information regarding the methods and assumptions used to estimate the fair value of each class of financial instruments refer to Note 18 – *Fair Value Measurements* in the Company's Annual Report on Form 10-K for the year ended December 31, 2023, as filed with the SEC.

**NOTE 8 - SHAREHOLDERS' EQUITY**

**Shareholders' Equity**

*Accumulated Other Comprehensive Income (Loss)*

The following table presents the changes in accumulated other comprehensive income (loss) after-tax by component:

Three months ended

| *($ in thousands)* | *($ in thousands)* | Net Unrealized Gain (Loss) on Available-for-Sale Securities | Unamortized Gain on Held-to-Maturity Securities | Net Unrealized Gain (Loss) on Cash Flow Hedges | Total | *($ in thousands)* | Net Unrealized Gain (Loss) on Available-for-Sale Securities | Unamortized Gain on Held-to-Maturity Securities | Net Unrealized Gain (Loss) on Cash Flow Hedges | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| Balance, March 31, 2024 | | | | | | | | | | |
| Balance, June 30, 2024 | | | | | | | | | | |
| Net change | | | | | | | | | | |
| Balance, June 30, 2024 | | | | | | | | | | |
| Balance, June 30, 2024 | | | | | | | | | | |
| Balance, June 30, 2024 | | | | | | | | | | |
| Balance, March 31, 2023 | | | | | | | | | | |
| Balance, March 31, 2023 | | | | | | | | | | |
| Balance, March 31, 2023 | | | | | | | | | | |
| Net change | | | | | | | | | | |
| Balance, September 30, 2024 | | | | | | | | | | |
| Balance, September 30, 2024 | | | | | | | | | | |
| Balance, September 30, 2024 | | | | | | | | | | |
| Balance, June 30, 2023 | | | | | | | | | | |
| Balance, June 30, 2023 | | | | | | | | | | |
| Balance, June 30, 2023 | | | | | | | | | | |
| Net change | | | | | | | | | | |

Six months ended

Six months ended

Six months ended

Balance, September 30, 2023

Balance, September 30, 2023

Balance, September 30, 2023

Nine months ended

Nine months ended

Nine months ended

| *($ in thousands)* | *($ in thousands)* | Net Unrealized Gain (Loss) on Available-for-Sale Debt Securities | Unamortized Gain on Held-to-Maturity Securities | Net Unrealized Gain (Loss) on Cash Flow Hedges | Total | *($ in thousands)* | Net Unrealized Gain (Loss) on Available-for-Sale Debt Securities | Unamortized Gain on Held-to-Maturity Securities | Net Unrealized Gain (Loss) on Cash Flow Hedges | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| Balance, December 31, 2023 | | | | | | | | | | |
| Net change | | | | | | | | | | |
| Balance, June 30, 2024 | | | | | | | | | | |
| Balance, June 30, 2024 | | | | | | | | | | |
| Balance, June 30, 2024 | | | | | | | | | | |
| Balance, September 30, 2024 | | | | | | | | | | |
| Balance, September 30, 2024 | | | | | | | | | | |
| Balance, September 30, 2024 | | | | | | | | | | |
| Balance, December 31, 2022 | | | | | | | | | | |
| Balance, December 31, 2022 | | | | | | | | | | |
| Balance, December 31, 2022 | | | | | | | | | | |
| Net change | | | | | | | | | | |
| Balance, June 30, 2023 | | | | | | | | | | |
| Balance, June 30, 2023 | | | | | | | | | | |
| Balance, June 30, 2023 | | | | | | | | | | |
| Balance, September 30, 2023 | | | | | | | | | | |
| Balance, September 30, 2023 | | | | | | | | | | |
| Balance, September 30, 2023 | | | | | | | | | | |

The following table presents the pre-tax and after-tax changes in the components of other comprehensive income (loss):

| | Three months ended June 30, | | Three months ended September 30, | | |
|---|---|---|---|---|---|
| | 2024 | 2024 | 2023 | 2024 | 2023 |

| *($ in thousands)* | *($ in thousands)* | Pre-tax | Tax effect | After-tax | Pre-tax | Tax effect | After-tax | *($ in thousands)* | Pre-tax | Tax effect | After-tax | Pre-tax | Tax effect | After-tax |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Change in unrealized loss on available-for-sale securities | | | | | | | | | | | | | | |
| Change in unrealized gain (loss) on available-for-sale securities | | | | | | | | | | | | | | |
| Reclassification of gain on held-to-maturity securities(a) | | | | | | | | | | | | | | |
| Reclassification of gain on held-to-maturity securities(a) | | | | | | | | | | | | | | |
| Reclassification of gain on held-to-maturity securities(a) | | | | | | | | | | | | | | |
| Change in unrealized loss on cash flow hedges | | | | | | | | | | | | | | |
| Change in unrealized gain (loss) on cash flow hedges | | | | | | | | | | | | | | |
| Reclassification of loss on cash flow hedges(b) | | | | | | | | | | | | | | |
| Total other comprehensive loss | | | | | | | | | | | | | | |

| | Six months ended June 30, | | | |
|---|---|---|---|---|
| | Six months ended June 30, | | | |
| | Six months ended June 30, | | | |
| | Nine months ended September 30, | | | |
| | Nine months ended September 30, | | | |
| | Nine months ended September 30, | | | |
| | 2024 | 2024 | 2023 | 2024 | 2023 |

| *($ in thousands)* | *($ in thousands)* | Pre-tax | Tax effect | After-tax | Pre-tax | Tax effect | After-tax | *($ in thousands)* | Pre-tax | Tax effect | After-tax | Pre-tax | Tax effect | After-tax |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Change in unrealized gain (loss) on available-for-sale securities | | | | | | | | | | | | | | |
| Reclassification of gain on sale of available-for-sale securities(a) | | | | | | | | | | | | | | |
| Reclassification of gain on held-to-maturity securities(a) | | | | | | | | | | | | | | |
| Change in unrealized loss on cash flow hedges | | | | | | | | | | | | | | |
| Reclassification of loss on cash flow hedges(b) | | | | | | | | | | | | | | |
| Total other comprehensive gain (loss) | | | | | | | | | | | | | | |

(a)The pre-tax amount is reported in noninterest income/expense in the Consolidated Statements of Income.

(a)The pre-tax amount is reported in noninterest income/expense in the Consolidated Statements of Income.

(a)The pre-tax amount is reported in noninterest income/expense in the Consolidated Statements of Income.

(b)The pre-tax amount is reported in interest income/expense in the Consolidated Statements of Income.

**NOTE 9 - SUPPLEMENTAL FINANCIAL INFORMATION**

The following table presents other income and other expense components, including items that primarily exceed one percent of the aggregate of total interest income and noninterest income in one or more of the periods indicated:

| | | Three months ended June 30, | | Six months ended June 30, | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Three months ended September 30, | | Nine months ended September 30, | | | | | | |
| *($ in thousands)* | *($ in thousands)* | 2024 | 2023 | 2024 | 2023 | *($ in thousands)* | 2024 | 2023 | 2024 | 2023 |
| Other income: | | | | | | | | | | |

| |
|---|
| Bank-owned life insurance |
| Bank-owned life insurance |
| Bank-owned life insurance |
| Community development fees |
| Net gain on sales of other real estate owned |
| Gain on SBA loan sales |
| Other income |
| Total other noninterest income |
| Other expense: |
| Other expense: |
| Other expense: |
| Amortization of intangibles |
| Amortization of intangibles |
| Amortization of intangibles |
| Banking expenses |
| FDIC and other insurance |
| Loan, legal expenses |
| Outside services |
| Outside services |
| Outside services |
| Other expenses |
| Total other noninterest expenses |

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

***Forward Looking Statements***

*This Quarterly Report on Form 10-Q contains information and statements that are considered "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Such forward-looking statements are based on management's current expectations and beliefs concerning future developments and their potential effects on the Company, and include, without limitation, statements about the Company's plans, strategies, goals, objectives, expectations, or consequences of statements about the future performance, operations, products and services of the Company and its subsidiaries, as well as statements about the Company's expectations regarding revenue and asset growth, financial performance and profitability, loan and deposit growth, yields and returns, loan diversification and credit management, products and services, shareholder value creation and the impact of acquisitions. Forward-looking statements are typically identified with the use of terms such as "may," "might," "will," "would," "should," "expect," "plan," "anticipate," "believe," "estimate," "predict," "potential," "could," "continue," "intend," and the negative and other variations of these terms and similar words and expressions, although some forward-looking statements may be expressed differently. Forward-looking statements are inherently subject to risks and uncertainties and our ability to predict results or the actual effect of future plans or strategies is inherently uncertain. You should be aware that our actual results could differ materially from those contained in the forward-looking statements.*

*While there is no assurance that any list of risks and uncertainties or risk factors is complete, important factors that could cause actual results to differ materially from those in the forward-looking statements include the following, without limitation: our ability to efficiently integrate acquisitions into our operations, retain the customers of these businesses and grow the acquired operations; credit risk; changes in the appraised valuation of real estate securing impaired loans; our ability to recover our investment in loans; fluctuations in the fair value of collateral underlying loans; outcomes of litigation and other contingencies; exposure to general and local economic and market conditions, including risk of recession, high unemployment rates, higher inflation and its impacts (including U.S. federal government measures to address higher inflation), U.S. fiscal debt, budget and tax matters, and any slowdown in global economic growth; risks associated with rapid increases or decreases in prevailing interest rates; changes in business prospects that could impact goodwill estimates and assumptions; consolidation within the banking industry; competition from banks and other financial institutions; the ability to attract and retain relationship officers and other key personnel; burdens imposed by federal and state regulation; changes in legislative or regulatory requirements, as well as current, pending or future legislation or regulation that could have a negative effect on our revenue and business, including rules and regulations relating to bank products and financial services; changes in accounting policies and practices or accounting standards; natural disasters; terrorist activities, war and geopolitical matters (including the war in Israel and potential for a broader regional conflict and the war in Ukraine and the imposition of additional sanctions and export controls in connection therewith), or pandemics, or other health emergencies and their effects on economic and business environments in which we operate, including the related disruption to the financial market and other economic activity; and other risks discussed under the caption "Risk Factors" under Part I, Item 1A of the Company's Annual Report on Form 10-K for the year ended December 31, 2023, and other reports filed with the SEC, all of which could cause the Company's actual results to differ from those set forth in the forward-looking statements. The Company cautions that the preceding list is not exhaustive of all possible risk factors and other factors could also adversely affect the Company's results.*

*Readers are cautioned not to place undue reliance on our forward-looking statements, which reflect management's analysis and expectations only as of the date of such statements. Forward-looking statements speak only as of the date they are made, and the Company does not intend, and undertakes no obligation, to publicly revise or update forward-looking statements after the date of this report, whether as a result of new information, future events or otherwise, except as required by federal securities law. You should understand that it is not possible to predict or identify all risk factors. Readers should carefully review all disclosures we file from time to time with the SEC which are available on our website at www.enterprisebank.com under "Investor Relations."*

**Introduction**

The following discussion describes the significant changes to the financial condition of the Company that have occurred during the first six nine months of 2024 compared to the financial condition as of December 31, 2023. In addition, this discussion summarizes the significant factors affecting the results of operations of the Company for the three months ended June 30, 2024 September 30, 2024, compared to the linked first second quarter of 2024 ("linked quarter") and the results of operations, liquidity and cash flows for the six nine months ended June 30, 2024 September 30, 2024 compared to the same period in 2023 ("prior year-to-date period"). In light of the nature of the Company's business, the Company's management believes that the comparison to the linked quarter is the most relevant to understand the financial results from management's perspective. For purposes of the Quarterly Report on Form 10-Q, the Company is presenting a comparison to the corresponding prior year-to-date period. This discussion should be read in conjunction with the accompanying condensed consolidated financial statements included in this report and the Company's Annual Report on Form 10-K for the year ended December 31, 2023.

**Critical Accounting Policies and Estimates**

The Company's critical accounting policies are considered important to the understanding of the Company's financial condition and results of operations. These accounting policies require management's most difficult, subjective and complex judgments about matters that are inherently uncertain. Because these estimates and judgments are based on current circumstances, they may change over time or prove to be inaccurate based on actual experience. If different assumptions or conditions were to prevail, and depending upon the severity of such changes, the possibility of a materially different financial condition and/or results of operations could reasonably be expected.

A full description of our critical accounting policies and the impact and any associated risks related to those policies on our business operations are discussed throughout "Management's Discussion and Analysis of Financial Condition and Results of Operations," where such policies affect our reported and expected financial results. For a detailed discussion on the application of these and other accounting policies, see the Company's Annual Report on Form 10-K for the year ended December 31, 2023.

The Company has prepared all of the consolidated financial information in this report in accordance with GAAP. The Company makes estimates and assumptions that affect the reported amount of assets and liabilities, 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. Such estimates include the valuation of loans, goodwill, intangible assets, and other long-lived assets, along with assumptions used in the calculation of income taxes, among others. These estimates and assumptions are based on management's best estimates and judgment. Management evaluates its estimates and assumptions on an ongoing basis using loss experience and other factors, including the current economic environment, which management believes to be reasonable under the circumstances. We adjust such estimates and assumptions when facts and circumstances dictate. As future events and their effects cannot be determined with precision, actual results could differ significantly from these estimates. Changes in estimates resulting from continuing changes in the economic environment will be reflected in the financial statement in future periods. There can be no assurances that actual results will not differ from those estimates.

**Allowance for Credit Losses on Loans**

The Company maintains separate allowances for funded loans, unfunded loans, and held-to-maturity securities, collectively referred to as the ACL. The ACL is a valuation account to adjust the cost basis to the amount expected to be collected, based on management's experience, current conditions, and reasonable and supportable forecasts. For purposes of determining the allowance for funded and unfunded loans, the portfolios are segregated into pools that share similar risk characteristics and are then further segregated by credit grades. Loans that do not share similar risk characteristics are evaluated on an individual basis and are not included in the collective evaluation. The Company estimates the amount of the allowance based on loan loss experience, adjusted for current and forecasted economic conditions, including unemployment, changes in GDP, and commercial and residential real estate prices. The Company's forecast of economic conditions uses internal and external information and considers a weighted average of a baseline, upside, and downside scenarios. Because economic conditions can change and are difficult to predict, the anticipated amount of estimated loan defaults and losses, and therefore the adequacy of the allowance, could change significantly and have a direct impact on the Company's credit costs. The Company's allowance for credit losses on loans was $139.5 million $139.8 million at June 30, 2024 September 30, 2024 based on the weighting of the different economic scenarios. As a hypothetical example, if the Company had only used the upside scenario, the allowance would have decreased $27.8 million $26.5 million. Conversely, the allowance would have increased $47.3 million $45.8 million using only the downside scenario.

