

REFINITIV

# DELTA REPORT

## 10-Q

FRME - FIRST MERCHANTS CORP

10-Q - MARCH 31, 2024 COMPARED TO 10-Q - SEPTEMBER 30, 2023

The following comparison report has been automatically generated

TOTAL DELTAS	1692
CHANGES	376
DELETIONS	763
ADDITIONS	553

FORM 10-Q  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE

SECURITIES EXCHANGE ACT OF 1934

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

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE

SECURITIES EXCHANGE ACT OF 1934

For the Transition Period from \_\_\_\_\_ to \_\_\_\_\_

**FIRST MERCHANTS CORPORATION**  
(Exact name of registrant as specified in its charter)

Indiana (State or other jurisdiction of incorporation)	
001-41342 (Commission File Number)	35-1544218 (IRS Employer Identification No.)

**200 East Jackson Street, Muncie, IN** **47305-2814**  
(Address of principal executive offices) (Zip code)

(Registrant's telephone number, including area code): **(765) 747-1500**

**Not Applicable**  
(Former name, former address and former fiscal year,  
if changed since last report)

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

Title of Each Class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$0.125 stated value per share	FRME	The Nasdaq Stock Market LLC
Depository Shares, each representing a 1/100th interest in a share of Non-Cumulative Perpetual Preferred Stock, Series A	FRMEP	The Nasdaq Stock Market LLC

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

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

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

Large Accelerated Filer	<input checked="" type="checkbox"/>	Accelerated Filer	<input type="checkbox"/>	Non-Accelerated Filer	<input type="checkbox"/>
Smaller Reporting Company	<input type="checkbox"/>	Emerging Growth Company	<input type="checkbox"/>		

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 **October 26, 2023** **April 26, 2024**, there were **59,846,922** **58,585,479** outstanding common shares of the registrant.

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GLOSSARY OF DEFINED TERMS

ACL	Allowance for Credit Losses
ASC	Accounting Standards Codification
ASU	Accounting Standards Update
Bank	First Merchants Bank, a wholly-owned subsidiary of the Corporation
BTFP	Bank Term Funding Program created by the Federal Reserve in March 2023
CECL	FASB Accounting Standards Update No. 2016-13, <i>Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments</i> , adopted by the Corporation on January 1, 2021.
CET1	Common Equity Tier 1
<b>CODM</b>	<b>Chief operating decision maker</b>
Corporation	First Merchants Corporation
<b>CRE</b>	<b>Commercial Real Estate</b>
EITF	FASB's Emerging Issues Task Force
ESPP	Employee Stock Purchase Plan
FASB	Financial Accounting Standards Board
FDIC	Federal Deposit Insurance Corporation
Federal Reserve	Board of Governors of the Federal Reserve System
FHLB	Federal Home Loan Bank
FOMC	Federal Open Market Committee, the monetary policymaking body of the Federal Reserve System.
FTE	Fully taxable equivalent
GAAP	U.S. Generally Accepted Accounting Principles
<b>IRS IRA</b>	<b>Internal Revenue Service Inflation Reduction Act of 2022</b>
Level One	Level One Bancorp, Inc., which was acquired by the Corporation on April 1, 2022.
OREO	Other real estate owned
PPP	Paycheck Protection Program, which was established by the Coronavirus Aid, Relief and Economic Security Act, or CARES Act, and implemented by the <b>SBA U.S. Small Business Administration</b> to provide small business loans.
PCD	Purchased credit deteriorated loans
RSA	Restricted Stock Awards
SOFR	Secured Overnight Financing Rate

**PART I. FINANCIAL INFORMATION**  
**ITEM 1. CONSOLIDATED CONDENSED FINANCIAL STATEMENTS**  
*(table dollar amounts in thousands, except share data)*

**CONSOLIDATED CONDENSED BALANCE SHEETS**

		September 30, 2023 (Unaudited)	December 31, 2022
	March 31, 2024 (Unaudited)	March 31, 2024	December 31, 2023
<b>ASSETS</b>			
<b>ASSETS</b>			
<b>ASSETS</b>	<b>ASSETS</b>		
Cash and due from banks	Cash and due from banks	\$ 125,173	\$ 122,594
Interest-bearing deposits	Interest-bearing deposits	348,639	126,061
Investment securities	Investment securities		
available for sale	available for sale	1,500,136	1,976,661
Investment securities held to maturity, net of allowance for credit losses of \$245 and \$245 (fair value of \$1,741,225 and \$1,907,865)		2,213,588	2,287,127
Investment securities held to maturity, net of allowance for credit losses of \$245 and \$245 (fair value of \$1,820,451 and \$1,870,374)			

Loans held for sale	Loans held for sale	30,972	9,094	
Loans	Loans	12,271,422	12,003,894	
Less: Allowance for credit losses - loans	Less: Allowance for credit losses - loans	(205,782)	(223,277)	
Net loans	Net loans	12,065,640	11,780,617	
Premises and equipment	Premises and equipment	132,441	117,118	
Federal Home Loan Bank stock	Federal Home Loan Bank stock	41,797	38,525	
Interest receivable	Interest receivable	90,011	85,070	
Goodwill				
Goodwill				
Goodwill	Goodwill	712,002	712,002	
Other intangibles	Other intangibles	29,281	35,842	
Cash surrender value of life insurance	Cash surrender value of life insurance	306,106	308,311	
Other real estate owned	Other real estate owned	6,480	6,431	
Tax asset, deferred and receivable	Tax asset, deferred and receivable	135,521	111,222	
Other assets	Other assets	258,861	221,631	
<b>TOTAL ASSETS</b>	<b>TOTAL ASSETS</b>	<b>\$17,996,648</b>	<b>\$17,938,306</b>	
<b>LIABILITIES</b>	<b>LIABILITIES</b>			<b>LIABILITIES</b>
Deposits:	Deposits:			Deposits:
Noninterest-bearing	Noninterest-bearing	\$ 2,554,984	\$ 3,173,417	
Interest-bearing	Interest-bearing	12,091,592	11,209,328	
<b>Total Deposits</b>	<b>Total Deposits</b>	<b>14,646,576</b>	<b>14,382,745</b>	
Borrowings:	Borrowings:			Borrowings:
Federal funds purchased		—	171,560	
Securities sold under repurchase agreements				
Securities sold under repurchase agreements				
Securities sold under repurchase agreements	Securities sold under repurchase agreements	152,537	167,413	
Federal Home Loan Bank advances	Federal Home Loan Bank advances	713,384	823,674	
Subordinated debentures and other borrowings	Subordinated debentures and other borrowings	158,665	151,298	
<b>Total Borrowings</b>	<b>Total Borrowings</b>	<b>1,024,586</b>	<b>1,313,945</b>	
Interest payable	Interest payable	16,473	7,530	
Other liabilities	Other liabilities	216,369	199,316	
<b>Total Liabilities</b>	<b>Total Liabilities</b>	<b>15,904,004</b>	<b>15,903,536</b>	
<b>COMMITMENTS AND CONTINGENT LIABILITIES</b>	<b>COMMITMENTS AND CONTINGENT LIABILITIES</b>			<b>COMMITMENTS AND CONTINGENT LIABILITIES</b>
<b>STOCKHOLDERS' EQUITY</b>	<b>STOCKHOLDERS' EQUITY</b>			
Cumulative Preferred Stock, \$1,000 par value, \$1,000 liquidation value:	Cumulative Preferred Stock, \$1,000 par value, \$1,000 liquidation value:			
Cumulative Preferred Stock, \$1,000 par value, \$1,000 liquidation value:				
Cumulative Preferred Stock, \$1,000 par value, \$1,000 liquidation value:				
Authorized - 600 cumulative shares	Authorized - 600 cumulative shares			Authorized - 600 cumulative shares
Issued and outstanding - 125 cumulative shares	Issued and outstanding - 125 cumulative shares	125	125	
Preferred Stock, Series A, no par value, \$2,500 liquidation preference:	Preferred Stock, Series A, no par value, \$2,500 liquidation preference:			

Authorized - 10,000 non-cumulative perpetual shares	Authorized - 10,000 non-cumulative perpetual shares		
Authorized - 10,000 non-cumulative perpetual shares			
Authorized - 10,000 non-cumulative perpetual shares			
Issued and outstanding - 10,000 non-cumulative perpetual shares			
Issued and outstanding - 10,000 non-cumulative perpetual shares			
Issued and outstanding - 10,000 non-cumulative perpetual shares	Issued and outstanding - 10,000 non-cumulative perpetual shares	25,000	25,000
Common Stock, \$0.125 stated value:	Common Stock, \$0.125 stated value:		
Authorized - 100,000,000 shares	Authorized - 100,000,000 shares		
Common Stock, \$0.125 stated value:			
Authorized - 100,000,000 shares			
Issued and outstanding - 59,398,022 and 59,170,583 shares		7,425	7,396
Issued and outstanding - 58,564,819 and 59,424,122 shares			
Additional paid-in capital	Additional paid-in capital	1,234,402	1,228,626
Retained earnings	Retained earnings	1,132,962	1,012,774
Accumulated other comprehensive loss	Accumulated other comprehensive loss	(307,270)	(239,151)
Total	Total		
Stockholders' Equity	Stockholders' Equity	2,092,644	2,034,770
TOTAL	TOTAL		
LIABILITIES AND STOCKHOLDERS' EQUITY	LIABILITIES AND STOCKHOLDERS' EQUITY	\$17,996,648	\$17,938,306

See NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS.