**Executive Summary**

Below are highlights of the Company's financial performance for the periods indicated.

| | | Three months ended | | | Six months ended | | Three months ended | | | Nine months ended | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| *($ in thousands, except per share data)* | *($ in thousands, except per share data)* | June 30, 2024 | March 31, 2024 | June 30, 2023 | June 30, 2024 | *($ in thousands, except per share data)* | June 30, 2023 | *($ in thousands, except per share data)* | September 30, 2024 | June 30, 2024 | September 30, 2023 | September 30, 2024 | S |
| **EARNINGS** | | | | | | | | | | | | | |
| Total interest income | | | | | | | | | | | | | |
| Total interest income | | | | | | | | | | | | | |
| Total interest income | | | | | | | | | | | | | |
| Total interest expense | | | | | | | | | | | | | |
| Net interest income | | | | | | | | | | | | | |
| Provision for credit losses | | | | | | | | | | | | | |
| Net interest income after provision for credit losses | | | | | | | | | | | | | |
| Total noninterest income | | | | | | | | | | | | | |
| Total noninterest expense | | | | | | | | | | | | | |
| Income before income tax expense | | | | | | | | | | | | | |
| Income tax expense | | | | | | | | | | | | | |
| Net income | | | | | | | | | | | | | |
| Preferred dividends | | | | | | | | | | | | | |
| Net income available to common shareholders | | | | | | | | | | | | | |
| Basic earnings per share | | | | | | | | | | | | | |
| Basic earnings per share | | | | | | | | | | | | | |
| Basic earnings per share | | | | | | | | | | | | | |
| Diluted earnings per share | | | | | | | | | | | | | |
| Return on average assets | | | | | | | | | | | | | |
| Return on average assets | | | | | | | | | | | | | |
| Return on average assets | | 1.25 % | 1.12 % | 1.44 % | 1.18 % | | 1.58 % | | 1.36 % | 1.25 % | 1.26 % | 1.24 % | 1.47 |
| Adjusted return on average assets[1] | Adjusted return on average assets[1] | 1.27 % | 1.14 % | 1.44 % | 1.21 % | | 1.58 % | Adjusted return on average assets[1] | 1.32 % | 1.27 % | 1.26 % | 1.24 % | |

| | | | | | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Return on average common equity | Return on average common equity | 10.68 | % | 9.52 | % | 12.48 | % | 10.10 | % | 13.64 | % | Return on average common equity | 11.40 | % | 10.68 | % | 11.00 | % | 10.55 | % |
| Adjusted return on average common equity[1] | Adjusted return on average common equity[1] | 10.90 | % | 9.70 | % | 12.48 | % | 10.30 | % | 13.64 | % | Adjusted return on average common equity[1] | 11.09 | % | 10.90 | % | 11.00 | % | 10.58 | % |
| Return on average tangible common equity[1] | Return on average tangible common equity[1] | 13.77 | % | 12.31 | % | 16.53 | % | 13.04 | % | 18.18 | % | Return on average tangible common equity[1] | 14.55 | % | 13.77 | % | 14.49 | % | 13.56 | % |
| Adjusted return on average tangible common equity[1] | Adjusted return on average tangible common equity[1] | 14.06 | % | 12.53 | % | 16.53 | % | 13.30 | % | 18.18 | % | Adjusted return on average tangible common equity[1] | 14.16 | % | 14.06 | % | 14.49 | % | 13.60 | % |
| Net interest margin (tax equivalent) | Net interest margin (tax equivalent) | 4.19 | % | 4.13 | % | 4.49 | % | 4.16 | % | 4.60 | % | Net interest margin (tax equivalent) | 4.17 | % | 4.19 | % | 4.33 | % | 4.17 | % |
| Efficiency ratio Efficiency ratio Efficiency ratio | | 60.26 | % | 62.38 | % | 55.46 | % | 61.30 | % | 53.61 | % | | 59.44 | % | 60.26 | % | 57.66 | % | 60.65 | % 54.95 |
| Core efficiency ratio[1] | Core efficiency ratio[1] | 58.09 | % | 60.21 | % | 54.04 | % | 59.13 | % | 52.25 | % | Core efficiency ratio[1] | 58.42 | % | 58.09 | % | 56.18 | % | 58.89 | % |
| Book value per common share Book value per common share Book value per common share | | | | | | | | | | | | | | | | | | | | |
| Tangible book value per common share[1] Tangible book value per common share[1] Tangible book value per common share[1] | | | | | | | | | | | | | | | | | | | | |
| **ASSET QUALITY** **ASSET QUALITY** **ASSET QUALITY** | | | | | | | | | | | | | | | | | | | | |
| Net charge-offs Net charge-offs Net charge-offs | | | | | | | | | | | | | | | | | | | | |
| Nonperforming loans | | | | | | | | | | | | | | | | | | | | |
| Nonaccrual loans Nonaccrual loans Nonaccrual loans | | | | | | | | | | | | | | | | | | | | |
| Classified assets Classified assets | | | | | | | | | | | | | | | | | | | | |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Classified assets | | | | | | | | | | |
| Total assets | | | | | | | | | | |
| Total assets | | | | | | | | | | |
| Total assets | | | | | | | | | | |
| Total loans | | | | | | | | | | |
| Total loans | | | | | | | | | | |
| Total loans | | | | | | | | | | |
| Classified assets to total assets | | | | | | | | | | |
| Classified assets to total assets | | | | | | | | | | |
| Classified assets to total assets | | | | | | | | | | |
| Nonperforming loans to total loans | | | | | | | | | | |
| Nonperforming loans to total loans | | | | | | | | | | |
| Nonperforming loans to total loans | | | | | | | | | | |
| Nonperforming assets to total assets | | | | | | | | | | |
| Nonperforming assets to total assets | | | | | | | | | | |
| Nonperforming assets to total assets | | | | | | | | | | |
| ACL on loans to total loans | | | | | | | | | | |
| ACL on loans to total loans | | | | | | | | | | |
| ACL on loans to total loans | | | | | | | | | | |
| Net charge-offs to average loans (annualized) | | | | | | | | | | |
| Net charge-offs to average loans (annualized) | | | | | | | | | | |
| Net charge-offs to average loans (annualized) | 0.02 % | 0.22 % | 0.12 % | 0.12 % | 0.05 % | 0.14 % | 0.02 % | 0.26 % | 0.13 % | 0.13 |

[1] A non-GAAP measure. A reconciliation has been included in this section under the caption “Use of Non-GAAP Financial Measures.”

[1] A non-GAAP measure. A reconciliation has been included in this section under the caption “Use of Non-GAAP Financial Measures.”

[1] A non-GAAP measure. A reconciliation has been included in this section under the caption “Use of Non-GAAP Financial Measures.”

Financial results and other notable items include:

- PPNR[1] of $63.3 $65.1 million for the second third quarter 2024 and $120.6 $185.7 million for the six nine months ended June 30, 2024 September 30, 2024 increased $5.9 $1.8 million and decreased $23.3 million from the linked quarter and prior year-to-date period, respectively. The increase from the linked quarter was primarily due to higher noninterest income primarily tax credit income, and higher net interest income that benefited from higher an increase in average loan balances and expanding yields on earning assets. These increases were The increase in noninterest income was primarily from tax credit income, a net gain on the sale of other real estate owned and an increase in income on community development investments. The increase in operating revenue was partially offset by an increase in noninterest expense, primarily deposit interest expense. services costs and employee compensation and benefits. The decrease compared to the prior year-to-date period was primarily due to the higher interest rate environment that increased deposit interest expense and the cost of variable deposit services charges, which are influenced by current market rates. as well as an increase in employee compensation and benefits.

- Net interest income of $140.5$143.5 million for the secondthird quarter 2024 and $278.3$421.7 million for the sixnine months ended June 30, 2024September 30, 2024 increased $2.8$2.9 million and decreased $2.0$0.1 million from the linked and prior year-to-date period, respectively. The NIM was 4.19%4.17% for both the secondthird quarter 2024 and 4.16% for the sixnine months ended June 30, 2024September 30, 2024, compared to 4.13%4.19% and 4.60%4.50% for the linked and prior year-to-date period, respectively. Compared to the linked quarter, the increase in net interest income increased due to higher average loanreflects the benefit of organic growth and interest-earning asset balances, along with an increaseadditional day in the earning-asset yield that expanded more than the cost of interest-bearing liabilities.quarter. The decrease from the prior year-to-date period reflects higher interest expense on the deposit portfolio, as lagged deposit rates have increased, partially offset by the benefit of higher market interest ratesrates. In late September 2024, the Federal Reserve reduced the federal funds target rate by 50 basis points. In response, the Company has adjusted deposit pricing to partially mitigate the impact on interest-earning assets and organic growth.income from the repricing of variable rate loans.

- Noninterest income of $15.5$21.4 million for the secondthird quarter 2024 and $27.7$49.1 million for the sixnine months ended June 30, 2024September 30, 2024 increased $3.3$5.9 million and decreased $3.5$5.8 million from the linked quarter and prior year-to-date period, respectively. The increase from the linked quarter and prior year-to-date period was primarily due to an increase in tax credit income, a net gain on higher activity that was partially offset bythe sale of other real estate and an increase in market interest rates that decreased the fair value of certain tax credits. Compared to the prior year-to-date period, the decrease was primarily due to a decrease in tax credit income of $2.5 million. Market interest rates in 2024 have increased more than the same period in 2023. The increase in market rates has had more of an impact on the fair value of certain tax credits in the current year.community development investments.

- Noninterest expense of $94.0$98.0 million for the secondthird quarter 2024 and $187.5$285.5 million for the sixnine months ended June 30, 2024September 30, 2024 increased $0.5$4.0 million and increased $20.6$29.9 million from the linked quarter and prior year-to-date period, respectively. The increase from the linked quarter was primarily driven by higher variable deposit costs ($1.42.1 million), employee compensation ($0.8 million) and expenses related to the core system conversion ($0.9 million), partially offset by a decrease in employee compensation ($0.7 million) and the FDIC special assessment ($0.60.1 million). The increase from the prior year-to-date period was primarily due to variable deposit servicing costs ($12.315.1 million) and employee compensation ($5.610.2 million), and expenses related to the core system conversion ($3.0 million).

Balance sheet highlights:

- ***Loans*** – Total loans increased $115.9$195.8 million, or 1.06%1.80%, to $11.0$11.1 billion at June 30, 2024September 30, 2024, compared to $10.9 billion at December 31, 2023. Average loans totaled $10.9$11.0 billion for the sixnine months ended June 30, 2024September 30, 2024 compared to $10.0$10.2 billion for the sixnine months ended June 30, 2023September 30, 2023.

- ***Deposits*** – Total deposits increased $106.0$289.0 million, to $12.3$12.5 billion at June 30, 2024September 30, 2024 from $12.2 billion at December 31, 2023. Total estimated insured deposits[1], which includes collateralized deposits, reciprocal deposits and accounts that qualify for pass through insurance, totaled $8.7 billion$8.8 billion at June 30, 2024September 30, 2024, compared to $8.3 billion at December 31, 2023. Average deposits totaled $12.3$12.4 billion for the sixnine months ended June 30, 2024September 30, 2024 compared to $11.2$11.4 billion for the prior year-to-date period. Noninterest-bearing deposit accounts represented 32.0%31.6% of total deposits and the loan to deposit ratio was 89.6%88.9% at June 30, 2024September 30, 2024, compared to 32.5% and 89.4%, respectively, at December 31, 2023.

- ***Asset quality*** – The allowance for credit losses on loans to total loans was 1.27%1.26% at June 30, 2024September 30, 2024, compared to 1.24% at December 31, 2023. The ratio of nonperforming assets to total assets was 0.33%0.22% at June 30, 2024September 30, 2024 compared to 0.34% at December 31, 2023. A provision for credit losses of $4.8$4.1 million and $10.6$14.7 million was recorded in the secondthird quarter of 2024 and the sixnine months ended June 30, 2024September 30, 2024, respectively. This compares to $5.8$4.8 million in the linked quarter and $10.5$18.6 million in the prior year-to-date period.

- ***Shareholders' equity*** – Total shareholders' equity was $1.76 billion$1.83 billion at June 30, 2024September 30, 2024, compared to $1.72 billion at December 31, 2023, and the tangible common equity to tangible assets ratio[2] was 9.18%9.50% at June 30, 2024September 30, 2024 compared to 8.96% at December 31, 2023. The Company and the Bank's regulatory capital ratios exceeded the "well-capitalized" levels at June 30, 2024September 30, 2024.

  The Company's board of directors approved a quarterly dividend of $0.27$0.28 per common share, payable on September 30, 2024December 31, 2024 to shareholders of record as of September 16, 2024December 16, 2024. The board of directors also declared a cash dividend of $12.50 per share of Series A Preferred Stock (or $0.3125 per depositary share) representing a 5% per annum rate for the period commencing (and including) June 15, 2024September 15, 2024 to (but excluding) September 15, 2024December 15, 2024. The dividend will be payable on September 15, 2024December 15, 2024 and will be paid on September 16, 2024December 16, 2024 to holders of record of Series A Preferred Stock as of August 30, 2024November 29, 2024.

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[1] PPNR and total estimated insured deposits are non-GAAP measures. Refer to discussion and reconciliation of these measures in the accompanying financial tables.

[2] Tangible common equity to tangible assets ratio is a non-GAAP measure. Refer to discussion and reconciliation of this measure in the accompanying financial tables.

**RESULTS OF OPERATIONS**

**Net Interest Income and Net Interest Margin**

***Average Balance Sheet***

The following tables present, for the periods indicated, certain information related to our average interest-earning assets and interest-bearing liabilities, as well as the corresponding interest rates earned and paid, all on a tax equivalent basis.

| | Three months ended June 30, 2024 | | | | Three months ended March 31, 2024 | | | | Three months ended June 30, 2023 | Three months ended September 30, 2024 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| ($ in thousands) | ($ in thousands) Average Balance | Interest Income/Expense | | Average Yield/ Rate | Average Balance | Interest Income/Expense | | Average Yield/ Rate | Average Balance | Interest Income/Expense | | Average Yield/ Rate | ($ in thousands) |
| **Assets** | | | | | | | | | | | | | |
| Interest-earning assets: | | | | | | | | | | | | | |
| Interest-earning assets: | | | | | | | | | | | | | |
| Interest-earning assets: | | | | | | | | | | | | | |
| Loans[1, 2] | | | | | | | | | | | | | |
| Loans[1, 2] | | | | | | | | | | | | | |
| Loans[1, 2] | $ 10,962,488 | $ $ 189,346 | 6.95 | 6.95 % | $ 10,927,932 | $ $ 186,703 | 6.87 | 6.87 % | $ 10,284,873 | $ $ 170,314 | 6.64 | | 6.64 |
| Taxable securities | | | | | | | | | | | | | |
| Non-taxable securities[2] | | | | | | | | | | | | | |
| Total securities | | | | | | | | | | | | | |
| Interest-earning deposits | | | | | | | | | | | | | |
| Total interest-earning assets | | | | | | | | | | | | | |
| Noninterest-earning assets | | | | | | | | | | | | | |
| Total assets | | | | | | | | | | | | | |
| Total assets | | | | | | | | | | | | | |
| Total assets | | | | | | | | | | | | | |
| **Liabilities and Shareholders' Equity** | | | | | | | | | | | | | |
| **Liabilities and Shareholders' Equity** | | | | | | | | | | | | | |
| **Liabilities and Shareholders' Equity** | | | | | | | | | | | | | |
| Interest-bearing liabilities: | | | | | | | | | | | | | |
| Interest-bearing liabilities: | | | | | | | | | | | | | |
| Interest-bearing liabilities: | | | | | | | | | | | | | |
| Interest-bearing demand accounts | | | | | | | | | | | | | |
| Interest-bearing demand accounts | | | | | | | | | | | | | |
| Interest-bearing demand accounts | $ 2,950,827 | $ $ 18,801 | 2.56 | 2.56 % | $ 2,924,276 | $ $ 18,612 | 2.56 | 2.56 % | $ 2,509,805 | $ $ 10,120 | 1.62 | | 1.62 |
| Money market accounts | | | | | | | | | | | | | |
| Savings accounts | | | | | | | | | | | | | |
| Certificates of deposit | | | | | | | | | | | | | |
| Total interest-bearing deposits | | | | | | | | | | | | | |

| | | |
|---|---|---|
| Subordinated debentures and notes | | |
| FHLB advances | | |
| Securities sold under agreements to repurchase | | |
| Other borrowings | | |
| Total interest-bearing liabilities | | |
| Noninterest-bearing liabilities: | | |
| Demand deposits | | |
| Demand deposits | | |
| Demand deposits | | |
| Other liabilities | | |
| Other liabilities | | |
| Other liabilities | | |
| Total liabilities | | |
| Total liabilities | | |
| Total liabilities | | |
| Shareholders' equity | | |
| Shareholders' equity | | |
| Shareholders' equity | | |
| Total liabilities & shareholders' equity | | |
| Total liabilities & shareholders' equity | | |
| Total liabilities & shareholders' equity | | |
| Net interest income | | |
| Net interest income | | |
| Net interest income | | |
| Net interest spread | | |
| Net interest spread | | |
| Net interest spread | 3.02 % | 2.98 % |
| Net interest margin / Net interest margin | 4.19 % | 4.13 % |

1 Average balances include nonaccrual loans. Interest income includes loan fees of $2.2 million, $2.4 million, and $3.7 million for the three months ended June 30, 2024, March 31, 2024, and June 30, 2023, respectively.

1 Average balances include nonaccrual loans. Interest income includes loan fees of $2.2 million, $2.4 million, and $3.7 million for the three months ended June 30, 2024, March 31, 2024, and June 30, 2023, respectively.

1 Average balances include nonaccrual loans. Interest income includes loan fees of $2.2 million, $2.4 million, and $3.7 million for the three months ended June 30, 2024, March 31, 2024, and June 30, 2023, respectively.

2 Non-taxable income is presented on a fully tax-equivalent basis using a tax rate of approximately 25%. The tax-equivalent adjustments were $2.1 million, $2.0 million, and $2.1 million for the three months ended June 30, 2024, March 31, 2024, and June 30, 2023, respectively.

1 Average balances include nonaccrual loans. Interest income includes net loan fees of $2.6 million, $2.2 million, and $3.3 million for the three months ended September 30, 2024, June 30, 2024, and September 30, 2023, respectively.

1 Average balances include nonaccrual loans. Interest income includes net loan fees of $2.6 million, $2.2 million, and $3.3 million for the three months ended September 30, 2024, June 30, 2024, and September 30, 2023, respectively.

1 Average balances include nonaccrual loans. Interest income includes net loan fees of $2.6 million, $2.2 million, and $3.3 million for the three months ended September 30, 2024, June 30, 2024, and September 30, 2023, respectively.

2 Non-taxable income is presented on a fully tax-equivalent basis using a tax rate of approximately 25%. The tax-equivalent adjustments were $2.1 million for each of the three months ended September 30, 2024, June 30, 2024, and September 30, 2023, respectively.

Six months ended

Six months ended

Six months ended

| | | June 30, 2024 | | | June 30, 2023 | | |
|---|---|---|---|---|---|---|---|

Nine months ended

Nine months ended

Nine months ended

| ($ in thousands) | ($ in thousands) | September 30, 2024 Average Balance | Interest Income/ Expense | Average Yield/ Rate | September 30, 2023 Average Balance | Interest Income/ Expense | Average Yield/ Rate | ($ in thousands) | Average Balance | Interest Income/ Expense | Average Yield/ Rate | Average Balance | Inter Incor Expe |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | | | | | | | |
| Interest-earning assets: | | | | | | | | | | | | | |
| Interest-earning assets: | | | | | | | | | | | | | |
| Interest-earning assets: | | | | | | | | | | | | | |
| Loans1, 2 | | | | | | | | | | | | | |
| Loans1, 2 | | | | | | | | | | | | | |
| Loans1, 2 | | $ 10,945,211 | $ $ 376,049 | 6.91 6.91 % | $ 10,041,312 | $ $ 323,076 | 6.49 6.49 % | | $ 10,954,063 | $ $ 567,687 | 6.92 6.92 % | $ 10,203,291 | $ $ 50 |
| Taxable securities | | | | | | | | | | | | | |
| Non-taxable securities2 | | | | | | | | | | | | | |
| Total securities | | | | | | | | | | | | | |
| Interest-earning deposits | | | | | | | | | | | | | |
| Total interest-earning assets | | | | | | | | | | | | | |
| Noninterest-earning assets | | | | | | | | | | | | | |
| Total assets | | | | | | | | | | | | | |
| Total assets | | | | | | | | | | | | | |
| Total assets | | | | | | | | | | | | | |
| **Liabilities and Shareholders' Equity** | | | | | | | | | | | | | |
| **Liabilities and Shareholders' Equity** | | | | | | | | | | | | | |
| **Liabilities and Shareholders' Equity** | | | | | | | | | | | | | |
| Interest-bearing liabilities: | | | | | | | | | | | | | |
| Interest-bearing liabilities: | | | | | | | | | | | | | |
| Interest-bearing liabilities: | | | | | | | | | | | | | |
| Interest-bearing demand accounts | | | | | | | | | | | | | |
| Interest-bearing demand accounts | | | | | | | | | | | | | |

| | | | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Interest-bearing demand accounts | $ 2,937,551 | $ | $ 37,413 | 2.56 | 2.56 % | $ 2,356,708 | $ | $ 16,027 | 1.37 | 1.37 % | $ 2,964,667 | $ | $ 57,415 | 2.59 | 2.59 % | $ 2,462,988 | $ | $ 2 |
| Money market accounts | | | | | | | | | | | | | | | | | | |
| Savings accounts | | | | | | | | | | | | | | | | | | |
| Certificates of deposit | | | | | | | | | | | | | | | | | | |
| Total interest-bearing deposits | | | | | | | | | | | | | | | | | | |
| Subordinated debentures and notes | | | | | | | | | | | | | | | | | | |
| FHLB advances | | | | | | | | | | | | | | | | | | |
| Securities sold under agreements to repurchase | | | | | | | | | | | | | | | | | | |
| Other borrowings | | | | | | | | | | | | | | | | | | |
| Total interest-bearing liabilities | | | | | | | | | | | | | | | | | | |
| Noninterest-bearing liabilities: | | | | | | | | | | | | | | | | | | |
| Demand deposits | | | | | | | | | | | | | | | | | | |
| Demand deposits | | | | | | | | | | | | | | | | | | |
| Demand deposits | | | | | | | | | | | | | | | | | | |
| Other liabilities | | | | | | | | | | | | | | | | | | |
| Other liabilities | | | | | | | | | | | | | | | | | | |
| Other liabilities | | | | | | | | | | | | | | | | | | |
| Total liabilities | | | | | | | | | | | | | | | | | | |
| Total liabilities | | | | | | | | | | | | | | | | | | |
| Total liabilities | | | | | | | | | | | | | | | | | | |
| Shareholders' equity | | | | | | | | | | | | | | | | | | |
| Shareholders' equity | | | | | | | | | | | | | | | | | | |
| Shareholders' equity | | | | | | | | | | | | | | | | | | |
| Total liabilities & shareholders' equity | | | | | | | | | | | | | | | | | | |
| Total liabilities & shareholders' equity | | | | | | | | | | | | | | | | | | |
| Total liabilities & shareholders' equity | | | | | | | | | | | | | | | | | | |
| Net interest income | | | | | | | | | | | | | | | | | | |
| Net interest income | | | | | | | | | | | | | | | | | | |
| Net interest income | | | | | | | | | | | | | | | | | | |
| Net interest spread | | | | | | | | | | | | | | | | | | |
| Net interest spread | | | | | | | | | | | | | | | | | | |
| Net interest spread | | | | | 3.00 % | | | | | 3.76 % | | | | | 2.99 % | | | |
| Net interest margin | Net interest margin | | | | 4.16 % | | | | | 4.60 % | Net interest margin | | | | 4.17 | | | |

[1] Average balances include nonaccrual loans. Interest income includes loan fees of $4.6 million and $7.4 million for the six months ended June 30, 2024 and June 30, 2023, respectively.

[1] Average balances include nonaccrual loans. Interest income includes loan fees of $4.6 million and $7.4 million for the six months ended June 30, 2024 and June 30, 2023, respectively.

[1] Average balances include nonaccrual loans. Interest income includes loan fees of $4.6 million and $7.4 million for the six months ended June 30, 2024 and June 30, 2023, respectively.

[2] Non-taxable income is presented on a fully tax-equivalent basis using a tax rate of approximately 25%. The tax-equivalent adjustments were $4.1 million for both the six months ended June 30, 2024 and June 30, 2023, respectively.

[1] Average balances include nonaccrual loans. Interest income includes net loan fees of $7.2 million and $10.7 million for the nine months ended September 30, 2024 and September 30, 2023, respectively.

[1] Average balances include nonaccrual loans. Interest income includes net loan fees of $7.2 million and $10.7 million for the nine months ended September 30, 2024 and September 30, 2023, respectively.

[1] Average balances include nonaccrual loans. Interest income includes net loan fees of $7.2 million and $10.7 million for the nine months ended September 30, 2024 and September 30, 2023, respectively.

[2] Non-taxable income is presented on a fully tax-equivalent basis using a tax rate of approximately 25%. The tax-equivalent adjustments were $6.2 million for both the nine months ended September 30, 2024 and September 30, 2023, respectively.

***Rate/Volume***

The following table sets forth, on a tax-equivalent basis for the periods indicated, a summary of the changes in interest income and interest expense resulting from changes in yield/rates and volume.

| | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Three months ended June 30, 2024 | | | | Six months ended June 30, 2024 | | | | | | | | | |
| | Three months ended September 30, 2024 | | | | Nine months ended September 30, 2024 | | | | | | | | | |
| | compared to | | | | | | | | | | | | | |
| | Three months ended March 31, 2024 | | | | Six months ended June 30, 2023 | | | | Three months ended June 30, 2024 | | | Nine months ended September 30, 2023 | | |
| | Increase (decrease) due to | | | | | | | | | | | | | |
| *($ in thousands)* | *($ in thousands)* | Volume[1] | Rate[2] | Net | Volume[1] | Rate[2] | Net | *($ in thousands)* | Volume[1] | Rate[2] | Net | Volume[1] | Rate[2] | Net |
| Interest earned on: | | | | | | | | | | | | | | |
| Loans | | | | | | | | | | | | | | |
| Loans | | | | | | | | | | | | | | |
| Loans | | | | | | | | | | | | | | |
| Taxable securities | | | | | | | | | | | | | | |
| Non-taxable securities[3] | | | | | | | | | | | | | | |
| Interest-earning deposits | | | | | | | | | | | | | | |
| Total interest-earning assets | | | | | | | | | | | | | | |
| Interest paid on: | | | | | | | | | | | | | | |
| Interest paid on: | | | | | | | | | | | | | | |
| Interest paid on: | | | | | | | | | | | | | | |
| Interest-bearing demand accounts | | | | | | | | | | | | | | |
| Interest-bearing demand accounts | | | | | | | | | | | | | | |
| Interest-bearing demand accounts | | | | | | | | | | | | | | |
| Money market accounts | | | | | | | | | | | | | | |
| Savings accounts | | | | | | | | | | | | | | |
| Certificates of deposit | | | | | | | | | | | | | | |

| |
|---|
| Subordinated debentures and notes |
| FHLB advances |
| Securities sold under agreements to repurchase |
| Other borrowed funds |
| Total interest-bearing liabilities |
| Net interest income |

1 Change in volume multiplied by yield/rate of prior period.

2 Change in yield/rate multiplied by volume of prior period.

3 Nontaxable income is presented on a tax equivalent basis.

NOTE: The change in interest due to both rate and volume has been allocated to rate and volume changes in proportion to the relationship of the absolute dollar amounts of the change in each.

Net interest income on a tax equivalent basis of $142.6 $145.6 million for the quarter ended June 30, 2024 September 30, 2024 and $282.3 $427.9 million for the six nine months ended June 30, 2024 September 30, 2024, increased $2.8 $3.0 million and decreased $2.0 $0.1 million from the linked and prior year-to-date period, respectively. The decrease increase from the linked quarter was primarily due to higher interest-earning asset balances and an expansion of extra day in the loan portfolio and securities yields, and to a lesser extent, an increase in average earning assets. quarter. This increase was partially offset by an increase in cost and average interest-bearing deposit balances. The decrease from the prior year-to-date period reflects higher interest expense on the deposit portfolio, as lagged deposit rates have increased. The effective federal funds rate for both the linked and current quarter was 5.33%. 5.27%, a decrease of 6 basis points compared to the linked quarter. The effective federal funds rate for the first six nine months of 2024 was 5.33% 5.31%, an increase of 57 38 basis points compared to the prior year-to-date period.