PART I. FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

(table dollar amounts in thousands, except share data)

CONSOLIDATED CONDENSED STATEMENTS OF INCOME

(Unaudited)

		Three Months Ended			
		March 31,			
		Three Months Ended			
		March 31,			
		Three Months Ended			
		March 31,			
		Three Months Ended			
		September 30,			
		2023		2022	
INTEREST INCOME	INTEREST INCOME				
INTEREST INCOME					
INTEREST INCOME					
Loans receivable:					
Loans receivable:					
Loans receivable:		Loans receivable:			
Taxable	Taxable	\$ 191,705	\$ 128,504	\$ 550,314	\$ 314,366
Taxable					
Taxable					
Tax exempt					
Tax exempt					
Tax exempt	Tax exempt	8,288	6,500	23,757	18,194

Investment securities:	Investment securities:				
Investment securities:					
Investment securities:					
Taxable	Taxable	8,590	10,055	26,563	28,937
Taxable					
Taxable					
Tax exempt					
Tax exempt					
Tax exempt	Tax exempt	13,947	17,261	44,296	50,348
Deposits with financial institutions	Deposits with financial institutions	5,884	704	9,685	1,544
Deposits with financial institutions					
Deposits with financial institutions					
Federal Home Loan Bank stock					
Federal Home Loan Bank stock					
Federal Home Loan Bank stock	Federal Home Loan Bank stock	719	314	2,281	635
Total Interest Income	Total Interest Income	229,133	163,338	656,896	414,024
Total Interest Income					
Total Interest Income					
INTEREST EXPENSE					
INTEREST EXPENSE					
INTEREST EXPENSE	INTEREST EXPENSE				
Deposits	Deposits	85,551	16,644	209,437	29,423
Deposits					
Deposits					
Federal funds purchased					
Federal funds purchased					
Federal funds purchased	Federal funds purchased	—	418	1,420	494
Securities sold under repurchase agreements	Securities sold under repurchase agreements	797	372	2,624	595
Securities sold under repurchase agreements					
Securities sold under repurchase agreements					
Federal Home Loan Bank advances					
Federal Home Loan Bank advances					
Federal Home Loan Bank advances	Federal Home Loan Bank advances	6,896	3,493	20,775	6,485
Subordinated debentures and other borrowings	Subordinated debentures and other borrowings	2,506	2,105	7,303	5,780
Subordinated debentures and other borrowings					
Subordinated debentures and other borrowings					
Total Interest Expense					
Total Interest Expense					
Total Interest Expense	Total Interest Expense	95,750	23,032	241,559	42,777
NET INTEREST INCOME	NET INTEREST INCOME	133,383	140,306	415,337	371,247
NET INTEREST INCOME					
NET INTEREST INCOME					
Provision for credit losses					
Provision for credit losses					
Provision for credit losses	Provision for credit losses	2,000	—	2,000	16,755
NET INTEREST INCOME AFTER PROVISION FOR CREDIT LOSSES	NET INTEREST INCOME AFTER PROVISION FOR CREDIT LOSSES	131,383	140,306	413,337	354,492
NET INTEREST INCOME AFTER PROVISION FOR CREDIT LOSSES					
NET INTEREST INCOME AFTER PROVISION FOR CREDIT LOSSES					

NONINTEREST INCOME					
NONINTEREST INCOME					
NONINTEREST INCOME	NONINTEREST INCOME				
Service charges on deposit accounts	Service charges on deposit accounts	7,975	7,165	23,147	21,274
Service charges on deposit accounts					
Service charges on deposit accounts					
Fiduciary and wealth management fees					
Fiduciary and wealth management fees					
Fiduciary and wealth management fees	Fiduciary and wealth management fees	7,394	7,221	22,653	22,187
Card payment fees	Card payment fees	4,716	4,776	14,425	15,674
Card payment fees					
Card payment fees					
Net gains and fees on sales of loans					
Net gains and fees on sales of loans					
Net gains and fees on sales of loans	Net gains and fees on sales of loans	5,517	2,543	11,548	7,968
Derivative hedge fees	Derivative hedge fees	516	700	2,336	3,062
Derivative hedge fees					
Derivative hedge fees					
Other customer fees					
Other customer fees					
Other customer fees	Other customer fees	384	501	1,643	1,573
Increase in cash surrender value of life insurance	Increase in cash surrender value of life insurance	1,210	1,376	3,813	3,831
Increase in cash surrender value of life insurance					
Increase in cash surrender value of life insurance					
Gains on life insurance benefits	Gains on life insurance benefits	551	5,279	1,332	5,828
Net realized gains (losses) on sales of available for sale securities		(1,650)	481	(4,613)	1,137
Other income (loss)		1,229	(425)	2,874	1,257
Gains on life insurance benefits					
Gains on life insurance benefits					
Net realized losses on sales of available for sale securities					
Net realized losses on sales of available for sale securities					
Net realized losses on sales of available for sale securities					
Other income					
Other income					
Other income					
Total Noninterest Income					
Total Noninterest Income					
Total Noninterest Income	Total Noninterest Income	27,842	29,617	79,158	83,791
NONINTEREST EXPENSES	NONINTEREST EXPENSES				
NONINTEREST EXPENSES					
NONINTEREST EXPENSES					
Salaries and employee benefits	Salaries and employee benefits				
Salaries and employee benefits	Salaries and employee benefits	55,566	56,002	167,778	154,562
Net occupancy	Net occupancy	6,837	6,738	20,770	19,573
Net occupancy					
Net occupancy					



Equipment					
Equipment					
Equipment	Equipment	5,698	5,997	18,005	17,797
Marketing	Marketing	2,369	2,401	4,780	4,551
Marketing					
Marketing					
Outside data processing fees					
Outside data processing fees					
Outside data processing fees	Outside data processing fees	6,573	6,827	19,290	16,071
Printing and office supplies	Printing and office supplies	333	472	1,150	1,198
Printing and office supplies					
Printing and office supplies					
Intangible asset amortization					
Intangible asset amortization					
Intangible asset amortization	Intangible asset amortization	2,182	2,303	6,561	5,972
FDIC assessments	FDIC assessments	2,981	2,824	7,117	7,940
FDIC assessments					
FDIC assessments					
Other real estate owned and foreclosure expenses					
Other real estate owned and foreclosure expenses					
Other real estate owned and foreclosure expenses	Other real estate owned and foreclosure expenses	677	328	1,575	626
Professional and other outside services	Professional and other outside services	3,833	4,461	12,191	17,681
Professional and other outside services					
Professional and other outside services					
Other expenses					
Other expenses					
Other expenses	Other expenses	6,805	8,025	20,950	20,045
Total Noninterest Expenses	Total Noninterest Expenses	93,854	96,378	280,167	266,016
Total Noninterest Expenses					
Total Noninterest Expenses					
INCOME BEFORE INCOME TAX					
INCOME BEFORE INCOME TAX					
INCOME BEFORE INCOME TAX	INCOME BEFORE INCOME TAX	65,371	73,545	212,328	172,267
Income tax expense	Income tax expense	9,005	9,793	31,021	20,938
Income tax expense					
Income tax expense					
NET INCOME					
NET INCOME					
NET INCOME	NET INCOME	56,366	63,752	181,307	151,329
Preferred stock dividends	Preferred stock dividends	468	469	1,406	938
Preferred stock dividends					
Preferred stock dividends					
NET INCOME AVAILABLE TO COMMON STOCKHOLDERS					
NET INCOME AVAILABLE TO COMMON STOCKHOLDERS					
NET INCOME AVAILABLE TO COMMON STOCKHOLDERS	NET INCOME AVAILABLE TO COMMON STOCKHOLDERS	\$ 55,898	\$ 63,283	\$ 179,901	\$ 150,391
Per Share Data:	Per Share Data:				
Per Share Data:					
Per Share Data:					

Basic Net Income Available to Common Stockholders									
Basic Net Income Available to Common Stockholders									
Basic Net Income Available to Common Stockholders	Basic Net Income Available to Common Stockholders	\$	0.95	\$	1.08	\$	3.04	\$	2.63
Diluted Net Income Available to Common Stockholders	Diluted Net Income Available to Common Stockholders								
Common Stockholders	Common Stockholders	\$	0.94	\$	1.08	\$	3.03	\$	2.62
Diluted Net Income Available to Common Stockholders									
Diluted Net Income Available to Common Stockholders									
Cash Dividends Paid									
Cash Dividends Paid									
Cash Dividends Paid	Cash Dividends Paid	\$	0.34	\$	0.32	\$	1.00	\$	0.93
Average Diluted Common Shares Outstanding (in thousands)	Average Diluted Common Shares Outstanding (in thousands)								
			59,503		59,339		59,465		57,468
Average Diluted Common Shares Outstanding (in thousands)									
Average Diluted Common Shares Outstanding (in thousands)									

See NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS.