Compared to the linked quarter, tax equivalent interest income increased $3.9 $4.7 million primarily due to a $34.6 $193.2 million increase in average loan balances, as well as an 8 basis point increase in yield. The all average interest rate of new loan originations in the second quarter 2024 was 8.07%, an increase of 23 basis points from the linked quarter. earning balances, including loans, securities and interest-earning cash accounts. Interest on cash accounts securities increased $0.8 $1.4 million from the linked quarter due to a $57.4 $77.5 million increase in average balances, and interest on securities increased $0.5 million due to an 8 a 5 basis point increase in yield.

Tax equivalent interest income increased $62.4 $77.8 million over the prior year-to-date period due to a $53.0 $64.2 million increase in loan interest and a $9.4 $13.6 million increase in interest on securities and interest earning interest-earning cash. Loan yields in the first six nine months of 2024 increased 42 32 basis points to 6.91% 6.92%, compared to 6.49% 6.60% in the prior year-to-date period.

period. Average loans increased $903.9 $750.8 million, or 9.0% 7.36% over the prior year-to-date period. Average securities increased $105.3 $137.2 million, or 4.6% 6.0% over the prior year-to-date period.

Compared to the linked quarter, interest expense increased $1.1 $1.7 million primarily due to an increase in interest expense on certificates of deposit that includes brokered amounts. money market accounts. Average certificates of deposit money market balances increased $70.3 million and the cost increased 10 basis points $116.8 million in the second third quarter 2024. The average cost of interest-bearing deposits was 3.19% 3.22%, an increase of 5 3 basis points compared to the linked quarter. The total cost of deposits, including noninterest-bearing demand accounts, was 2.16% 2.18% during the second third quarter 2024, compared to 2.13% 2.16% in the linked quarter. While the total cost of deposits increased over the linked quarter, the monthly cost of total deposits has been relatively stable since March 2024.

Interest expense increased $64.4 $78.0 million over the prior year-to-date period, primarily due to the higher rate environment and organic growth in deposit balances. The average cost of interest-bearing deposits increased 124 94 basis points year-over-year. The total cost of deposits, including noninterest-bearing demand accounts, was 2.15% 2.16% during the six nine months ended June 30, 2024 September 30, 2024, compared to 1.19% 1.42% during the prior year-to-date period.

NIM, on a tax equivalent basis, was 4.19% 4.17% in the second third quarter 2024 and 4.16% for the first six nine months of 2024, an increase a decrease of 6 2 basis points and a decrease of 44 33 basis points from the linked and prior year-to-date period, respectively.

**Noninterest Income**

The following table presents a comparative summary of the major components of noninterest income for the periods indicated.

| | Linked quarter comparison | | | | | Linked quarter comparison | | | | | Prior year compari | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Quarter ended | | | | | Quarter ended | | | | | Six months ende | |
| ($ in thousands) | ($ in thousands) | June 30, 2024 | March 31, 2024 | | Increase (decrease) | | June 30, 2024 | | June 30, 2023 | | Increase (decrease) | ($ in thousands) | Se 3 |

| | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Service charges on deposit accounts | Service charges on deposit accounts | $ 4,542 | $ | $ 4,423 | $ | $ 119 | 3 | 3 % | $ 8,965 | $ | $ 8,038 | $ | $ 927 | 10 |
| Wealth management revenue | Wealth management revenue | 2,590 | 2,544 | 2,544 | 46 | 46 | 2 | 2 % | 5,134 | 4,988 | 4,988 | 146 | 146 | |
| Card services revenue | Card services revenue | 2,497 | 2,412 | 2,412 | 85 | 85 | 4 | 4 % | 4,909 | 4,802 | 4,802 | 107 | 107 | |
| Tax credit income (loss) | Tax credit income (loss) | 1,874 | (2,190) | (2,190) | 4,064 | 4,064 | 186 | 186 % | (316) | 2,181 | 2,181 | (2,497) | (2,497) | |
| Other income | | | | | | | | | | | | | | |
| Other income | | | | | | | | | | | | | | |
| Other income | | 3,991 | 4,969 | 4,969 | (978) | (978) | (20) | (20)% | 8,960 | 11,179 | 11,179 | (2,219) | (2,219) | |
| Total noninterest income | | | | | | | | | | | | | | |
| Total noninterest income | | | | | | | | | | | | | | |
| Total noninterest income | | $15,494 | $ | $12,158 | $ | $3,336 | 27 | 27 % | $27,652 | $ | $31,188 | $ | $(3,536) | (13) |

Total noninterest income for the second third quarter 2024 was $15.5 million $21.4 million, an increase of $3.3 million $5.9 million from the linked quarter. The increase from the linked quarter was primarily due to an increase in tax credit income from a positive change in credits carried at fair value, and a net gain on the sale of other real estate owned that is included in Other income. Tax credit income is typically highest in the fourth quarter of each year and will vary in other periods varies based on transaction volumes and fair value changes on credits carried at fair value. The decrease in other income from the linked quarter was primarily driven by gains on the sale of SBA loans that were recognized in the linked quarter.

Total noninterest income for the six nine months ended June 30, 2024 September 30, 2024 was $27.7 million $49.1 million, a decrease an increase from the prior year-to-date period of $3.5 million $5.8 million which was primarily due to decreases increases in tax credit income ($3.4 million), deposit service charges ($1.4 million), and other income. The increase in market interest rates used as a discount rate in the fair value of certain tax credits was higher in the six months ended June 30, 2024, compared to the prior year-to-date period. This resulted in a larger reduction in fair value during 2024 compared to the prior year. The decrease in other income ($0.7 million). Other income for the six nine months ended June 30, 2024, September 30, 2024 increased compared to the prior year-to-date period is primarily due to a net gain on the sale of other real estate owned ($3.0 million), partially offset by a lower level of income on community development investments ($0.9 million) which are not a consistent source of income and fluctuate based on distributions from the underlying funds.

**Noninterest Expense**

The following table presents a comparative summary of the major components of noninterest expense for the periods indicated.

| | | Linked quarter comparison | | | | | | | Linked quarter comparison | | | | Prior year c | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Quarter ended | | | | | | | Quarter ended | | | | Six month | |
| *($ in thousands)* | *($ in thousands)* | June 30, 2024 | | March 31, 2024 | | Increase (decrease) | | | June 30, 2024 | | June 30, 2023 | | Increase (decrease) | *($ in thousands)* |
| Employee compensation and benefits | Employee compensation and benefits | $44,524 | $ | $45,262 | $ | $(738) | (2) | (2) % | $ 89,786 | $ | $ 84,144 | $ | $ 5,642 | 6 |
| Deposit costs | Deposit costs | 21,706 | 20,277 | 20,277 | 1,429 | 1,429 | 7 | 7 % | 41,983 | 29,700 | 29,700 | 12,283 | 12,283 | |
| Occupancy | Occupancy | 4,197 | 4,326 | 4,326 | (129) | (129) | (3) | (3)% | 8,523 | 8,015 | 8,015 | 508 | 508 | |
| Data processing | Data processing | 5,339 | 4,339 | 4,339 | 1,000 | 1,000 | 23 | 23 % | 9,678 | 7,371 | 7,371 | 2,307 | 2,307 | |
| Professional fees | Professional fees | 1,298 | 1,435 | 1,435 | (137) | (137) | (10) | (10)% | 2,733 | 3,197 | 3,197 | (464) | (464) | |
| Other expense | | | | | | | | | | | | | | |

| | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Other expense | | | | | | | | | | | | | | |
| Other expense | | 16,953 | 17,862 | 17,862 | (909) | (909) | (5) | (5)% | 34,815 | 34,512 | 34,512 | 303 | 303 | |
| Total noninterest expense | Total noninterest expense | $94,017 | $ | $93,501 | $ | $ 516 | 1 | 1 % | $187,518 | $ | $166,939 | $ | $20,579 | 11 |
| Efficiency ratio | | | | | | | | | | | | | | |
| Efficiency ratio | | | | | | | | | | | | | | |
| Efficiency ratio | | | | | | | | | | | | | | |
| Efficiency ratio | | | | | | | | | | | | | | |
| Efficiency ratio | | | | | | | | | | | | | | |
| Efficiency ratio | | | | | | | | | | | | | | |
| Efficiency ratio | | | | | | | | | | | | | | |
| Efficiency ratio | | | | | | | | | | | | | | |
| Efficiency ratio | | | | | | | | | | | | | | |
| Efficiency ratio | | | | | | | | | | | | | | |
| Efficiency ratio | | | | | | | | | | | | | | |
| Efficiency ratio | | | | | | | | | | | | | | |
| Efficiency ratio | | | | | | | | | | | | | | |
| Efficiency ratio | | | | | | | | | | | | | | |
| Efficiency ratio | | | | | | | | | | | | | | |
| Efficiency ratio | | | | | | | | | | | | | | |
| Efficiency ratio | | | | | | | | | | | | | | |
| Efficiency ratio | | | | | | | | | | | | | | |
| Efficiency ratio | | | | | | | | | | | | | | |
| Efficiency ratio | | | | | | | | | | | | | | |
| Efficiency ratio | | | | | | | | | | | | | | |
| Efficiency ratio | | | | | | | | | | | | | | |
| Efficiency ratio | | | | | | | | | | | | | | |
| Efficiency ratio | | | | | | | | | | | | | | |
| Core efficiency ratio[3] | | | | | | | | | | | | | | |
| Core efficiency ratio[3] | | | | | | | | | | | | | | |
| Core efficiency ratio[3] | | | | | | | | | | | | | | |

Noninterest expense was $94.0 $98.0 million for the second third quarter 2024, an increase of $0.5 $4.0 million from $93.5 $94.0 million in the linked quarter. Employee compensation and benefits decreased $0.7 increased $0.8 million from the linked quarter primarily due to employer payroll taxes that are seasonally higher an increase in the first number of work days in the quarter each year and a decline the success in self-insured medical claims. recruiting new relationship bankers. Deposit costs relate to certain specialized deposit businesses accounts that receive an earnings credit allowance for expenses related to the maintenance of the deposit related accounts. These expenses that are impacted by interest rates and average balances. Deposit costs increased $1.4 $2.1 million from the linked quarter primarily due to an increase of $151.6 million in average deposit vertical balances from the expiration of unused allowances that reduced expense in the first quarter and growth in deposits. linked quarter. Expenses related to the core system conversion increased $0.9 included in Data processing for the current and linked quarters were $1.4 million from the linked quarter and $1.3 million, respectively, due to the continued progress on the project and are included in the data processing line item. project.

Total noninterest expense of $187.5 $285.5 million for the first six nine months of 2024 increased $20.6 $29.9 million from the prior year-to-date period, primarily due to an increase in the associate base, merit increases throughout 2023 and 2024, and a $12.3 $15.1 million increase in variable deposit costs due to higher earnings credit rates and average balances.

**Income Taxes**

The Company’s effective tax rate was 20.5% 19.4% for the second third quarter 2024 and 20.4% 20.0% for the six nine months ended June 30, 2024 September 30, 2024. This compares to the linked quarter and prior year-to-date effective tax rate of 20.2% 20.5% and 21.7%, respectively. The decrease decreases from the linked and prior year-to-date effective tax rate was rates were driven by tax credit opportunities the Company has deployed as part of its tax planning strategy.

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[3] Core efficiency ratio is a non-GAAP measure. Refer to discussion and reconciliation of this measure in the accompanying financial tables.

**Summary Balance Sheet**

| |
|---|
| *($ in thousands)* |
| *($ in thousands)* |
| *($ in thousands)* |
| Total cash and cash equivalents |
| Total cash and cash equivalents |
| Total cash and cash equivalents |
| Securities, net |
| Securities, net |
| Securities, net |
| Total loans |
| Total loans |
| Total loans |
| Total assets |
| Total assets |
| Total assets |
| Deposits |
| Deposits |
| Deposits |
| Total liabilities |
| Total liabilities |
| Total liabilities |
| Total shareholders’ equity |
| Total shareholders’ equity |
| Total shareholders’ equity |

Total assets were $14.6 billion $15.0 billion at June 30, 2024 September 30, 2024, an increase of $97.1 million $435.5 million from December 31, 2023 primarily due to a $115.9 million $195.8 million increase in loans. loans and a $269.7 million increase in investment securities. Total liabilities of $12.9 billion $13.1 billion increased $57.9 million $319.6 million from December 31, 2023 primarily due to a $106.0 million $289.0 million increase in deposits.

***Investment Securities***

Investment securities were $2.6 billion or 18% of total assets at September 30, 2024. At December 31, 2023, investment securities were $2.4 billion or 16% of total assets, at both June 30, 2024 and December 31, 2023. assets. The portfolio is comprised of both available-for-sale and held-to-maturity securities.

The table below sets forth the carrying value of investment securities, excluding the allowance for credit losses:

| | |
|---|---|
| | June 30, 2024 |
| | June 30, 2024 |
| | June 30, 2024 |
| | September 30, 2024 |
| | September 30, 2024 |
| | September 30, 2024 |
| *($ in thousands)* | |
| *($ in thousands)* | |
| *($ in thousands)* | |
| Obligations of U.S. Government sponsored enterprises | |
| Obligations of U.S. Government sponsored enterprises | |

| |
|---|
| Obligations of U.S. Government sponsored enterprises |
| Obligations of states and political subdivisions |
| Obligations of states and political subdivisions |
| Obligations of states and political subdivisions |
| Agency mortgage-backed securities |
| Agency mortgage-backed securities |
| Agency mortgage-backed securities |
| U.S. Treasury Bills |
| U.S. Treasury Bills |
| U.S. Treasury Bills |
| Corporate debt securities |
| Corporate debt securities |
| Corporate debt securities |
| Total |
| Total |
| Total |
| **Net Unrealized Losses** |
| **Net Unrealized Losses** |
| **Net Unrealized Losses** |

*($ in thousands)*

*($ in thousands)*

*($ in thousands)*

*($ in thousands)*

*($ in thousands)*

*($ in thousands)*

*($ in thousands)*

*($ in thousands)*

*($ in thousands)*

| |
|---|
| Available-for-sale securities |
| Available-for-sale securities |
| Available-for-sale securities |
| Held-to-maturity securities |
| Held-to-maturity securities |
| Held-to-maturity securities |
| Total |
| Total |
| Total |

Investment purchases in the second third quarter 2024 had a weighted average, tax equivalent yield of 5.43% 4.97%. The average duration of the investment portfolio was 5.1 4.9 years at June 30, 2024 September 30, 2024. The Company leverages the investment portfolio to lengthen the overall duration of the balance sheet, primarily using high-quality municipal securities. The expected cash flow from pay downs, maturities and interest over the next 12 months is approximately $375.3 $434.5 million.