PART I. FINANCIAL INFORMATION
ITEM 1. CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

(table dollar amounts in thousands, except share data)
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CONSOLIDATED CONDENSED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2023	2022	2023	2022
Net income	\$ 56,366	\$ 63,752	\$ 181,307	\$ 151,329
Other comprehensive income/( loss):				
Unrealized loss on securities available-for-sale:				
Unrealized holding loss arising during the period	(114,630)	(145,935)	(90,675)	(467,210)
Reclassification adjustment for losses/(gains) included in net income	1,650	(481)	4,613	(1,137)
Tax effect	23,726	30,747	18,073	98,353
Net of tax	(89,254)	(115,669)	(67,989)	(369,994)
Unrealized gain/(loss) on cash flow hedges:				
Unrealized holding gain/(loss) arising during the period	(66)	94	(179)	507
Reclassification adjustment for losses/(gains) included in net income	—	78	15	496
Tax effect	14	(36)	34	(211)
Net of tax	(52)	136	(130)	792
Total other comprehensive income/(loss), net of tax	(89,306)	(115,533)	(68,119)	(369,202)
Comprehensive income/(loss)	\$ (32,940)	\$ (51,781)	\$ 113,188	\$ (217,873)

	Three Months Ended	
	March 31,	
	2024	2023
Net income	\$ 47,941	\$ 64,079
Other comprehensive income (loss):		
Unrealized gains (losses) on securities available-for-sale:		
Unrealized holding gain (loss) arising during the period	(27,925)	49,415
Reclassification adjustment for losses (gains) included in net income	2	1,571
Tax effect	5,864	(10,707)

Net of tax	(22,059)	40,279
Unrealized gain (loss) on cash flow hedges:		
Unrealized holding gain (loss) arising during the period	—	(51)
Reclassification adjustment for losses (gains) included in net income	—	(1)
Tax effect	—	10
Net of tax	—	(42)
Total other comprehensive income (loss), net of tax	(22,059)	40,237
Comprehensive income	\$ 25,882	\$ 104,316

See NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS.

**PART I. FINANCIAL INFORMATION**  
**ITEM 1. CONSOLIDATED CONDENSED FINANCIAL STATEMENTS**  
*(table dollar amounts in thousands, except share data)*

**CONSOLIDATED CONDENSED STATEMENTS OF STOCKHOLDERS' EQUITY**  
(Unaudited)

	Three Months Ended September 30, 2023									
	Non-Cumulative Preferred						Accumulated			
	Cumulative Preferred Stock		Stock		Common Stock		Additional Paid in Capital	Retained Earnings	Other Comprehensive Loss	Total
	Shares	Amount	Shares	Amount	Shares	Amount				
<b>Balances, June 30, 2023</b>	125	\$ 125	10,000	\$ 25,000	59,297,148	\$ 7,412	\$ 1,233,593	\$ 1,097,399	\$ (217,964)	\$ 2,145,565
Comprehensive loss:										
Net income	—	—	—	—	—	—	—	56,366	—	56,366
Other comprehensive loss, net of tax	—	—	—	—	—	—	—	—	(89,306)	(89,306)
Cash dividends on preferred stock (\$46.88 per share)	—	—	—	—	—	—	—	(468)	—	(468)
Cash dividends on common stock (\$0.34 per share)	—	—	—	—	—	—	—	(20,335)	—	(20,335)
Share-based compensation	—	—	—	—	114,435	14	1,346	—	—	1,360
Stock issued under employee benefit plans	—	—	—	—	8,226	1	209	—	—	210
Stock issued under dividend reinvestment and stock purchase plan	—	—	—	—	18,524	3	536	—	—	539
Restricted shares withheld for taxes	—	—	—	—	(40,311)	(5)	(1,282)	—	—	(1,287)
<b>Balances, September 30, 2023</b>	125	\$ 125	10,000	\$ 25,000	59,398,022	\$ 7,425	\$ 1,234,402	\$ 1,132,962	\$ (307,270)	\$ 2,092,644

	Three Months Ended March 31, 2024									
	Non-Cumulative Preferred						Accumulated			
	Cumulative Preferred Stock		Stock		Common Stock		Additional Paid in Capital	Retained Earnings	Other Comprehensive Loss	Total
	Shares	Amount	Shares	Amount	Shares	Amount				
<b>Balances, December 31, 2023</b>	125	\$ 125	10,000	\$ 25,000	59,424,122	\$ 7,428	\$ 1,236,506	\$ 1,154,624	\$ (175,970)	\$ 2,247,713
Comprehensive income:										
Net income	—	—	—	—	—	—	—	47,941	—	47,941
Other comprehensive loss, net of tax	—	—	—	—	—	—	—	—	(22,059)	(22,059)
Cash dividends on preferred stock (\$46.88 per share)	—	—	—	—	—	—	—	(469)	—	(469)
Cash dividends on common stock (\$0.34 per share)	—	—	—	—	—	—	—	(20,157)	—	(20,157)
Repurchases of common stock	—	—	—	—	(888,442)	(111)	(29,863)	—	—	(29,974)
Excise tax on stock repurchase	—	—	—	—	—	—	(297)	—	—	(297)
Share-based compensation	—	—	—	—	7,413	1	1,401	—	—	1,402
Stock issued under employee benefit plans	—	—	—	—	6,259	1	185	—	—	186

Stock issued under dividend reinvestment and										
stock purchase plan	—	—	—	—	16,215	2	540	—	—	542
Restricted shares withheld for taxes	—	—	—	—	(748)	—	(25)	—	—	(25)
<b>Balances, March 31, 2024</b>	<u>125</u>	<u>\$ 125</u>	<u>10,000</u>	<u>\$ 25,000</u>	<u>58,564,819</u>	<u>\$ 7,321</u>	<u>\$ 1,208,447</u>	<u>\$ 1,181,939</u>	<u>\$ (198,029)</u>	<u>\$ 2,224,803</u>

Three Months Ended September 30, 2022										
	Cumulative Preferred Stock		Non-Cumulative Preferred Stock		Common Stock		Additional		Accumulated	Total
	Shares	Amount	Shares	Amount	Shares	Amount	Paid in Capital	Retained Earnings	Other	
									Comprehensive Loss	
<b>Balances, June 30, 2022</b>	125	\$ 125	10,000	\$ 25,000	59,059,866	\$ 7,383	\$ 1,226,378	\$ 917,311	\$ (198,556)	\$ 1,977,641
Comprehensive loss:										
Net income	—	—	—	—	—	—	—	63,752	—	63,752
Other comprehensive loss net of tax	—	—	—	—	—	—	—	—	(115,533)	(115,533)
Cash dividends on preferred stock (\$46.88 per share)	—	—	—	—	—	—	—	(469)	—	(469)
Cash dividends on common stock (\$0.32 per share)	—	—	—	—	—	—	—	(19,052)	—	(19,052)
Share-based compensation	—	—	—	—	105,409	13	1,173	—	—	1,186
Stock issued under employee benefit plans	—	—	—	—	6,017	1	202	—	—	203
Stock issued under dividend reinvestment and stock purchase plan	—	—	—	—	12,769	2	526	—	—	528
Restricted shares withheld for taxes	—	—	—	—	(38,647)	(6)	(1,584)	—	—	(1,590)
<b>Balances, September 30, 2022</b>	<u>125</u>	<u>\$ 125</u>	<u>10,000</u>	<u>\$ 25,000</u>	<u>59,145,414</u>	<u>\$ 7,393</u>	<u>\$ 1,226,695</u>	<u>\$ 961,542</u>	<u>\$ (314,089)</u>	<u>\$ 1,906,666</u>

## PART I. FINANCIAL INFORMATION

### ITEM 1. CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

(table dollar amounts in thousands, except share data)

Nine Months Ended September 30, 2023										
	Cumulative Preferred Stock		Non-Cumulative Preferred Stock		Common Stock		Additional		Accumulated	Total
	Shares	Amount	Shares	Amount	Shares	Amount	Paid in Capital	Retained Earnings	Other	
									Comprehensive Loss	
<b>Balances, December 31, 2022</b>	125	\$ 125	10,000	\$ 25,000	59,170,583	\$ 7,396	\$ 1,228,626	\$ 1,012,774	\$ (239,151)	\$ 2,034,770
Comprehensive income:										
Net income	—	—	—	—	—	—	—	181,307	—	181,307
Other comprehensive loss, net of tax	—	—	—	—	—	—	—	—	(68,119)	(68,119)
Cash dividends on preferred stock (\$140.64 per share)	—	—	—	—	—	—	—	(1,406)	—	(1,406)
Cash dividends on common stock (\$1.00 per share)	—	—	—	—	—	—	—	(59,713)	—	(59,713)
Share-based compensation	—	—	—	—	129,092	16	3,776	—	—	3,792
Stock issued under employee benefit plans	—	—	—	—	21,661	3	587	—	—	590
Stock issued under dividend reinvestment and stock purchase plan	—	—	—	—	52,061	7	1,596	—	—	1,603
Stock options exercised	—	—	—	—	65,025	8	1,102	—	—	1,110
Restricted shares withheld for taxes	—	—	—	—	(40,400)	(5)	(1,285)	—	—	(1,290)
<b>Balances, September 30, 2023</b>	<u>125</u>	<u>\$ 125</u>	<u>10,000</u>	<u>\$ 25,000</u>	<u>59,398,022</u>	<u>\$ 7,425</u>	<u>\$ 1,234,402</u>	<u>\$ 1,132,962</u>	<u>\$ (307,270)</u>	<u>\$ 2,092,644</u>

Three Months Ended March 31, 2023

Three Months Ended March 31, 2023

Three Months Ended March 31, 2023

Cumulative Preferred Stock

See NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS.

**PART I. FINANCIAL INFORMATION**

# ITEM 1. CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

(table dollar amounts in thousands, except share data)

## CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS (Unaudited)

		Nine Months Ended September 30,		Three Months Ended March 31,	
		2023	2022	2024	2023
Cash Flow From Operating	Cash Flow From Operating				
Activities:	Activities:			Cash Flow From Operating Activities:	
Net income	Net income	\$ 181,307	\$ 151,329		
Adjustments to reconcile net income to net cash provided by operating activities:	Adjustments to reconcile net income to net cash provided by operating activities:			Adjustments to reconcile net income to net cash provided by operating activities:	
Provision for credit losses	Provision for credit losses	2,000	16,755		
Depreciation and amortization	Depreciation and amortization	8,666	8,802		
Change in deferred taxes	Change in deferred taxes	3,957	2,676		
Share-based compensation	Share-based compensation	3,792	3,430		
Loans originated for sale	Loans originated for sale	(567,626)	(178,972)		
Loans originated for sale	Loans originated for sale				
Proceeds from sales of loans held for sale	Proceeds from sales of loans held for sale	551,613	176,567		
Gains on sales of loans held for sale	Gains on sales of loans held for sale	(5,865)	(3,851)		
Net (gains) losses on sales of securities available for sale	Net (gains) losses on sales of securities available for sale	4,613	(1,137)		
Net losses on sales and redemptions of securities available for sale	Net losses on sales and redemptions of securities available for sale				
Net losses on sales and redemptions of securities available for sale	Net losses on sales and redemptions of securities available for sale				
Increase in cash surrender value of life insurance	Increase in cash surrender value of life insurance				
Increase in cash surrender value of life insurance	Increase in cash surrender value of life insurance				
Increase in cash surrender value of life insurance	Increase in cash surrender value of life insurance	(3,813)	(3,831)		
Gains on life insurance benefits	Gains on life insurance benefits	(1,332)	(5,828)		

Change in interest receivable	Change in interest receivable	(4,941)	(7,230)
Change in interest payable	Change in interest payable	8,943	1,144
Other adjustments	Other adjustments	(8,616)	(15,170)
Net cash provided by operating activities	Net cash provided by operating activities	172,698	144,684
Cash Flows from Investing Activities:	Cash Flows from Investing Activities:	Cash Flows from Investing Activities:	
Net change in interest-bearing deposits	Net change in interest-bearing deposits	(222,578)	294,561
Purchases of:	Purchases of:	Purchases of:	
Securities available for sale	Securities available for sale	(12,543)	(450,168)
Securities held to maturity	Securities held to maturity	(5,653)	(288,094)
Proceeds from sales of securities available for sale	Proceeds from sales of securities available for sale	347,318	524,688
Proceeds from maturities of:	Proceeds from maturities of:	Proceeds from maturities of:	
Proceeds from sales of securities available for sale	Proceeds from sales of securities available for sale	Proceeds from sales of securities available for sale	
Proceeds from sales of securities available for sale	Proceeds from sales of securities available for sale	Proceeds from sales of securities available for sale	
Proceeds from maturities and redemptions of:	Proceeds from maturities and redemptions of:	Proceeds from maturities and redemptions of:	
Securities available for sale	Securities available for sale	44,925	181,997
Securities held to maturity	Securities held to maturity	76,427	127,582
Change in Federal Home Loan Bank stock	Change in Federal Home Loan Bank stock	(3,272)	2,368
Payment of capital calls to qualified affordable housing investments	Payment of capital calls to qualified affordable housing investments	Payment of capital calls to qualified affordable housing investments	
Net change in loans	Net change in loans	(404,833)	(803,746)
Net cash and cash equivalents received (paid) in acquisition	Net cash and cash equivalents received (paid) in acquisition	—	137,780
Net change in loans	Net change in loans	Net change in loans	
Net change in loans	Net change in loans	Net change in loans	
Proceeds from the sale of other real estate owned	Proceeds from the sale of other real estate owned	Proceeds from the sale of other real estate owned	
Proceeds from the sale of other real estate owned	Proceeds from the sale of other real estate owned	Proceeds from the sale of other real estate owned	

Proceeds from the sale of other real estate owned	Proceeds from the sale of other real estate owned	1,175	495
Proceeds from life insurance benefits	Proceeds from life insurance benefits	7,350	23,911
Proceeds from commercial portfolio loan sale	Proceeds from commercial portfolio loan sale	112,124	—
Proceeds from commercial portfolio loan sale			
Proceeds from commercial portfolio loan sale			
Other adjustments	Other adjustments	(27,215)	(9,003)
Net cash used in investing activities		(86,775)	(257,629)
Net cash provided (used) in investing activities			
Cash Flows from Financing			
Activities:	Activities:	Cash Flows from Financing Activities:	
Net change in :	Net change in :	Net change in :	
Demand and savings deposits	Demand and savings deposits	(581,735)	(29,993)
Certificates of deposit and other time deposits	Certificates of deposit and other time deposits	845,566	(198,549)
Borrowings	Borrowings	754,229	913,330
Repayment of borrowings	Repayment of borrowings	(1,043,588)	(567,223)
Cash dividends on preferred stock	Cash dividends on preferred stock	(1,406)	(938)
Cash dividends on common stock	Cash dividends on common stock	(59,713)	(53,688)
Stock issued under employee benefit plans	Stock issued under employee benefit plans	590	520
Stock issued under employee benefit plans			
Stock issued under employee benefit plans			
Stock issued under dividend reinvestment and stock purchase plans	Stock issued under dividend reinvestment and stock purchase plans	1,603	1,536
Stock options exercised	Stock options exercised	1,110	336
Repurchase of common stock			
Repurchase of common stock			
Repurchase of common stock			
Net cash provided (used) by financing activities	Net cash provided (used) by financing activities	(83,344)	65,331
Net Change in Cash and Cash Equivalents	Net Change in Cash and Cash Equivalents	2,579	(47,614)



Cash and Cash	Cash and Cash		
Equivalents, January 1	Equivalents, January 1	122,594	167,146
Cash and Cash Equivalents, September 30		\$ 125,173	\$ 119,532
Cash and Cash			
Equivalents, March 31			
Additional cash flow	Additional cash flow		
information:	information:	Additional cash flow information:	
Interest paid	Interest paid	\$ 232,616	\$ 40,568
Income tax paid		32,741	12,102
Income tax paid			
(refunded)			
Loans transferred to	Loans transferred to		
other real estate	other real estate		
owned	owned	1,224	6,418
Fixed assets transferred to other real estate			
owned		3,226	1,398
Non-cash investing activities using trade date			
accounting			
Non-cash investing activities using trade date			
accounting			
Non-cash investing	Non-cash investing		
activities using trade	activities using trade		
date accounting	date accounting	4,462	41,106
ROU assets	ROU assets		
obtained in	obtained in		
exchange for new	exchange for new		
operating lease	operating lease		
liabilities	liabilities	1,630	9,081
ROU assets obtained in exchange for new			
operating lease liabilities			
ROU assets obtained in exchange for new			
operating lease liabilities			
Qualified affordable			
housing investments			
obtained in			
exchange for			
funding			
commitments			
In conjunction with the acquisitions, liabilities were			
assumed as follows:			
Fair value of assets acquired	\$ —	\$2,510,576	
Cash paid in acquisition	—	(79,324)	
Less: Common stock issued	—	237,389	
Less: Preferred stock issued	—	25,000	
Liabilities assumed	\$ —	\$2,168,863	

See NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS.

PART I. FINANCIAL INFORMATION

ITEM 1. NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

(table dollar amounts in thousands, except share data)

(Unaudited)

NOTE 1

GENERAL

Financial Statement Preparation



The Consolidated Condensed Balance Sheet of the Corporation as of **December 31, 2022** **December 31, 2023**, has been derived from the audited consolidated balance sheet of the Corporation as of that date. Certain information and note disclosures normally included in the Corporation's annual financial statements, prepared in accordance with accounting principles generally accepted in the United States of America, have been condensed or omitted. These consolidated condensed financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Corporation's Annual Report on Form 10-K for the year ended **December 31, 2022** **December 31, 2023** filed with the Securities and Exchange Commission. The results of operations for the three and nine months ended **September 30, 2023** **March 31, 2024**, are not necessarily indicative of the results to be expected for the year. Reclassifications have been made to prior financial statements to conform to the current financial statement presentation. These reclassifications had no effect on net income. Material estimates that are particularly susceptible to significant change relate to the determination of the allowance for credit losses and fair value of financial instruments.

#### Significant Accounting Policies

The significant accounting policies followed by the Corporation and its wholly-owned subsidiaries for interim financial reporting are consistent with the accounting policies followed for annual financial reporting. All adjustments, which are of a normal recurring nature and are in the opinion of management necessary for a fair statement of the results for the periods reported, have been included in the accompanying Consolidated Condensed Financial Statements.

#### Recent Accounting Changes Adopted in **2023** **2024**

**FASB Accounting Standards Updates - No. 2020-04 2023-02 - Reference Rate Reform Investments - Equity Method and Joint Ventures (Topic 848): Facilitation of 323) - Accounting for Investments in Tax Credit Structures Using the Effects of Reference Rate Reform on Financial Reporting****Proportional Amortization Method**

**Summary** - The FASB issued ASU No. **2020-04 2023-02, Investments—Equity Method and Joint Ventures (Topic 323): Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method**, which is intended to provide temporary optional guidance to ease improve the potential burden accounting and disclosures for investments in accounting for reference rate reform. LIBOR and other interbank offered rates are widely used benchmarks or reference rates in the United States and globally. Trillions of dollars in loans, derivatives, and other financial contracts reference LIBOR, the benchmark interest rate banks use to make short-term loans to each other. With global capital markets expected to move away from LIBOR and other interbank offered rates and move toward rates that are more observable or transaction based and less susceptible to manipulation, the FASB launched a broad project in late 2018 to address potential accounting challenges expected to arise from the transition. The new guidance provides optional expedients and exceptions for applying generally accepted accounting principles to contract modifications and hedging relationships, subject to meeting certain criteria, that reference LIBOR or another reference rate expected to be discontinued. tax credit structures. The ASU is intended to help stakeholders during the global market-wide reference rate transition period.