***Loans by Type***

The Company has a diversified loan portfolio, with no particular concentration of credit in any one economic sector; however, a substantial portion of the portfolio, including the C&I category, is secured by real estate. The ability of the Company's borrowers to honor their contractual obligations is partially dependent upon the local economy and its effect on the real estate market.

The following table sets forth the composition of the loan portfolio by type of loans

*($ in thousands)*

*($ in thousands)*

*($ in thousands)*

| |
|---|
| Commercial and industrial |
| Commercial and industrial |
| Commercial and industrial |
| Commercial real estate - investor owned |
| Commercial real estate - investor owned |
| Commercial real estate - investor owned |
| Commercial real estate - owner occupied |
| Commercial real estate - owner occupied |
| Commercial real estate - owner occupied |
| Construction and land development |
| Construction and land development |
| Construction and land development |
| Residential real estate |
| Residential real estate |
| Residential real estate |
| Other |
| Other |
| Other |
| Total loans |
| Total loans |
| Total loans |

Loans totaled $11.0 billion $11.1 billion at June 30, 2024 September 30, 2024 compared to $10.9 billion at December 31, 2023. The increase was primarily due to an increase of $133.2 million $135.9 million in construction loans and an increase of $111.6 million in CRE loans, partially offset by a decrease in C&I loans of $53.1 million $44.1 million. Average revolving line draw utilization was 46% 44% for the second third quarter 2024, compared to 43% for the year ended December 31, 2023.

The following table provides additional information on certain categories of specialty loans that are included in total loans above:

| |
|---|
| *($ in thousands)* |
| *($ in thousands)* |
| *($ in thousands)* |
| SBA Loans |
| SBA Loans |
| SBA Loans |
| Sponsor finance |
| Sponsor finance |
| Sponsor finance |
| Life insurance premium financing |
| Life insurance premium financing |
| Life insurance premium financing |
| Tax credits |
| Tax credits |
| Tax credits |

Specialty These lending products, categories, including sponsor finance, life insurance premium financing, and tax credits, consist primarily of C&I loans. Sponsor finance and life insurance premium financing loans are sourced through relationships developed with private equity funds and estate planning firms and are not bound geographically by our markets. These specialized loan products offer opportunities to expand and diversify geographically by entering new markets. The Company continues to focus on originating high-quality C&I relationships, as they typically have variable interest rates and allow for cross selling opportunities involving other banking products. Life insurance premium financing and tax credits are typically lower risk products due to the high collateral value securing the loans.

SBA loans are also generated on a national basis, and primarily consist of loans collateralized by first lien, owner-occupied real estate properties. These loans predominantly have a 75% guarantee from the SBA. The Company may sell the guaranteed portion of the loan and retain servicing rights, and in the first quarter 2024, SBA loans totaling $23.1 million were sold.

***Provision and Allowance for Credit Losses***

The following table presents the components of the provision for credit losses:

| | | Quarter ended | | Quarter ended | | Six months ended | | Quarter ended | | Nine months ended |
|---|---|---|---|---|---|---|---|---|---|---|
| *($ in thousands)* | *($ in thousands)* | June 30, 2024 | March 31, 2024 | June 30, 2024 | June 30, 2023 | *($ in thousands)* | September 30, 2024 | June 30, 2024 | September 30, 2024 | September 30, 2023 |
| Provision for credit losses on loans | | | | | | | | | | |
| Provision for available-for-sale securities | | | | | | | | | | |
| Benefit for off-balance sheet commitments | | | | | | | | | | |
| Provision (benefit) for held-to-maturity securities | | | | | | | | | | |
| Charge-off of accrued interest | | | | | | | | | | |
| Provision for credit losses | | | | | | | | | | |

The provision for credit losses, which includes a provision for losses on unfunded commitments, is a charge to earnings to maintain the ACL on loans at a level consistent with management's assessment of expected losses in the loan portfolio at the balance sheet date. The Company also records reversals of interest on nonaccrual loans and interest recoveries directly through the provision of credit losses.

A provision for credit losses of $4.8 million $4.1 million for the second third quarter 2024 and $10.6 million $14.7 million for the six nine months ended June 30, 2024 September 30, 2024, decreased $0.9 million $0.7 million and increased $0.1 million $3.9 million from the linked quarter and prior year-to-date period, respectively. The provision for credit losses in the second third quarter 2024 was primarily related to an increase in reserves on individually evaluated loans, charge-offs and updates to qualitative factors used in the allowance calculation. The calculation.The provision for credit losses for the six nine months ended June 30, 2024 was stable with the prior year-to-date period. However, the provision for credit losses on loans in 2024 included an increase of $4.2 million September 30, 2024 declined primarily due to higher charge-offs when compared to the prior year-to-date period. This was partially offset by a $5.1 million decrease in the provision for available-for-sale securities related to the impairment of an available-for-sale investment security in the prior year-to-date period.

The following table summarizes the allocation of the ACL on loans:

| | |
|---|---|
| | June 30, 2024 |
| | June 30, 2024 |
| | June 30, 2024 |
| | September 30, 2024 |
| | September 30, 2024 |
| | September 30, 2024 |
| *($ in thousands)* | |
| *($ in thousands)* | |
| *($ in thousands)* | |
| Commercial and industrial | |
| Commercial and industrial | |
| Commercial and industrial | |
| Real estate: | |
| Real estate: | |
| Real estate: | |
| Commercial | |
| Commercial | |
| Commercial | |
| Construction and land development | |
| Construction and land development | |

| |
|---|
| Construction and land development |
| Residential |
| Residential |
| Residential |
| Other |
| Other |
| Other |
| Total |
| Total |
| Total |

The ACL on loans was 1.27% 1.26% of total loans at June 30, 2024 September 30, 2024, compared to 1.24% of loans at December 31, 2023. The increase decrease in the ratio of ACL on loans to total loans is primarily due to the increase in reserves on impaired loans. loan growth and charge-offs. Excluding guaranteed loans, the ACL on loans to total loans was 1.38%[4] at June 30, 2024 September 30, 2024, compared to 1.35% at December 31, 2023.

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[4] ACL on loans to total loans adjusted for guaranteed loans is a non-GAAP measure. Refer to discussion and reconciliation of this measure in the accompanying financial tables.

The following table is a summary of net charge-offs (recoveries) to average loans for the periods indicated:

| | Quarter ended |
|---|---|
| | Quarter ended |
| | Quarter ended |
| | June 30, 2024 |
| | June 30, 2024 |
| | June 30, 2024 |
| | September 30, 2024 |
| | September 30, 2024 |
| | September 30, 2024 |
| *($ in thousands)* | |
| *($ in thousands)* | |
| *($ in thousands)* | |
| Commercial and industrial | |
| Commercial and industrial | |
| Commercial and industrial | |
| Real estate: | |
| Real estate: | |
| Real estate: | |
| Commercial | |
| Commercial | |
| Commercial | |
| Construction and land development | |
| Construction and land development | |
| Construction and land development | |
| Residential | |
| Residential | |
| Residential | |
| Other | |
| Other | |
| Other | |
| Total | |
| Total | |
| Total | |

(1) Excludes loans held for sale.
(2)Annualized.

| | Six months ended |
|---|---|
| | Nine months ended |
| | Six months ended |
| | Nine months ended |
| | Six months ended |
| | June 30, 2024 |
| | June 30, 2024 |
| | June 30, 2024 |
| | Nine months ended |
| | September 30, 2024 |
| | September 30, 2024 |
| | September 30, 2024 |
| *($ in thousands)* | |
| *($ in thousands)* | |
| *($ in thousands)* | |
| Commercial and industrial | |
| Commercial and industrial | |
| Commercial and industrial | |
| Real estate: | |
| Real estate: | |
| Real estate: | |
| Commercial | |
| Commercial | |
| Commercial | |
| Construction and land development | |
| Construction and land development | |
| Construction and land development | |
| Residential | |
| Residential | |
| Residential | |
| Other | |
| Other | |
| Other | |
| Total | |
| Total | |
| Total | |

(1) Excludes loans held for sale.
(1) Excludes loans held for sale.
(1) Excludes loans held for sale.
(2)Annualized.
(2)Annualized.
(2)Annualized.

To the extent the Company does not recognize charge-offs and economic forecasts improve in future periods, the Company could recognize provision reversals. Conversely, if economic conditions and the Company's forecast worsens and charge-offs increase, the Company could recognize elevated levels of provision for credit losses. The provision is also reflective of charge-offs (recoveries) in the period.

**Nonperforming assets**

The following table presents the categories of nonperforming assets and other ratios, excluding government guaranteed portions, as of the dates indicated.

| | | | | |
|---|---|---|---|---|
| *($ in thousands)* | | | | |
| *($ in thousands)* | | | | |
| *($ in thousands)* | | | | |
| Nonaccrual loans | | | | |
| Nonaccrual loans | | | | |
| Nonaccrual loans | | | | |
| Loans past due 90 days or more and still accruing interest | | | | |
| Loans past due 90 days or more and still accruing interest | | | | |
| Loans past due 90 days or more and still accruing interest | | | | |
| Total nonperforming loans | | | | |
| Total nonperforming loans | | | | |
| Total nonperforming loans | | | | |
| Other real estate | | | | |
| Other real estate | | | | |
| Other real estate | | | | |
| Total nonperforming assets | | | | |
| Total nonperforming assets | | | | |
| Total nonperforming assets | | | | |
| Total assets | | | | |
| Total assets | | | | |
| Total assets | | | | |
| Total loans | | | | |
| Total loans | | | | |
| Total loans | | | | |
| Total ACL on loans | | | | |
| Total ACL on loans | | | | |
| Total ACL on loans | | | | |
| ACL on loans to nonaccrual loans | | | | |
| ACL on loans to nonaccrual loans | | | | |
| ACL on loans to nonaccrual loans | | | | |
| ACL on loans to nonperforming loans | | | | |
| ACL on loans to nonperforming loans | | | | |
| ACL on loans to nonperforming loans | | | | |
| ACL on loans to total loans | | | | |
| ACL on loans to total loans | | | | |
| ACL on loans to total loans | | | | |
| Nonaccrual loans to total loans | | | | |
| Nonaccrual loans to total loans | | | | |
| Nonaccrual loans to total loans | | | | |
| Nonperforming loans to total loans | | | | |
| Nonperforming loans to total loans | | | | |
| Nonperforming loans to total loans | | | | |
| Nonperforming assets to total assets | | | | |
| Nonperforming assets to total assets | | | | |
| Nonperforming assets to total assets | | | | |

Nonperforming loans based on loan type were as follows:

| | | | | |
|---|---|---|---|---|
| *($ in thousands)* | | | | |
| *($ in thousands)* | | | | |
| *($ in thousands)* | June 30, 2024 | December 31, 2023 | September 30, 2024 | December 31, 2023 |
| Commercial and industrial | | | | |

| |
|---|
| Commercial real estate |
| Construction and land development |
| Residential real estate |
| Other |
| Total |

The following table summarizes the changes in nonperforming loans:

| ($ in thousands) | | Six Nine months ended June September 30, 2024 |
|---|---|---|
| Nonperforming loans, beginning of period | $ | 43,728 |
| Additions to nonaccrual loans | | 13,649 21,761 |
| Charge-offs | | (9,363) (14,136) |
| Principal payments | | (6,185) (17,063) |
| Moved to other real estate and repossessed assets | | (2,445) (5,914) |
| Nonperforming loans, end of period | $ | 39,384 28,376 |

Nonperforming loans at June 30, 2024 September 30, 2024 decreased $4.3 million $15.4 million, or 10% 35%, when compared to December 31, 2023. The decrease in nonperforming loans during the six nine months ended June 30, 2024 September 30, 2024 was primarily due to gross charge-offs and the positive resolution and repayment of $9.4 million and principal payments of $6.2 million, offset by additions of $13.6 million. certain nonperforming loans.

***Other real estate***

The following table summarizes the changes in other real estate:

| ($ in thousands) | | Six Nine months ended June September 30, 2024 |
|---|---|---|
| Other real estate, beginning of period | $ | 5,736 |
| Additions | | 3,219 6,659 |
| Change in valuation allowance | | (44) |
| Sales | | (209) (7,835) |
| Other real estate, end of period | $ | 8,746 4,516 |

**Deposits**

The following table shows the breakdown of deposits by type:

| ($ in thousands) | ($ in thousands) | June 30, 2024 | | December 31, 2023 | | Increase (decrease) | | | ($ in thousands) | September 30, 2024 | De |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Noninterest-bearing demand accounts | Noninterest-bearing demand accounts | $ 3,928,308 | $ | $ 3,958,743 | $ | $ (30,435) | (1) | (1) | % Noninterest-bearing demand accounts | $ 3,934,245 | $ |
| Interest-bearing demand accounts | Interest-bearing demand accounts | 2,951,899 | 2,950,259 | 2,950,259 | 1,640 | 1,640 | — | — | % Interest-bearing demand accounts | 3,048,981 | 2, |
| Money market accounts | Money market accounts | 3,474,278 | 3,399,280 | 3,399,280 | 74,998 | 74,998 | 2 | 2 | % Money market accounts | 3,568,476 | 3, |
| Savings accounts | Savings accounts | 565,348 | 595,175 | 595,175 | (29,827) | (29,827) | (5) | (5) | % Savings accounts | 553,067 | |
| Certificates of deposit: | | | | | | | | | | | |

| | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Brokered | | | | | | | | | | | | | |
| Brokered | | | | | | | | | | | | | |
| Brokered | | 494,870 | 482,759 | 482,759 | 12,111 | 12,111 | 3 | 3 | % | 480,934 | | 482,759 | |
| Customer | Customer | 867,680 | 790,155 | 790,155 | 77,525 | 77,525 | 10 | 10 | % | Customer | 879,619 | | |
| Total deposits | Total deposits | $12,282,383 | $ | $12,176,371 | $ | $106,012 | 1 | 1 | % | Total deposits | $12,465,322 | $ | |
| Demand deposits / total deposits | | | | | | | | | | | | | |
| Demand deposits / total deposits | | | | | | | | | | | | | |
| Demand deposits / total deposits | | | | | | | | | | | | | |