With the issuance of ASU 2022-06 - Reference Rate Reform (Topic 848): Deferral a consensus of the Sunset Date of Topic 848, the sunset date for adoption of ASU 2020-04 was extended from December 31, 2022 to December 31, 2024 FASB's Emerging Issues Task Force ("EITF"). The Corporation adopted the expedients included in this ASU in the second quarter of 2023 as it transitioned its loans and other financial instruments to another reference rate.

**FASB Accounting Standards Updates - No. 2021-01 - Reference Rate Reform (Topic 848): Scope**

**Summary** - The FASB has published ASU 2021-01, *Reference Rate Reform*, which clarifies that certain optional expedients and exceptions in Topic 848 for contract modifications and hedge accounting apply to derivatives that are affected by the discounting transition. The ASU also amends the expedients and exceptions in Topic 848 to capture the incremental consequences of the scope clarification and to tailor the existing guidance to derivative instruments affected by the discounting transition.

If an entity elects to apply any of the amendments in this Update for an eligible hedging relationship, any adjustments as a result of those elections must be reflected as of the date the entity applies the election.

With the issuance of ASU 2022-06 - Reference Rate Reform (Topic 848): Deferral of the Sunset Date of Topic 848, the sunset date for adoption of ASU 2021-01 was extended from December 31, 2022 to December 31, 2024. The Corporation adopted the expedients included in this ASU in the second quarter of 2023 as it transitioned its loans and other financial instruments to another reference rate.

## PART I. FINANCIAL INFORMATION

### ITEM 1. NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

(table dollar amounts in thousands, except share data)

(Unaudited)

**FASB Accounting Standards Updates - No. 2021-08 -Business Combinations (Topic 805) - Accounting for Contract Assets and Contract Liabilities from Contracts with Customers**

**Summary** - The FASB issued ASU No. 2021-08, *Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers*, that addressed diversity in practice related to the accounting for revenue contracts with customers acquired in a business combination.

Under existing GAAP, an acquirer generally recognized assets acquired and liabilities assumed in a business combination, including contract assets and contract liabilities arising from revenue contracts with customers and other similar contracts that are accounted for in accordance with Topic 606, *Revenue from Contracts with Customers*, at fair value on the acquisition date.

The FASB indicated ASU allows reporting entities to elect to account for qualifying tax equity investments using the proportional amortization method, regardless of the program giving rise to the related income tax credits. The ASU responds to stakeholder feedback that some stakeholders indicated that it is unclear how an acquirer should evaluate whether to recognize a contract liability from a revenue contract the proportional amortization method provides investors and other allocators of capital with a customer acquired in a business combination after Topic 606 was adopted. Furthermore, it was identified better understanding of the returns from investments that under current practice, are made primarily for the timing purpose of payment (payment terms) of a revenue contract may subsequently affect the post-acquisition revenue recognized by the acquirer. To address this, the ASU required receiving income tax credits and other income tax benefits.

Reporting entities were previously permitted to apply Topic 606 the proportional amortization method only to recognize and measure contract assets and contract liabilities qualifying tax equity investments in a business combination. Finally, low-income housing tax credit (LIHTC) structures. In recent years, stakeholders asked the amendments FASB to extend the application of the proportional amortization method to qualifying tax equity investments that generate tax credits through other programs, which resulted in the ASU improve comparability after the business combination by providing consistent recognition and measurement guidance for revenue contracts with customers acquired in a business combination and revenue contracts with customers not acquired in a business combination. EITF addressing this issue.

For public business entities, the amendments were are effective for fiscal years beginning after **December 31, 2022** **December 15, 2023**, including interim periods within those fiscal years. For all other entities, the amendments are effective for fiscal years beginning after **December 31, 2023** **December 15, 2024**, including interim periods within those fiscal years. The amendments in this Update are applied prospectively to business combinations occurring on or after the effective date of the amendments. Early adoption of the amendments was is permitted including adoption for all entities in an any interim period. An entity that early adopted in an interim period applied the amendments (1) retrospectively to all business combinations for which the acquisition date occurred on or after the beginning of the fiscal year that included the interim period or early application, and (2) prospectively to all

business combinations that occurred on or after the date of initial application. The Corporation adopted this guidance on January 1, 2023, but in the first quarter of 2024 and adoption of the standard did not have any a significant impact on the Corporation's Corporation's financial statements or disclosures.

#### **FASB Accounting Standards Updates - No. 2022-02 - Financial Instruments - Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures**

**Summary** - The FASB issued ASU No. 2022-02, *Financial Instruments—Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures*, to improve the usefulness of information provided to investors about certain loan refinancings, restructurings, and writeoffs.

#### **Troubled Debt Restructurings ("TDR") by Creditors That Have Adopted CECL**

During the FASB's post-implementation review of the credit losses standard, including a May 2021 roundtable, investors and other stakeholders questioned the relevance of the TDR designation and the usefulness of disclosures about those modifications. Some noted that measurement of expected losses under the CECL model already incorporated losses realized from restructurings that are TDRs and that relevant information for investors would be better conveyed through enhanced disclosures about certain modifications.

The amendments in the new ASU eliminate the accounting guidance for TDRs by creditors that have adopted CECL while enhancing disclosure requirements for certain loan refinancings and restructurings by creditors made to borrowers experiencing financial difficulty.

#### **Vintage Disclosures - Gross Writeoffs**

The disclosure of gross writeoff information by year of origination was cited by numerous investors as an essential input to their analysis. To address this feedback, the amendments in the new ASU require that a public business entity disclose current-period gross writeoffs by year of origination for financing receivables and net investment in leases.

For entities that have adopted the amendments in ASU 2016-13, the amendments in this Update were effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. The Corporation adopted this Update on January 1, 2023 and the new disclosures required in this Update are included in NOTE 4. LOANS AND ALLOWANCE of these Notes to Consolidated Condensed Financial Statements.

#### **New Accounting Pronouncements Not Yet Adopted**

The Corporation continually monitors potential accounting pronouncements and the following pronouncements have been deemed to have the most applicability to the Corporation's financial statements:

#### **FASB Accounting Standards Updates - No. 2023-02 2023-07 - Investments - Equity Method and Joint Ventures Segment Reporting (Topic 323) - Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method 280) — Improvements to Reportable Segment Disclosure**

**Summary** - The FASB issued ASU No. 2023-02, 2023-07, *Investments—Equity Method and Joint Ventures Segment Reporting (Topic 323): Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method 280) - Improvements to Reportable Segment Disclosure*, that which is intended to improve the accounting disclosures about a public entity's reportable segments and disclosures for investments in tax credit structures. The ASU is a consensus of the FASB's Emerging Issues Task Force ("EITF").

The ASU allows reporting entities to elect to account for qualifying tax equity investments using the proportional amortization method, regardless of the program giving rise to the related income tax credits. The ASU responds to stakeholder feedback that the proportional amortization method provides addresses requests from investors and other allocators of capital with for additional, more detailed information about a better understanding of the returns from investments reportable segment's expenses.

#### **The key amendments:**

- Require that a public entity disclose, on an annual and interim basis, significant segment expenses that are made primarily regularly provided to the chief operating decision maker ("CODM") and included within each reported measure of segment profit or loss.
- Require that a public entity disclose, on an annual and interim basis, an amount for other segment items by reportable segment and a description of its composition. The other segment items category is the purpose difference between segment revenue less the significant expenses disclosed and each reported measure of receiving income tax credits segment profit or loss.
- Require that a public entity provide all annual disclosures about a reportable segment's profit or loss and other income tax benefits.

assets currently required by FASB ASC Topic 280, Segment Reporting, in interim periods.

## **PART I. FINANCIAL INFORMATION**

### **ITEM 1. NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS**

*(table dollar amounts in thousands, except share data)*  
*(Unaudited)*

**Reporting entities were previously permitted.** Clarify that if the CODM uses more than one measure of a segment's profit or loss in assessing segment performance and deciding how to apply the proportional amortization method only to qualifying tax equity investments in low-income housing tax credit (LIHTC) structures. In recent years, stakeholders asked the FASB to extend the application allocate resources, a public entity may report one or more of those additional measures of segment profit or loss. However, at least one of the proportional amortization method to qualifying tax equity investments reported segment profit or loss measures (or the single reported measure, if only one is disclosed) should be the measure that generate tax credits through other programs, which resulted is most consistent with the measurement principles used in measuring the corresponding amounts in the EITF addressing this issue. public entity's consolidated financial statements.

- Require that a public entity disclose the title and position of the CODM and an explanation of how the CODM uses the reported measure(s) of segment profit or loss in assessing segment performance and deciding how to allocate resources.
- Require that a public entity that has a single reportable segment provide all the disclosures required by the amendments in the ASU and all existing segment disclosures in Topic 280.

ASU No. 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*, applies to all public entities that are required to report segment information in accordance with Topic 280. All public entities will be required to report segment information in accordance with the new guidance starting in annual periods beginning after December 15, 2023 and interim periods within fiscal years beginning after December 15, 2024. This ASU is not expected to have a material impact on the Corporation's financial statements and disclosures as the Corporation has one operating segment.

FASB Accounting Standards Update - No. 2023-09 - Income Taxes (Topic 740): Improvements to Income Tax Disclosures

Summary - The FASB issued ASU No. 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures* in the fourth quarter of 2023. This ASU is intended to enhance income tax disclosures to address investor requests for more information about the tax risks and opportunities present in an entity's worldwide operations.

The two primary enhancements disaggregate existing income tax disclosures related to the effective tax rate reconciliation and income taxes paid. These amendments require that public business entities on an annual basis disclose specific categories in the rate reconciliation and provide additional information for reconciling items that meet a quantitative threshold. The amendments also require that all entities disclose on an annual basis the amount of income taxes paid (net of refunds received) disaggregated by federal, state and foreign taxes and the amount of income taxes paid (net of refunds received) disaggregated by individual jurisdictions in which income taxes paid (net of refunds received) is equal to or greater than five percent of total income taxes paid (net of refunds received).

For public business entities, the amendments are effective for fiscal years annual periods beginning after December 15, 2023, including interim periods within those fiscal years. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2024, including interim periods within those fiscal years. Early adoption is permitted for all entities in any interim period, annual financial statements that have not yet been issued or made available for issue. The amendments should be applied on a prospective basis. The Corporation is assessing the terms of this guidance, but adoption of the standard is not expected to have a significant impact on the Corporation's Corporation's financial statements or disclosures.

NOTE 2  
ACQUISITIONS

Level One Bancorp, Inc.

On April 1, 2022, the Corporation acquired 100 percent of Level One Bancorp, Inc. ("Level One"). Level One, a Michigan corporation, merged with and into the Corporation (the "Merger"), whereupon the separate corporate existence of Level One ceased and the Corporation survived. Immediately following the Merger, Level One's wholly owned subsidiary, Level One Bank, merged with and into the Bank, with the Bank as the surviving bank.

Level One was headquartered in Farmington Hills, Michigan and had 17 banking centers serving the Michigan market. Pursuant to the merger agreement, each common shareholder of Level One received, for each outstanding share of Level One common stock held, (a) a 0.7167 share of the Corporation's common stock, and (b) a cash payment of \$10.17. The Corporation issued 5.6 million shares of the Corporation's common stock and paid \$79.3 million in cash, in exchange for all outstanding shares of Level One common stock.

Additionally, the Corporation issued 10,000 shares of newly created 7.5 percent non-cumulative perpetual preferred stock, with a liquidation preference of \$2,500 per share, in exchange for the outstanding Level One Series B preferred stock. Likewise, each outstanding Level One depositary share representing a 1/100th interest in a share of the Level One Series B preferred stock was converted into a depositary share of the Corporation representing a 1/100th interest in a share of its newly issued preferred stock (Nasdaq: FRMEP).

The Corporation engaged in this transaction with the expectation that it would be accretive to income and add to the existing market area in Michigan that has a demographic profile consistent with many of the current Midwest markets served by the Bank. Goodwill resulted from this transaction due to the expected synergies and economies of scale.

Under the acquisition method of accounting, the total purchase price is allocated to net tangible and intangible assets based on their current estimated fair values on the date of the acquisition. Based on valuations of the fair value of tangible and intangible assets acquired and liabilities assumed, which are based on assumptions that are subject to change based on the timing of the transaction, the purchase price for the Level One acquisition is detailed in the following table.

	Fair Value
Cash and due from banks	\$ 217,104
Investment securities available for sale	370,071
Investment securities held to maturity	587
Loans held for sale	7,951
Loans	1,627,423
Allowance for credit losses - loans	(16,599)
Premises and equipment	11,848
Federal Home Loan Bank stock	11,688
Interest receivable	7,188
Cash surrender value of life insurance	30,143
Tax asset, deferred and receivable	16,223
Other assets	41,690
Deposits	(1,930,790)
Securities sold under repurchase agreements	(1,521)
Federal Home Loan Bank advances	(160,043)
Subordinated debentures	(32,631)
Interest payable	(1,065)
Other liabilities	(42,813)
Net tangible assets acquired	156,454
Other intangibles	18,642
Goodwill	166,617
Purchase price	\$ 341,713

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(table dollar amounts in thousands, except share data)

(Unaudited)

The Corporation performed an evaluation of the loan portfolio in which there were loans that, at acquisition, had more than an insignificant amount of credit quality deterioration and were classified as purchased credit deteriorated ("PCD"). Details of the PCD loans are included in NOTE 4. LOANS AND ALLOWANCE of these Notes to Consolidated Condensed Financial Statements.

Of the total purchase price, \$18.6 million has been allocated to other intangible assets. Approximately \$17.2 million was allocated to a core deposit intangible, which will be amortized over its estimated life of 10 years. Approximately \$1.4 million was allocated to a non-compete intangible, which will be amortized over its estimated life of 2 years. The remaining purchase price has been allocated to goodwill, which is not deductible for tax purposes.

#### Pro Forma Financial Information

The results of operations of Level One have been included in the Corporation's consolidated financial statements since the acquisition date. The following schedule includes pro forma results for the year ended December 31, 2022 as if the Level One acquisition occurred as of the beginning of the period presented.

	2022	
Total revenue (net interest income plus other income)	\$	654,313
Net income	\$	221,631
Net income available to common stockholders	\$	219,756
Earnings per common share:		
Basic	\$	3.72
Diluted	\$	3.70

The pro forma information includes adjustments for interest income on loans and investment securities, interest expense on deposits and borrowings, premises expense for the banking centers acquired and amortization of intangibles arising from the transaction and the related income tax effects. The pro forma information includes operating revenue of \$56.9 million from Level One since the date of acquisition, \$16.8 million of provision expense related to CECL Day 1 adjustments for PCD loans, and \$16.5 million of acquisition-related expenses. The pro forma information is presented for information purposes only and is not indicative of the results of operations that actually would have been achieved had the acquisition been consummated as of January 1, 2022, nor is it intended to be a projection of future results.

#### NOTE 3

##### INVESTMENT SECURITIES


The following table summarizes the amortized cost, gross unrealized gains and losses and approximate fair value of investment securities available for sale as of September 30, 2023, March 31, 2024 and December 31, 2022.

		Amortized	Gross Unrealized	Gross Unrealized	Fair
		Cost	Gains	Losses	Value
Available for sale at September 30, 2023					
U.S. Treasury		\$ 1,737	\$ —	\$ 24	\$ 1,713
Available for sale at March 31, 2024					
Available for sale at March 31, 2024					
Available for sale at March 31, 2024					
U.S. Government-sponsored agency securities					
U.S. Government-sponsored agency securities					
U.S. Government-sponsored agency securities	U.S. Government-sponsored agency securities	114,414	—	20,829	93,585
State and municipal	State and municipal	1,217,293	—	244,237	973,056
State and municipal					
State and municipal					
U.S. Government-sponsored mortgage-backed securities	U.S. Government-sponsored mortgage-backed securities	536,530	—	116,567	419,963
U.S. Government-sponsored mortgage-backed securities					

		Amortized	Gross Unrealized	Gross Unrealized	Fair
		Cost	Gains	Losses	Value
Available for sale at December 31, 2022					
U.S. Treasury		\$ 2,501	\$ —	\$ 42	\$ 2,459
Available for sale at December 31, 2023					
Available for sale at December 31, 2023					
Available for sale at December 31, 2023					
U.S. Government-sponsored agency securities					
U.S. Government-sponsored agency securities					
U.S. Government-sponsored agency securities	U.S. Government-sponsored agency securities	119,154	—	17,192	101,962
State and municipal	State and municipal	1,530,048	438	178,726	1,351,760
State and municipal					
State and municipal					
U.S. Government-sponsored mortgage-backed securities	U.S. Government-sponsored mortgage-backed securities	608,630	1	100,358	508,273
U.S. Government-sponsored mortgage-backed securities					
U.S. Government-sponsored mortgage-backed securities					
Corporate obligations					
Corporate obligations					
Corporate obligations	Corporate obligations	13,014	—	807	12,207
Total available for sale	Total available for sale	\$ 2,273,347	\$ 439	\$ 297,125	\$ 1,976,661
Total available for sale					
Total available for sale					

The following table summarizes the amortized cost, gross unrealized gains and losses, approximate fair value and allowance for credit losses on investment securities held to maturity as of September 30, 2023, March 31, 2024 and December 31, 2022, December 31, 2023.

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Held to maturity at September 30, 2023										
		Amortized			Amortized			Gross Unrealized	Gross Unrealized	Fair
		Cost			Cost	Allowance for Credit Losses	Net Carrying Amount	Gains	Losses	Value
Held to maturity at March 31, 2024										
Held to maturity at March 31, 2024										
U.S. Government-sponsored agency securities	U.S. Government-sponsored agency securities	\$ 378,706	\$ —	\$ 378,706	\$ —	\$ 78,882	\$ 299,824			
State and municipal	State and municipal	1,107,325	245	1,107,080	14	258,536	848,803			
U.S. Government-sponsored mortgage-backed securities	U.S. Government-sponsored mortgage-backed securities	726,302	—	726,302	—	135,163	591,139			
Foreign investment	Foreign investment	1,500	—	1,500	—	41	1,459			
Total held to maturity	Total held to maturity	\$2,213,833	\$ 245	\$2,213,588	\$ 14	\$ 472,622	\$1,741,225			

		Allowance		Net	Gross	Gross					
		Amortized	for Credit	Carrying	Unrealized	Unrealized	Fair				
		Cost	Losses	Amount	Gains	Losses	Value				
Held to maturity at December 31, 2022											
		Amortized				Amortized		Gross Unrealized	Gross Unrealized	Fair	
		Cost				Cost	Allowance for Credit Losses	Net Carrying Amount	Gains	Losses	Value
Held to maturity at December 31, 2023		Held to maturity at December 31, 2023									
U.S. Government-sponsored agency securities	U.S. Government-sponsored agency securities	\$ 392,246	\$ —	\$ 392,246	\$ —	\$ 69,147	\$ 323,099				
State and municipal	State and municipal	1,117,552	245	1,117,307	647	197,064	921,135				
U.S. Government-sponsored mortgage-backed securities	U.S. Government-sponsored mortgage-backed securities	776,074	—	776,074	—	113,915	662,159				
Foreign investment	Foreign investment	1,500	—	1,500	—	28	1,472				
Total held to maturity	Total held to maturity	\$2,287,372	\$ 245	\$2,287,127	\$ 647	\$ 380,154	\$1,907,865				

Accrued interest on investment securities available for sale and held to maturity at **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023** of **\$23.2** \$22.6 million and **\$29.5 million** \$25.2 million, respectively, are included in the Interest Receivable line on the Corporation's Consolidated Condensed Balance Sheets. The total amount of accrued interest is excluded from the amortized cost of available for sale and held to maturity securities presented above.