The following table shows the average balance and average rate of the Company’s deposits by type:

| | | Quarter ended | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | June 30, 2024 | | March 31, 2024 | | June 30, 2023 | | | | | |
| | | September 30, 2024 | | June 30, 2024 | | September 30, 2023 | | | | | |
| *($ in thousands)* | *($ in thousands)* | Average Balance | Average Rate Paid | Average Balance | Average Rate Paid | Average Balance | Average Rate Paid | *($ in thousands)* | Average Balance | Average Rate Paid | Averag Balanc |
| Noninterest-bearing deposit accounts | Noninterest-bearing deposit accounts | $3,973,336 | — — % | $3,925,522 | — — % | $ 4,051,456 | — — % | Noninterest-bearing deposit accounts | $4,046,480 | — — % | |
| Interest-bearing demand accounts | | | | | | | | | | | |
| Interest-bearing demand accounts | | | | | | | | | | | |
| Interest-bearing demand accounts | | | | | | | | | | | |
| Money market accounts | | | | | | | | | | | |
| Savings accounts | | | | | | | | | | | |
| Certificates of deposit | | | | | | | | | | | |
| Total interest-bearing deposits | | | | | | | | | | | |
| Total average deposits | | | | | | | | | | | |
| Total average deposits | | | | | | | | | | | |
| Total average deposits | | | | | | | | | | | |

| | | |
|---|---|---|
| | Six months ended | |
| | Six months ended | |
| | Six months ended | |
| | June 30, 2024 | June 30, 2023 |
| | Nine months ended | |
| | Nine months ended | |
| | Nine months ended | |

| | | September 30, 2024 | | September 30, 2023 | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| *($ in thousands)* | *($ in thousands)* | Average Balance | Average Rate Paid | Average Balance | Average Rate Paid | *($ in thousands)* | Average Balance | Average Rate Paid | Average Balance | Average Rate Paid |
| Noninterest-bearing deposit accounts | Noninterest-bearing deposit accounts | $3,949,429 | — — % | $4,265,521 | — — % | Noninterest-bearing deposit accounts | $3,982,015 | — — % | $4,178,038 | — — % |
| Interest-bearing demand accounts | | | | | | | | | | |
| Interest-bearing demand accounts | | | | | | | | | | |
| Interest-bearing demand accounts | | | | | | | | | | |
| Money market accounts | | | | | | | | | | |
| Savings accounts | | | | | | | | | | |
| Certificates of deposit | | | | | | | | | | |
| Total interest-bearing deposits | | | | | | | | | | |
| Total average deposits | | | | | | | | | | |
| Total average deposits | | | | | | | | | | |
| Total average deposits | | | | | | | | | | |

Total deposits excluding brokered certificates of deposits were $11.8 $12.0 billion at June 30, 2024 September 30, 2024, an increase of $93.9 $290.8 million from December 31, 2023. Brokered certificates of deposit at June 30, 2024 increased $12.1 million from December 31, 2023 and continue to be used as a stable funding source. The Company has deposit verticals focusing on property management, community associations, and escrow industries, in addition to deposits related to its specialty lending products. industries. These deposits increased to $3.0 $3.1 billion at June 30, 2024 September 30, 2024 from $2.8 billion at December 31, 2023 due to continued success at generating organic deposit growth.

To provide customers a deposit product with enhanced FDIC insurance, the Company participates in several programs through third parties that provide full FDIC insurance on deposit amounts by exchanging or reciprocating larger depository relationships with other member banks. Total reciprocal deposits were $1.2 billion at both June 30, 2024 September 30, 2024 and December 31, 2023. The Company considers reciprocal accounts as customer-related deposits due to the customer relationship that generated the transaction.

At June 30, 2024 September 30, 2024, estimated uninsured/uncollateralized deposits totaled $3.6 $3.7 billion, or 29% 30% of total deposits, compared to $3.8 billion, $3.8 billion, or 31% of total deposits, at December 31, 2023.

The total cost of deposits was 2.16% 2.18% for the current quarter, compared to 2.13% 2.16% for the linked quarter. For the six nine months ended June 30, 2024 September 30, 2024, the total cost of deposits was 2.15% 2.16%, compared to 1.19% 1.42% in the prior year-to-date period.

**Shareholders' Equity**

Shareholders' equity totaled $1.8 billion at June 30, 2024 September 30, 2024, an increase of $39.2 $115.9 million from December 31, 2023. Significant activity during the first six nine months of 2024 was as follows:

- Increase from net income of $85.8 $136.4 million,
- Decrease Increase in fair value of securities and cash flow hedges of $21.1 $22.2 million, and
- Decrease from dividends paid on common and preferred stock of $21.0 million. $32.0 million, and
- Decrease from common stock repurchases of $8.6 million $18.4 million.

**Liquidity and Capital Resources**

***Liquidity***

The objective of liquidity management is to ensure we have the ability to generate sufficient cash or cash equivalents in a timely and cost-effective manner to meet our commitments as they become due. Typical demands on liquidity are changes in deposit levels, maturing time deposits which are not renewed, and fundings under credit commitments to customers. Funds are available from a number of sources, such as the core deposit base and loan and security repayments and maturities.

Additionally, liquidity is provided from lines of credit with the FHLB, the Federal Reserve Bank, and correspondent banks; the ability to acquire large and brokered deposits, sales of the securities portfolio, and the ability to sell loans or loan participations to other banks. These alternatives are an important part of our liquidity plan and provide flexibility and efficient execution of the asset-liability management strategy.

The Company's Asset-Liability Management Committee oversees our liquidity position, the parameters of which are approved by the Bank's Board of Directors. Our liquidity position is monitored daily. Our liquidity management framework includes measurement of several key elements, such as the loan to deposit ratio, a liquidity ratio, and a dependency ratio. The Company's liquidity framework also incorporates contingency planning to assess the nature and volatility of funding sources and to determine alternatives to these sources. While core deposits and loan and investment repayments are principal sources of liquidity, funding diversification is another key element of liquidity management and is achieved by strategically varying depositor types, terms, funding markets, and instruments.

Liquidity from assets is available primarily from cash balances and the investment portfolio. Cash and interest-bearing deposits with other banks totaled $392.8 $426.4 million at June 30, 2024 September 30, 2024 and $433.0 million at December 31, 2023. Investment securities are another important tool in liquidity planning. Securities totaled $2.6 billion and $2.4 billion at both June 30, 2024 September 30, 2024 and December 31, 2023, respectively and included $1.2 billion and $1.6 billion at June 30, 2024 September 30, 2024 and December 31, 2023, respectively, pledged as collateral for deposits of public institutions, loan notes and other requirements. The unpledged portion of the securities portfolio could be pledged or sold to enhance liquidity, if necessary. The Company also has a portfolio of SBA guaranteed loans, a portion of which could be sold in the secondary market to generate earnings and liquidity.

Available on- and off-balance sheet liquidity sources include the following items:

| *($ in thousands)* | | June September 30, 2024 |
|---|---|---|
| Federal Reserve Bank borrowing capacity | $ | 2,610,652 2,557,147 |
| FHLB borrowing capacity | | 1,230,978 1,214,524 |
| Unpledged securities | | 1,162,838 1,388,918 |
| Federal funds lines (7 correspondent banks) | | 140,000 |
| Cash and interest-bearing deposits | | 392,775 426,380 |
| Holding Company line of credit | | 25,000 |
| Total | $ | 5,562,243 5,751,969 |

Liability liquidity funding sources are available to increase financial flexibility. In addition to amounts borrowed at June 30, 2024 September 30, 2024, the Company could borrow an additional $1.2 billion from the FHLB of Des Moines under blanket loan pledges and has additional real estate loans that could be pledged. In the first half nine months of 2024, the Company pledged additional loans to the FHLB to increase the borrowing capacity by $279.1 million. $334.6 million. The Company also has $2.6 billion available from the Federal Reserve Bank under a pledged loan agreement. In the first quarter 2024, the Federal Reserve Bank borrowing capacity declined due to the expiration of the Bank Term Funding Program on March 11, 2024. The Company also has unsecured federal funds lines with seven correspondent banks totaling $140 million.

In the normal course of business, the Company enters into certain forms of off-balance sheet transactions, including unfunded loan commitments and letters of credit. These transactions are managed through the Company's various risk management processes. Management considers both on-balance sheet and off-balance sheet transactions in its evaluation of the Company's liquidity. The Company has $2.8 $2.9 billion in unused commitments to extend credit as of June 30, 2024 September 30, 2024. However, the nature of these commitments is such that the likelihood of funding them in the aggregate at any one time is low.

At the holding company level, the primary funding sources are dividends and payments from the Bank and proceeds from the issuance of equity (i.e. stock option exercises, stock offerings) and debt instruments. The main use of this liquidity is to provide the funds necessary to pay dividends to shareholders, service debt, invest in subsidiaries as necessary, repurchase common stock and satisfy other operating requirements. The holding company maintains a revolving line of credit for an aggregate amount up to $25 million, all of which was available at June 30, 2024 September 30, 2024. The line of credit has a one-year term and was renewed in February 2024 for an additional one-year term. The proceeds can be used for general corporate purposes.

The Company has an effective automatic shelf registration statement on Form S-3 allowing for the issuance of various forms of equity and debt securities. The Company's ability to offer securities pursuant to the registration statement depends on market conditions and the Company's continuing eligibility to use the Form S-3 under rules of the SEC.

Strong capital ratios, credit quality and core earnings are essential to retaining cost-effective access to the wholesale funding markets. Deterioration in any of these factors could have a negative impact on the Company's ability to access these funding sources and, as a result, these factors are monitored on an ongoing basis as part of the liquidity management process. The Bank is subject to regulations and, among other things, may be limited in its ability to pay dividends or transfer funds to the parent company. Accordingly, consolidated cash flows as presented in the consolidated statements of cash flows may not represent cash immediately available for the payment of cash dividends to the Company's shareholders or for other cash needs.

Through the normal course of operations, the Company has entered into certain contractual obligations and other commitments. Such obligations relate to funding operations through deposits or debt issuances, as well as leases for premises and equipment. As a financial services provider, the Company routinely enters into commitments to extend credit. While contractual obligations represent future cash requirements of the Company, a significant portion of commitments to extend credit may expire without being drawn upon. Such commitments are subject to the same credit policies and approval process accorded to loans made by the Company. The Company also enters into derivative contracts under which the Company either receives cash from or pays cash to counterparties depending on changes in interest rates. Derivative contracts are carried at fair value on the consolidated balance sheet with the fair value representing the net present value of expected future cash receipts or payments based on market interest rates as of the balance sheet date. The fair value of these contracts changes daily as market interest rates change.

***Capital Resources***

The Company and the Bank are subject to various regulatory capital requirements administered by federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possible additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company and its bank affiliate must meet specific capital guidelines that involve quantitative measures of assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. The banking affiliate's capital amounts and classification 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 the Bank to maintain minimum amounts and ratios (set forth in the following table) of total, Tier 1, and common equity tier 1 capital to risk-weighted assets, and of Tier 1 capital to average assets. To be categorized as "well capitalized", banks must maintain minimum total risk-based (10%), Tier 1 risk-based (8%), common equity tier 1 risk-based (6.5%), and Tier 1 leverage ratios (5%). In addition, the Company must maintain an additional CCB above the regulatory minimum ratio requirements. The CCB is designed to insulate banks from periods of stress and impose constraints on dividends, share repurchases and discretionary bonus payments when capital levels fall below prescribed levels. As of June 30, 2024 September 30, 2024, and December 31, 2023, the Company and the Bank met all capital adequacy requirements to which they are subject and exceeded the amounts required to be "well capitalized".

The following table summarizes the Company's various capital ratios:

June 30, 2024

September 30, 2024

*($ in thousands)*

*($ in thousands)*

| *($ in thousands)* | | EFSC | Bank | EFSC | Bank | To Be Well-Capitalized | Minimum Ratio with CCB | | EFSC | Bank | EFSC | Bank | To Be Well-Capitalized | Minimum Ratio with CCB |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Common Equity Tier 1 Capital to Risk Weighted Assets | Common Equity Tier 1 Capital to Risk Weighted Assets | 11.7 % | 12.4 % | 11.3 % | 12.2 % | 6.5 % | 7.0 % | Common Equity Tier 1 Capital to Risk Weighted Assets | 11.9 % | 12.5 % | 11.3 % | 12.2 % | 6.5 % | 7.0 % |
| Tier 1 Capital to Risk Weighted Assets | Tier 1 Capital to Risk Weighted Assets | 13.0 % | 12.4 % | 12.7 % | 12.2 % | 8.0 % | 8.5 % | Tier 1 Capital to Risk Weighted Assets | 13.2 % | 12.5 % | 12.7 % | 12.2 % | 8.0 % | 8.5 % |
| Total Capital to Risk Weighted Assets | Total Capital to Risk Weighted Assets | 14.6 % | 13.5 % | 14.2 % | 13.2 % | 10.0 % | 10.5 % | Total Capital to Risk Weighted Assets | 14.8 % | 13.6 % | 14.2 % | 13.2 % | 10.0 % | 10.5 % |
| Leverage Ratio (Tier 1 Capital to Average Assets) | Leverage Ratio (Tier 1 Capital to Average Assets) | 11.1 % | 10.6 % | 11.0 % | 10.6 % | 5.0 % | N/A | Leverage Ratio (Tier 1 Capital to Average Assets) | 11.2 % | 10.6 % | 11.0 % | 10.6 % | 5.0 % | N/A |
| Tangible common equity to tangible assets[1] | | | | | | | | | | | | | | |

[1] Not a required regulatory capital ratio.

[1] Not a required regulatory capital ratio.

[1] Not a required regulatory capital ratio.

The Company believes the tangible common equity ratio is an important measure of capital strength, even though it is considered a non-GAAP measure. A reconciliation has been included in this section under the caption "Use of Non-GAAP Financial Measures."

**Use of Non-GAAP Financial Measures:**

The Company's accounting and reporting policies conform to generally accepted accounting principles in the United States ("GAAP") and the prevailing practices in the banking industry. However, the Company provides additional financial measures, such as tangible common equity, adjusted ROAA, adjusted return on average common equity, ROATCE, adjusted ROATCE, ACL on loans to total loans adjusted for guaranteed loans, core efficiency ratio, PPNR, estimated insured deposits, tangible book value per common share and the tangible common equity ratio, in this report that are considered "non-GAAP financial measures." Generally, a non-GAAP financial measure is a numerical measure of a company's financial performance, financial position, or cash flows that exclude (or include) amounts that are included in (or excluded from) the most directly comparable measure calculated and presented in accordance with GAAP.