In determining the allowance for credit losses on investment securities available for sale that are in an unrealized loss position, the Corporation first assesses whether it intends to sell, or it is more likely than not that it will be required to sell the security before recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the security's amortized cost basis is written down to fair value through the income statement. For investment securities available for sale that do not meet the aforementioned criteria, the Corporation evaluates whether the decline in fair value has resulted from credit losses or other factors. In making this assessment, the Corporation considers the extent to which fair value is less than amortized cost, any changes to the rating of the security by a rating agency, and adverse conditions specifically related to the security, among other factors. If this assessment indicates that a credit loss exists, the present value of cash flows expected to be collected from the security are compared to the amortized cost basis of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an allowance for credit losses is recorded for the credit loss, limited by the amount that the fair value is less than the amortized cost basis. Unrealized losses that have not been recorded through an allowance for credit losses is recognized in other comprehensive income. Adjustments to the allowance are reported in the income statement as a component of the provision for credit loss. The Corporation has made the accounting policy election to exclude accrued interest receivable on investment securities available for sale from the estimate of credit losses. Investment securities available for sale are charged off against the allowance or, in the absence of any allowance, written down through the income statement when deemed uncollectible or when either of the aforementioned criteria regarding intent or requirement to sell is met. The Corporation did not record an allowance for credit losses on its investment securities available for sale as the unrealized losses were attributable to changes in interest rates, not credit quality.

The allowance for credit losses on investment securities held to maturity is a contra asset-valuation account that is deducted from the amortized cost basis of investment securities held to maturity to present the net amount expected to be collected. Investment securities held to maturity are charged off against the allowance when deemed uncollectible. Adjustments to the allowance are reported in the income statement as a component of the provision for credit loss. The Corporation measures expected credit losses on investment securities held to maturity on a collective basis by major security type with each type sharing similar risk characteristics, and considers historical credit loss information that is adjusted for current conditions and reasonable and supportable forecasts. The Corporation has made the accounting policy election to exclude accrued interest receivable on investment securities held to maturity from the estimate of credit losses. With regard to U.S. Government-sponsored agency and mortgage-backed securities, all these securities are issued by a U.S. **government-sponsored Government-sponsored** entity and have an implicit or explicit government guarantee; therefore, no allowance for credit losses has been recorded for these securities. With regard to securities issued by states and municipalities and other investment securities held to maturity, management considers (1) issuer bond ratings, (2) historical loss rates for given bond ratings, (3) the financial condition of the issuer, and (4) whether issuers continue to make timely principal and interest payments under the contractual terms of the securities. Historical loss rates associated with securities having similar grades as those in the Corporation's portfolio have been insignificant. Furthermore, as of **September 30, 2023** **March 31, 2024**, there were no past due principal and interest payments associated with these securities. At **CECL current expected credit loss ("CECL")** adoption, an allowance for credit losses of \$245,000 was recorded on the state and municipal securities classified as held to maturity based on applying the long-term historical credit loss rate, as published by Moody's, for similarly rated securities. The balance of the allowance for credit losses remained unchanged at \$245,000 as of **September 30, 2023** **March 31, 2024**.

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*(Unaudited)*

On a quarterly basis, the Corporation monitors the credit quality of investment securities held to maturity through the use of credit ratings. The following table summarizes the amortized cost of investment securities held to maturity at **September 30, 2023** **March 31, 2024**, aggregated by credit quality indicator.

Held to Maturity				
State and municipal				
Other				
Total				
Held to Maturity				
State and municipal				
State and municipal				
Other				
Total				
Credit Rating:	Credit Rating:			
Aaa	Aaa			
Aaa	Aaa			
Aaa	Aaa	\$ 114,709	\$ 70,585	\$ 185,294
Aa1	Aa1	153,408	—	153,408
Aa2	Aa2	181,369	—	181,369
Aa3	Aa3	133,499	—	133,499
A1	A1	131,310	—	131,310
A2	A2	10,172	—	10,172
A3	A3	10,125	—	10,125
Non-rated	Non-rated	372,733	1,035,923	1,408,656
Non-rated	Non-rated			
Non-rated	Non-rated			
Total	Total	\$1,107,325	\$1,106,508	\$2,213,833

The following tables summarize, as of **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**, investment securities available for sale in an unrealized loss position for which an allowance for credit losses has not been recorded, aggregated by security type and length of time in a continuous unrealized loss position.

Less than 12 Months	Less than 12 Months	12 Months or Longer	Total
---------------------	---------------------	---------------------	-------



	Fair Value	Gross				Gross				Gross			
		Fair		Unrealized		Fair		Unrealized		Fair		Unrealized	
		Value	Losses	Value	Losses	Value	Losses	Value	Losses	Value	Losses	Value	Losses
Investment securities available for sale at March 31, 2024													
		Less than 12 Months		12 Months or Longer		Total							
U.S. Government-sponsored agency securities													
		Gross		Gross		Gross							
		Fair	Unrealized	Fair	Unrealized	Fair	Unrealized	Fair	Unrealized	Fair	Unrealized	Fair	Unrealized
		Value	Losses	Value	Losses	Value	Losses	Value	Losses	Value	Losses	Value	Losses
Investment securities available for sale at September 30, 2023													
U.S. Treasury		\$ 397	\$ 1	\$ 1,316	\$ 23	\$ 1,713	\$ 24						
U.S. Government-sponsored agency securities													
U.S. Government-sponsored agency securities	U.S. Government-sponsored agency securities	796	3	92,789	20,826	93,585	20,829						
State and municipal	State and municipal	86,964	10,369	886,092	233,868	973,056	244,237						
U.S. Government-sponsored mortgage-backed securities	U.S. Government-sponsored mortgage-backed securities	11,273	453	408,686	116,114	419,959	116,567						
Corporate obligations	Corporate obligations	—	—	11,788	1,141	11,788	1,141						
Total investment securities available for sale	Total investment securities available for sale	\$99,430	\$ 10,826	\$1,400,671	\$ 371,972	\$1,500,101	\$ 382,798						

	Fair Value	Less than 12 Months				12 Months or Longer				Total			
		Fair		Unrealized		Fair		Unrealized		Fair		Unrealized	
		Value	Losses	Value	Losses	Value	Losses	Value	Losses	Value	Losses	Value	Losses
Investment securities available for sale at December 31, 2023													
		Less than 12 Months		12 Months or Longer		Total							
U.S. Government-sponsored agency securities													
		Gross		Gross		Gross							
		Fair	Unrealized	Fair	Unrealized	Fair	Unrealized	Fair	Unrealized	Fair	Unrealized	Fair	Unrealized
		Value	Losses	Value	Losses	Value	Losses	Value	Losses	Value	Losses	Value	Losses



Investment securities available for sale at December 31, 2022							
U.S. Treasury	\$	2,459	\$	42	\$	—	\$ 2,459 \$ 42
U.S. Government-sponsored agency securities							
U.S. Government-sponsored agency securities		48,940		4,973		53,022	12,219 101,962 17,192
State and municipal		1,177,104		150,096		108,652	28,630 1,285,756 178,726
U.S. Government-sponsored mortgage-backed securities		182,700		16,910		325,455	83,448 508,155 100,358
Corporate obligations		12,176		807		—	— 12,176 807
Total investment securities available for sale		\$1,423,379		\$ 172,828		\$487,129	\$ 124,297 \$1,910,508 \$ 297,125

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(table dollar amounts in thousands, except share data)

(Unaudited)

The following table summarizes investment securities available for sale in an unrealized loss position for which an allowance for credit losses has not been recorded, aggregated by security type and the number of securities in the portfolio as of the dates indicated.

Gross Unrealized Losses			Gross Unrealized Losses		Number of Securities
Investment securities available for sale at March 31, 2024					
	Gross Unrealized Losses	Number of Securities			
Investment securities available for sale at September 30, 2023					
U.S. Treasury	\$ 24	3			
U.S. Government-sponsored agency securities					
U.S. Government-sponsored agency securities					

U.S. Government-sponsored agency securities	U.S. Government-sponsored agency securities	20,829	16	\$	17,325	14		14
State and municipal	State and municipal	244,237	743		State and municipal	136,252	721	721
U.S. Government-sponsored mortgage-backed securities	U.S. Government-sponsored mortgage-backed securities	116,567	164		U.S. Government-sponsored mortgage-backed securities	93,469	156	156
Corporate obligations	Corporate obligations	1,141	10		Corporate obligations	976	10	10
Total investment securities available for sale	Total investment securities available for sale	\$ 382,798	936					

	Gross Unrealized		Number of Securities
	Losses		
Investment securities available for sale at December 31, 2022			
U.S. Treasury	\$ 42		5
U.S. Government-sponsored agency securities	17,192		16
State and municipal	178,726		946
U.S. Government-sponsored mortgage-backed securities	100,358		177
Corporate obligations	807		10
Total investment securities available for sale	\$ 297,125		1,154

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	Gross Unrealized		Number of Securities
	Losses		
Investment securities available for sale at December 31, 2023			
U.S. Government-sponsored agency securities	\$ 16,214		14
State and municipal	116,222		691
U.S. Government-sponsored mortgage-backed securities	86,990		150
Corporate obligations	1,128		10
Total investment securities available for sale	\$ 220,554		865

The unrealized losses in the Corporation's investment portfolio were the result of changes in interest rates and not credit quality. As a result, the Corporation expects to recover the amortized cost basis over the term of the securities. The Corporation does not intend to sell the investments and it is not more likely than not that the Corporation will be required to sell the investments before recovery of their amortized cost basis, which may be maturity.