The Company considers its tangible common equity, adjusted ROAA, adjusted return on average common equity, ROATCE, adjusted ROATCE, ACL on loans to total loans adjusted for guaranteed loans, core efficiency ratio, PPNR, estimated insured deposits, tangible book value per common share and the tangible common equity ratio, collectively "core performance measures," presented in this report and the included tables as important measures of financial performance, even though they are non-GAAP measures, as they provide supplemental information by which to evaluate the impact of certain non-comparable items, and the Company's operating performance on an ongoing basis. Core performance measures exclude certain other income and expense items, such as the FDIC special assessment, core conversion expenses, merger-related expenses, facilities charges, the gain or loss on the sale of other real estate owned, and the gain or loss on sale of investment securities, that the Company believes to be not indicative of or useful to measure the Company's operating performance on an ongoing basis. The attached tables contain a reconciliation of these core performance measures to the GAAP measures. The Company believes that the tangible common equity ratio provides useful information to investors about the Company's capital strength even though it is considered to be a non-GAAP financial measure and is not part of the regulatory capital requirements to which the Company is subject.

The Company believes these non-GAAP measures and ratios, when taken together with the corresponding GAAP measures and ratios, provide meaningful supplemental information regarding the Company's performance and capital strength. The Company's management uses, and believes that investors benefit from referring to, these non-GAAP measures and ratios in assessing the Company's operating results and related trends and when forecasting future periods. However, these non-GAAP measures and ratios should be considered in addition to, and not as a substitute for or preferable to, ratios prepared in accordance with GAAP. In the attached tables, the Company has provided a reconciliation of, where applicable, the most comparable GAAP financial measures and ratios to the non-GAAP financial measures and ratios, or a reconciliation of the non-GAAP calculation of the financial measures for the periods indicated.

***Core Efficiency Ratio***

| | | Quarter ended | | Quarter ended | | | Six months ended | | | | Quarter ended | | | | Nine months ended |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| *($ in thousands)* | *($ in thousands)* | June 30, 2024 | March 31, 2024 | June 30, 2023 | June 30, 2024 | June 30, 2023 | *($ in thousands)* | September 30, 2024 | June 30, 2024 | | September 30, 2023 | | September 30, 2024 | | September 30, 2023 |
| Net interest income (GAAP) | | | | | | | | | | | | | | | |
| Tax-equivalent adjustment | | | | | | | | | | | | | | | |
| Net interest income - FTE (non-GAAP) | | | | | | | | | | | | | | | |
| Noninterest income (GAAP) | | | | | | | | | | | | | | | |
| Less gain on sale of investment securities | | | | | | | | | | | | | | | |
| Less gain (loss) on sale of other real estate owned | | | | | | | | | | | | | | | |
| Less net gain on sale of other real estate owned | | | | | | | | | | | | | | | |
| Core revenue (non-GAAP) | | | | | | | | | | | | | | | |
| Noninterest expense (GAAP) | | | | | | | | | | | | | | | |
| Noninterest expense (GAAP) | | | | | | | | | | | | | | | |
| Noninterest expense (GAAP) | | | | | | | | | | | | | | | |
| Less FDIC special assessment | | | | | | | | | | | | | | | |
| Less core conversion expense | | | | | | | | | | | | | | | |
| Less amortization on intangibles | | | | | | | | | | | | | | | |
| Core noninterest expense (non-GAAP) | | | | | | | | | | | | | | | |
| Core noninterest expense (non-GAAP) | | | | | | | | | | | | | | | |
| Core noninterest expense (non-GAAP) | | | | | | | | | | | | | | | |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Core efficiency ratio (non-GAAP) | | | | | | | | | |
| Core efficiency ratio (non-GAAP) | | | | | | | | | |
| Core efficiency ratio (non-GAAP) | 58.09 % | 60.21 % | 54.04 % | 59.13 % | 52.25 % | 58.42 % | 58.09 % | 56.18 % | 58.89 % | 53.55 % |

***Tangible Common Equity, Tangible Book Value per Share, and Tangible Common Equity Ratio***

| *(in thousands, except per share data)* | June 30, 2024 | March 31, 2024 | December 31, 2023 |
|---|---|---|---|
| Shareholders' equity (GAAP) | $ 1,755,273 | $ 1,731,725 | $ 1,716,068 |
| Less preferred stock | 71,988 | 71,988 | 71,988 |
| Less goodwill | 365,164 | 365,164 | 365,164 |
| Less intangible assets | 10,327 | 11,271 | 12,318 |
| Tangible common equity (non-GAAP) | $ 1,307,794 | $ 1,283,302 | $ 1,266,598 |
| | | | |
| Common shares outstanding | 37,344 | 37,515 | 37,416 |
| Tangible book value per share (non-GAAP) | $ 35.02 | $ 34.21 | $ 33.85 |
| | | | |
| Total assets (GAAP) | $ 14,615,666 | $ 14,613,338 | $ 14,518,590 |
| Less goodwill | 365,164 | 365,164 | 365,164 |
| Less intangible assets | 10,327 | 11,271 | 12,318 |
| Tangible assets (non-GAAP) | $ 14,240,175 | $ 14,236,903 | $ 14,141,108 |
| | | | |
| Tangible common equity to tangible assets (non-GAAP) | 9.18 % | 9.01 % | 8.96 % |

***Return on Average Common Equity and Return on Average Tangible Common Equity (ROATCE)***

| | Quarter ended | | | Six months ended | |
|---|---|---|---|---|---|
| *($ in thousands)* | June 30, 2024 | March 31, 2024 | June 30, 2023 | June 30, 2024 | June 30, 2023 |
| Average shareholder’s equity (GAAP) | $ 1,748,240 | $ 1,738,698 | $ 1,621,337 | $ 1,743,469 | $ 1,595,040 |
| Less average preferred stock | 71,988 | 71,988 | 71,988 | 71,988 | 71,988 |
| Less average goodwill | 365,164 | 365,164 | 365,164 | 365,164 | 365,164 |
| Less average intangible assets | 10,783 | 11,770 | 15,094 | 11,277 | 15,667 |
| Average tangible common equity (non-GAAP) | $ 1,300,305 | $ 1,289,776 | $ 1,169,091 | $ 1,295,040 | $ 1,142,221 |
| | | | | | |
| Net income available to common shareholders (GAAP) | $ 44,509 | $ 39,463 | $ 48,190 | $ 83,972 | $ 102,990 |
| FDIC special assessment (after tax) | — | 470 | — | 470 | — |
| Core conversion expense (after tax) | 940 | 263 | — | 1,203 | — |
| Net income available to common shareholders adjusted (non-GAAP) | $ 45,449 | $ 40,196 | $ 48,190 | $ 85,645 | $ 102,990 |
| | | | | | |
| Return on average common equity (GAAP) | 10.68 % | 9.52 % | 12.48 % | 10.10 % | 13.64 % |
| Adjusted return on average common equity (non-GAAP) | 10.90 % | 9.70 % | 12.48 % | 10.30 % | 13.64 % |
| ROATCE (non-GAAP) | 13.77 % | 12.31 % | 16.53 % | 13.04 % | 18.18 % |
| Adjusted ROATCE (non-GAAP) | 14.06 % | 12.53 % | 16.53 % | 13.30 % | 18.18 % |

***Return on Average Assets (ROAA)***

| | Quarter ended | | | Six months ended | |
|---|---|---|---|---|---|
| *($ in thousands)* | June 30, 2024 | March 31, 2024 | June 30, 2023 | June 30, 2024 | June 30, 2023 |
| Net income (GAAP) | $ 45,446 | $ 40,401 | $ 49,127 | $ 85,847 | $ 104,865 |
| FDIC special assessment (after tax) | — | 470 | — | 470 | — |
| Core conversion expense (after tax) | 940 | 263 | — | 1,203 | — |
| Net income adjusted (non-GAAP) | $ 46,386 | $ 41,134 | $ 49,127 | $ 87,520 | $ 104,865 |
| Average assets | $ 14,646,381 | $ 14,556,119 | $ 13,671,985 | $ 14,601,250 | $ 13,403,084 |

| | | | | | |
|---|---|---|---|---|---|
| ROAA (GAAP) | 1.25 % | 1.12 % | 1.44 % | 1.18 % | 1.58 % |
| Adjusted ROAA (non-GAAP) | 1.27 % | 1.14 % | 1.44 % | 1.21 % | 1.58 % |

| *(in thousands, except per share data)* | September 30, 2024 | June 30, 2024 | December 31, 2023 |
|---|---|---|---|
| Shareholders' equity (GAAP) | $ 1,832,011 | $ 1,755,273 | $ 1,716,068 |
| Less preferred stock | 71,988 | 71,988 | 71,988 |
| Less goodwill | 365,164 | 365,164 | 365,164 |
| Less intangible assets | 9,400 | 10,327 | 12,318 |
| Tangible common equity (non-GAAP) | $ 1,385,459 | $ 1,307,794 | $ 1,266,598 |
| | | | |
| Common shares outstanding | 37,184 | 37,344 | 37,416 |
| Tangible book value per share (non-GAAP) | $ 37.26 | $ 35.02 | $ 33.85 |
| | | | |
| Total assets (GAAP) | $ 14,954,125 | $ 14,615,666 | $ 14,518,590 |
| Less goodwill | 365,164 | 365,164 | 365,164 |
| Less intangible assets | 9,400 | 10,327 | 12,318 |
| Tangible assets (non-GAAP) | $ 14,579,561 | $ 14,240,175 | $ 14,141,108 |
| | | | |
| Tangible common equity to tangible assets (non-GAAP) | 9.50 % | 9.18 % | 8.96 % |

***ACL on Loans to Total Loans Adjusted for Guaranteed Loans***

| | | | At | | | | | |
|---|---|---|---|---|---|---|---|---|
| *($ in thousands)* | *($ in thousands)* | June 30, 2024 | March 31, 2024 | June 30, 2023 | *($ in thousands)* | September 30, 2024 | June 30, 2024 | September 30, 2023 |
| Total loans (GAAP) | | | | | | | | |
| Less: Guaranteed loans, net | | | | | | | | |
| Total adjusted loans (non-GAAP) | | | | | | | | |
| ACL on loans | | | | | | | | |
| ACL on loans | | | | | | | | |
| ACL on loans | | | | | | | | |
| ACL on loans to total loans | ACL on loans to total loans | 1.27 % | 1.23 % | 1.34 % | ACL on loans to total loans | 1.26 % | 1.27 % | 1.34 % |
| ACL on loans to total adjusted loans | ACL on loans to total adjusted loans | 1.38 % | 1.34 % | 1.48 % | ACL on loans to total adjusted loans | 1.38 % | 1.38 % | 1.47 % |

***Pre-Provision Net Revenue (PPNR)***

| | | Quarter ended<br>Quarter ended<br>Quarter ended | | Six months ended | | Nine months ended | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| *($ in thousands)* | *($ in thousands)* | June 30, 2024 | March 31, 2024 | | June 30, 2023 | June 30, 2024 | June 30, 2023 | *($ in thousands)* | September 30, 2024 | June 30, 2024 | September 30, 2023 | September 30, 2024 | September 30, 2023 |
| Net interest income | | | | | | | | | | | | | |
| Noninterest income | | | | | | | | | | | | | |
| FDIC special assessment | | | | | | | | | | | | | |
| Core conversion expense | | | | | | | | | | | | | |
| Less gain on sale of investment securities | | | | | | | | | | | | | |
| Less gain (loss) on sale of other real estate owned | | | | | | | | | | | | | |
| Less net gain on sale of other real estate owned | | | | | | | | | | | | | |

Less noninterest expense

PPNR (non-GAAP)

PPNR (non-GAAP)

PPNR (non-GAAP)

***Return on Average Common Equity, Return on Average Tangible Common Equity (ROATCE) and Return on Average Assets (ROAA)***

| | Quarter ended | | | Nine months ended | |
|---|---|---|---|---|---|
| *($ in thousands)* | September 30, 2024 | June 30, 2024 | September 30, 2023 | September 30, 2024 | September 30, 2023 |
| Average shareholder's equity (GAAP) | $ 1,804,369 | $ 1,748,240 | $ 1,648,605 | $ 1,763,917 | $ 1,613,091 |
| Less average preferred stock | 71,988 | 71,988 | 71,988 | 71,988 | 71,988 |
| Less average goodwill | 365,164 | 365,164 | 365,164 | 365,164 | 365,164 |
| Less average intangible assets | 9,855 | 10,783 | 13,967 | 10,799 | 15,094 |
| Average tangible common equity (non-GAAP) | $ 1,357,362 | $ 1,300,305 | $ 1,197,486 | $ 1,315,966 | $ 1,160,845 |
| Net income (GAAP) | $ 50,585 | $ 45,446 | $ 44,665 | $ 136,432 | $ 149,530 |
| FDIC special assessment (after tax) | — | — | — | 470 | — |
| Core conversion expense (after tax) | 1,034 | 940 | — | 2,237 | — |
| Less gain on sale of investment securities (after tax) | — | — | — | — | 287 |
| Less net gain on sales of other real estate owned (after tax) | 2,375 | — | — | 2,374 | 141 |
| Net income adjusted (non-GAAP) | $ 49,244 | $ 46,386 | $ 44,665 | $ 136,765 | $ 149,102 |
| Less preferred stock dividends | 938 | 937 | 938 | 2,813 | 2,813 |
| Net income available to common shareholders adjusted (non-GAAP) | $ 48,306 | $ 45,449 | $ 43,727 | $ 133,952 | $ 146,289 |
| Return on average common equity (GAAP) | 11.40 % | 10.68 % | 11.00 % | 10.55 % | 12.73 % |
| Adjusted return on average common equity (non-GAAP) | 11.09 % | 10.90 % | 11.00 % | 10.58 % | 12.69 % |
| ROATCE (non-GAAP) | 14.55 % | 13.77 % | 14.49 % | 13.56 % | 16.90 % |
| Adjusted ROATCE (non-GAAP) | 14.16 % | 14.06 % | 14.49 % | 13.60 % | 16.85 % |
| Average assets | $ 14,849,455 | $ 14,646,381 | $ 14,068,860 | $ 14,684,589 | $ 13,627,448 |
| Return on average assets (GAAP) | 1.36 % | 1.25 % | 1.26 % | 1.24 % | 1.47 % |
| Adjusted return on average assets (non-GAAP) | 1.32 % | 1.27 % | 1.26 % | 1.24 % | 1.46 % |

***Calculation of Estimated Insured Deposits***

Quarter ended

Quarter ended

Quarter ended

*($ in thousands)*

*($ in thousands)*

*($ in thousands)*

Estimated uninsured deposits per Call Report

Estimated uninsured deposits per Call Report

Estimated uninsured deposits per Call Report

Collateralized/affiliate deposits

Collateralized/affiliate deposits

Collateralized/affiliate deposits

Accrued interest on deposits

Accrued interest on deposits

Accrued interest on deposits

Adjusted uninsured/uncollateralized deposits

Adjusted uninsured/uncollateralized deposits

Adjusted uninsured/uncollateralized deposits

| | |
|---|---|
| Estimated insured/collateralized deposits | |
| Estimated insured/collateralized deposits | |
| Estimated insured/collateralized deposits | |
| Total deposits | |
| Total deposits | |
| Total deposits | |

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

The disclosures set forth in this item are qualified by the cautionary language regarding forward-looking statements in the introduction to Item 2 of Part I of this Quarterly Report on Form 10-Q and other cautionary statements set forth elsewhere in this report.

**Interest Rate Risk**

Our interest rate risk management practices are aimed at optimizing net interest income, while guarding against deterioration that could be caused by certain interest rate scenarios. Interest rate sensitivity varies with different types of interest-earning assets and interest-bearing liabilities. We attempt to maintain interest-earning assets, comprised primarily of both loans and investments, and interest-bearing liabilities, comprised primarily of deposits, maturing or repricing in similar time horizons in order to manage any impact from market interest rate changes according to our risk tolerances. The Company uses a simulation model to measure the sensitivity to changing rates on earnings.

The Company determines the sensitivity of its short-term future earnings to a hypothetical plus or minus 100 to 300 basis point parallel rate shock through the use of simulation modeling. The simulation includes the modeling of the balance sheet as an ongoing entity. Future business assumptions involving administered rate products, prepayments for future rate-sensitive balances, and the reinvestment of maturing assets and liabilities are included. These items are then modeled to project net interest income based on a hypothetical change in interest rates. The resulting net interest income for the next 12-month period is compared to the baseline amounts calculated using flat rates. The difference represents the Company's sensitivity to a positive or negative 100 basis points parallel rate shock.

The following table summarizes the expected impact of interest rate shocks on net interest income at June 30, 2024 September 30, 2024:

| Rate Shock | Annual % change in net interest income |
|---|---|
| + 300 bp | 11.1% 10.0% |
| + 200 bp | 7.5% 6.8% |
| + 100 bp | 3.8% 3.5% |
| - 100 bp | (3.9) (3.6)% |
| - 200 bp | (8.1) (7.5)% |
| - 300 bp | (12.4) (11.2)% |

In addition to the rate shocks shown in the table above, the Company models net interest income under various dynamic interest rate scenarios. In general, changes in interest rates are positively correlated with changes in net interest income.

The Company occasionally uses interest rate derivative instruments as an asset/liability management tool to hedge mismatches in interest rate exposure indicated by the net interest income simulation described above. They are used to modify the Company's exposures to interest rate fluctuations and provide more stable spreads between loan yields and the rate on their funding sources. At June 30, 2024 September 30, 2024, the Company had derivative contracts to manage interest rate risk, including $350.0 million in notional value on derivatives to hedge the cash flows on floating rate loans and $32.1 million in notional value on derivative on floating rate debt. Derivative financial instruments are also discussed in "Item 1. Note 6 – Derivative Financial Instruments."

The As of September 30, 2024, the Financial Conduct Authority has announced that ceased publishing the most common USD LIBOR settings (overnight, 1-month. 3-month, 6-month and 12-month) will cease publication after September 30, 2024. LIBOR was the most liquid and common interest rate index in the world and was commonly referenced in financial instruments. With the cessation of LIBOR, the Company has selected term SOFR as the replacement index for the majority of its variable rate loans and began providing customer notifications in early 2023. The Company ceased using LIBOR and ICE swap rates in new contracts and began issuing SOFR based loans in December 2021.

The Company had $6.7 billion in variable rate loans at June 30, 2024 September 30, 2024. Of these loans, $4.4 billion $4.5 billion have an interest rate floor and nearly all of those loans were at or above the floor. Variable rate loans include $2.8 billion indexed to the prime rate, $3.1 billion indexed to SOFR, and $823.3 million $806.6 million indexed to other rates.

At June 30, 2024 September 30, 2024, the Company's available-for-sale and held-to-maturity investment securities totaled $1.6 billion $1.8 billion and $772.6 million $851.6 million, respectively. These portfolios consist primarily of fixed-rate securities that are subject to changes in market value due to changes in interest rates. At June 30, 2024 September 30, 2024, net unrealized losses were $172.7 million $122.2 million and $69.4 million $46.4 million on the available-for-sale and held-to-maturity investment portfolios, respectively.

## ITEM 4: CONTROLS AND PROCEDURES

### Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of the Company's Chief Executive Officer (the "CEO") and the Chief Financial Officer (the "CFO"), management has evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to Exchange Act Rule 13a-15, as of June 30, 2024 September 30, 2024. Disclosure controls and procedures include without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Securities Exchange Act of 1934, as amended, is accumulated and communicated to the issuer's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Based on that evaluation, the CEO and CFO concluded the Company's disclosure controls and procedures were effective as of June 30, 2024 September 30, 2024 to provide reasonable assurance of the achievement of the objectives described above.

### Changes to Internal Controls

There were no changes during the period covered by this Quarterly Report on Form 10-Q in the Company's internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect, those controls.

## PART II - OTHER INFORMATION

## ITEM 1: LEGAL PROCEEDINGS

The Company and its subsidiaries are, from time to time, parties to various legal proceedings arising out of their businesses. Management believes there are no such legal proceedings pending or threatened against the Company or its subsidiaries in the ordinary course of business, directly, indirectly, or in the aggregate that, if determined adversely, would have a material adverse effect on the business, consolidated financial condition, results of operations or cash flows of the Company or any of its subsidiaries.

## ITEM 1A: RISK FACTORS

For information regarding risk factors affecting the Company, please see the cautionary language regarding forward-looking statements in the introduction to Item 2 of Part I of this Quarterly Report on Form 10-Q, and Part I, Item 1A of our Report on Form 10-K for the fiscal year ended December 31, 2023. There have been no material changes to the risk factors described in the Company's Annual Report on Form 10-K for the year ended December 31, 2023.

## ITEM 2: UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Period

Period

| Period | Total number of shares purchased (a) | Weighted-average price paid per share | Total number of shares purchased as part of publicly announced plans or programs | Maximum number of shares that may yet be purchased under the plans or programs | Total number of shares purchased (a) | Weighted-average price paid per share | Total number of shares purchased as part of publicly announced plans or programs | Maximum number of shares that may yet be purchased under the plans or programs |
|---|---|---|---|---|---|---|---|---|
| April 1, 2024 through April 30, 2024 | | | | | | | | |
| May 1, 2024 through May 31, 2024 | | | | | | | | |
| June 1, 2024 through June 30, 2024 | | | | | | | | |
| July 1, 2024 through July 31, 2024 | | | | | | | | |
| August 1, 2024 through August 31, 2024 | | | | | | | | |

September 1, 2024 through September 30, 2024

Total

(a) In May 2022, the Company's board of directors authorized the repurchase of up to two million shares of the Company's common stock. The repurchases may be made from time to time in the open market or through privately negotiated transactions.

(a) In May 2022, the Company's board of directors authorized the repurchase of up to two million shares of the Company's common stock. The repurchases may be made from time to time in the open market or through privately negotiated transactions.

(a) In May 2022, the Company's board of directors authorized the repurchase of up to two million shares of the Company's common stock. The repurchases may be made from time to time in the open market or through privately negotiated transactions.

## ITEM 3: DEFAULTS UPON SENIOR SECURITIES

None.

## ITEM 4: MINE SAFETY DISCLOSURES

Not applicable.

## ITEM 5: OTHER INFORMATION

During the quarter ended June 30, 2024 September 30, 2024, no officer or director of the company adopted or terminated any contract, instruction, or written plan for the purchase or sale of securities of the company's common stock that is intended to satisfy the affirmative defense conditions of Securities Exchange Act Rule 10b5-1(c) or any non-Rule 10b5-1 trading arrangement as defined in 17 CFR § 229.408(c).

## ITEM 6: EXHIBITS

**Exhibit No.** **Description**

3.1 Certificate of Incorporation of Registrant, (incorporated herein by reference to Exhibit 3.1 of Registrant's Registration Statement on Form S-1 filed on December 16, 1996 (File No. 333-14737)).

3.2 Amendment to the Certificate of Incorporation of Registrant (incorporated herein by reference to Exhibit 4.2 to Registrant's Registration Statement on Form S-8 filed on July 1, 1999 (File No. 333-82087)).

3.3 Amendment to the Certificate of Incorporation of Registrant (incorporated herein by reference to Exhibit 3.1 to Registrant's Quarterly Report on Form 10-Q for the period ending September 30, 1999 (File No. 001-15373)).

3.4 Amendment to the Certificate of Incorporation of Registrant (incorporated herein by reference to Exhibit 99.2 to Registrant's Current Report on Form 8-K filed on April 30, 2002 (File No. 001-15373)).

3.5 Amendment to the Certificate of Incorporation of Registrant (incorporated herein by reference to Appendix A to Registrant's Proxy Statement on Form 14-A filed on November 20, 2008 (File No. 001-15373)).

3.6 Amendment to the Certificate of Incorporation of Registrant (incorporated herein by reference to Exhibit 3.1 to the Registrant's Quarterly Report on Form 10-Q for the period ending June 30, 2014 (File No. 001-15373)).

3.7 Amendment to the Certificate of Incorporation of Registrant (incorporated herein by reference to Exhibit 3.8 to Registrant's Quarterly Report on Form 10-Q filed on July 26, 2019 (File No. 001-15373)).

3.8 Amendment to Certificate of Incorporation of Registrant (incorporated herein by reference to Exhibit 3.9 to Registrant's Quarterly Report on Form 10-Q filed on July 30, 2021 (File No. 001-15373)).

3.9 Certificate of Designations of Registrant for Fixed Rate Cumulative Perpetual Preferred Stock, Series A, dated December 17, 2008 (incorporated herein by reference to Exhibit 3.1 to Registrant's Current Report on Form 8-K filed on December 23, 2008 (File No. 001-15373)).

3.10 Certificate of Elimination of Registrant's Certificate of Designation, Preferences, and Rights of the Fixed Rate Cumulative Perpetual Preferred Stock, Series A, dated November 9, 2021 (incorporated herein by reference to Exhibit 3.1 to Registrant's Current Report on Form 8-K filed on November 9, 2021 (File No. 001-15373)).

3.11 Certificate of Designation of Registrant of Fixed Rate Non-Cumulative Perpetual Preferred Stock, Series A, dated November 16, 2021 (incorporated herein by reference to Exhibit 3.1 to Registrant's Current Report on Form 8-K filed on November 17, 2021 (File No. 001-15373)).

3.12 Amended and Restated Bylaws of Registrant (incorporated herein by reference to Exhibit 3.1 to Registrant's Current Report on Form 8-K filed on June 12, 2015 (File No. 001-15373)).

4.1 Long-term borrowing instruments are omitted pursuant to Item 601(b)(4)(iii) of Regulation S-K. The Company undertakes to furnish copies of such instruments to the Securities and Exchange Commission upon request.

*31.1 Chief Executive Officer's Certification required by Rule 13(a)-14(a).

*31.2 Chief Financial Officer's Officer's Certification required by Rule 13(a)-14(a).

**32.1 Chief Executive Officer Certification pursuant to 18 U.S.C. § 1350, as adopted pursuant to section § 906 of the Sarbanes-Oxley Act of 2002.

**32.2 Chief Financial Officer Certification pursuant to 18 U.S.C. § 1350, as adopted pursuant to section § 906 of the Sarbanes-Oxley Act of 2002.

101.INS XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.

101.SCH Inline XBRL Taxonomy Extension Schema Document.

101.CAL Inline XBRL Taxonomy Extension Calculation Linkbase Document.

101.LAB Inline XBRL Taxonomy Extension Label Linkbase Document.

101.PRE Inline XBRL Taxonomy Extension Presentation Linkbase Document.

101.DEF Inline XBRL Taxonomy Extension Definitions Linkbase Document.

104 The cover page of Enterprise Financial Services Corp's Quarterly Report on Form 10-Q for the quarter ended June 30, 2024 September 30, 2024, formatted in Inline XBRL (contained in Exhibit 101).

* Filed herewith
** Furnished herewith. Notwithstanding any incorporation of this Quarterly Statement on Form 10-Q in any other filing by the Registrant, Exhibits furnished herewith and designated with two (**) shall not be deemed incorporated by reference to any other filing unless specifically otherwise set forth herein or therein.

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Clayton, State of Missouri, on the day of July 26, 2024 November 1, 2024.

ENTERPRISE FINANCIAL SERVICES CORP

By: /s/ James B. Lally
James B. Lally
Chief Executive Officer

By: /s/ Keene S. Turner
Keene S. Turner
Chief Financial Officer

**EXHIBIT 31.1**

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER**

I, James B. Lally, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Enterprise Financial Services Corp;

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.

By: /s/ James B. Lally
James B. Lally
Chief Executive Officer

Date: July 26, November 1, 2024

**EXHIBIT 31.2**

**CERTIFICATION OF CHIEF FINANCIAL OFFICER**

I, Keene S. Turner, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Enterprise Financial Services Corp;

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.

By: /s/ Keene S. Turner
Keene S. Turner
Chief Financial Officer

Date: July 26, November 1, 2024

**EXHIBIT 32.1**
**CERTIFICATION PURSUANT TO**
**18 U.S.C. SECTION 1350,**
**AS ADOPTED PURSUANT TO**
**SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Enterprise Financial Services Corp (the "Company") on Form 10-Q for the period ended June September 30, 2024 as filed with the Securities and Exchange Commission (the "Report"), I, James B. Lally, Chief Executive Officer of the Company, certify to the best of my knowledge and belief, pursuant to 18 U.S.C. § 1350, as enacted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

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

/s/ James B. Lally

James B. Lally
Chief Executive Officer
July 26, November 1, 2024

**EXHIBIT 32.2**
**CERTIFICATION PURSUANT TO**
**18 U.S.C. SECTION 1350,**
**AS ADOPTED PURSUANT TO**
**SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Enterprise Financial Services Corp (the "Company") on Form 10-Q for the period ended June September 30, 2024 as filed with the Securities and Exchange Commission (the "Report"), I, Keene S. Turner, Chief Financial Officer of the Company, certify to the best of my knowledge and belief, pursuant to 18 U.S.C. § 1350, as enacted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

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

/s/ Keene S. Turner

Keene S. Turner
Chief Financial Officer
July 26, November 1, 2024