Certain investment securities available for sale are reported in the financial statements at an amount less than their historical cost as indicated in the table below.

	September 30, 2023	December 31, 2022
March 31, 2024		
March 31, 2024		
December 31, 2023		

Investments	Investments		
available for sale	available for sale		
reported at less	reported at less		
than historical	than historical		
cost:	cost:	Investments available for sale reported at less than historical cost:	
Historical	Historical		
cost	cost	\$1,882,899	\$2,207,633
Fair value	Fair value	1,500,101	1,910,508
Gross	Gross		
unrealized	unrealized		
losses	losses	\$ 382,798	\$ 297,125
Percent of the	Percent of the		
Corporation's	Corporation's		
investments	investments		
available for sale	available for sale	99.99 %	96.65 %
Percent of the Corporation's investments available for sale		98.2 %	95.9 %

In determining the fair value of the investment securities portfolio, the Corporation utilizes a third party for portfolio accounting services, including market value input, for those securities classified as Level 1 and Level 2 in the fair value hierarchy. The Corporation has obtained an understanding of what inputs are being used by the vendor in pricing the portfolio and how the vendor classified these securities based upon these inputs. From these discussions, the Corporation's management is comfortable that the classifications are proper. The Corporation has gained trust in the data for two reasons: (a) independent spot testing of the data is conducted by the Corporation through obtaining market quotes from various brokers on a periodic basis; and (b) actual gains or losses resulting from the sale of certain securities has proven the data to be accurate over time. Fair value of securities classified as Level 3 in the valuation hierarchy was determined using a discounted cash flow model that incorporated market estimates of interest rates and volatility in markets that have not been active.

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(Unaudited)

The amortized cost and fair value of investment securities available for sale and held to maturity at September 30, 2023, March 31, 2024 and December 31, 2022, December 31, 2023, by contractual maturity are shown below. Expected maturities will differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties. Securities not due at a single maturity are shown separately.

	Available for Sale				Held to Maturity			
	Amortized		Amortized		Amortized		Amortized	
	Cost	Fair Value	Cost	Fair Value	Cost	Fair Value	Cost	Fair Value
Maturity Distribution at September 30, 2023								
Maturity Distribution at March 31, 2024								
Due in one year or less	\$ 3,403	\$ 3,356	\$ 9,422	\$ 9,397				
Due after one through five years	27,736	25,266	116,894	106,277				
Due after five through ten years	127,442	110,668	134,603	117,134				
Due after ten years	1,187,823	940,883	1,226,612	917,278				
U.S. Government-sponsored mortgage-backed securities	1,346,404	1,080,173	1,487,531	1,150,086				
Total investment securities	\$1,882,934	\$1,500,136	\$2,213,833	\$1,741,225				

	Available for Sale				Held to Maturity		
	Amortized		Amortized				
	Cost	Fair Value	Cost	Fair Value			
Maturity Distribution at December 31, 2022							
Available for Sale				Available for Sale		Held to Maturity	
Amortized Cost				Amortized Cost	Fair Value	Amortized Cost	Fair Value
Maturity Distribution at December 31, 2023							
Due in one year or less	Due in one year or less	\$ 2,822	\$ 2,809	\$ 13,697	\$ 13,749		
Due after one through five years	Due after one through five years	11,694	11,265	80,697	76,453		
Due after five through ten years	Due after five through ten years	169,729	161,211	147,078	135,027		
Due after ten years	Due after ten years	1,480,472	1,293,103	1,269,826	1,020,477		
		1,664,717	1,468,388	1,511,298	1,245,706		
U.S. Government-sponsored mortgage-backed securities	U.S. Government-sponsored mortgage-backed securities	608,630	508,273	776,074	662,159		
Total investment securities	Total investment securities	\$2,273,347	\$1,976,661	\$2,287,372	\$1,907,865		
Total investment securities							
Total investment securities							

**ITEM 1. NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS**

Securities with a carrying value of approximately \$1.7 billion and **\$941.3 million** ~~\$1.8 billion~~ were pledged at **September 30, 2023** ~~March 31, 2024~~ and **December 31, 2022** ~~December 31, 2023~~, respectively, to secure certain deposits and securities sold under repurchase agreements, and for other purposes as permitted or required by law. ~~Pledged securities increased from December 31, 2022 as a result of the Corporation pledging additional securities to the Discount Window at the Federal Reserve Bank to be used as an alternative funding source, if needed.~~

The book value of securities pledged and available under agreements to repurchase amounted to **\$187.3** **\$152.0** million at **September 30, 2023** **March 31, 2024** and **\$196.7** **\$181.4** million at **December 31, 2022** **December 31, 2023**.

Gross gains and losses on the sales and redemptions of investment securities available for sale for the three and nine months ended September 30, 2023, March 31, 2024 and 2022, 2023 are shown below.

	Three Months Ended September 30, 2023		Nine Months Ended September 30, 2023	
Operating income	1,000	1,000	3,000	3,000
Operating expenses	(800)	(800)	(2,400)	(2,400)
Operating profit	200	200	600	600
Other income	100	100	300	300
Other expenses	(50)	(50)	(150)	(150)
Income before taxes	250	250	750	750
Taxes	(100)	(100)	(300)	(300)
Net income	150	150	450	450



Individuals' loans for household and other personal expenditures	161,459	168,388
Public finance and other commercial loans	964,599	956,318
Loans	\$ 12,465,582	\$ 12,486,027

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The following table illustrates the composition of the Corporation's loan portfolio by loan class as of the dates indicated:

	September 30, 2023	December 31, 2022
Commercial and industrial loans	\$ 3,490,953	\$ 3,437,126
Agricultural land, production and other loans to farmers	233,838	241,793
Real estate loans:		
Construction	1,022,261	835,582
Commercial real estate, non-owner occupied	2,360,596	2,407,475
Commercial real estate, owner occupied	1,153,707	1,246,528
Residential	2,257,385	2,096,655
Home equity	609,352	630,632
Individuals' loans for household and other personal expenditures	176,523	175,211
Public finance and other commercial loans	966,807	932,892
Loans	\$ 12,271,422	\$ 12,003,894

**Credit Quality**

As part of the ongoing monitoring of the credit quality of the Corporation's loan portfolio, management tracks certain credit quality indicators including trends related to: (i) the level of criticized commercial loans, (ii) net charge-offs, (iii) nonperforming loans, (iv) covenant failures and (v) the general national and local economic conditions.

The Corporation utilizes a risk grading of pass, special mention, substandard, doubtful and loss to assess the overall credit quality of large commercial loans. All large commercial credit grades are reviewed at a minimum of once a year for pass grade loans. Loans with grades below pass are reviewed more frequently depending on the grade. A description of the general characteristics of these grades is as follows:

- Pass - Loans that are considered to be of acceptable credit quality.
- Special Mention - Loans which possess some credit deficiency or potential weakness, which deserves close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the asset or in the Corporation's credit position at some future date. Special mention assets are not adversely classified and do not expose the Corporation to sufficient risk to warrant adverse classification.
- Substandard - A substandard loan is Loans that are inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. Assets so classified have a well-defined weakness that jeopardizes the liquidation of the debt. They are characterized by the distinct possibility that the Corporation will sustain some loss if the deficiencies are not corrected.
- Doubtful - Loans that have all of the weaknesses of those classified as Substandard. However, based on currently existing facts, conditions and values, these weaknesses make full collection of principal highly questionable and improbable.
- Loss – Loans that are considered uncollectible and of such little value that continuing to carry them as an asset is not warranted. Loans will be classified as Loss when it is neither practical or desirable to defer writing off charging-off or reserving all or a portion of a basically worthless asset, even though partial recovery may be possible at some time in the future.

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The following tables summarize the risk grading of the Corporation's loan portfolio and gross charge-offs by loan class and by year of origination for the years periods indicated. Consumer loans are not risk graded. For the purposes of this disclosure, the consumer loans are classified in the following manner: loans that are less than 30 days past due are Pass, loans 30-89 days past due are Special Mention and loans greater than 89 days past due are Substandard. The entire balance of a loan is considered delinquent if the minimum payment contractually required to be made is not received by the specified due date.

September 30, 2023										
	Term Loans (amortized cost basis by origination year)						Revolving loans	Revolving loans	Total	
	2023	2022	2021	2020	2019	Prior	amortized	converted		
							cost basis	to term		
Commercial and industrial loans										
Pass	\$ 901,876	\$ 548,276	\$ 296,471	\$ 95,426	\$ 53,498	\$ 49,094	\$ 1,374,146	\$ 50	\$ 3,318,837	
Special Mention	9,450	11,955	6,428	5,470	114	897	28,202	—	62,516	
Substandard	5,902	20,082	16,554	1,959	4,701	1,655	48,890	—	99,743	
Doubtful	908	3,945	—	2,149	—	—	2,855	—	9,857	
Total Commercial and industrial loans	918,136	584,258	319,453	105,004	58,313	51,646	1,454,093	50	3,490,953	
Current period gross write-offs	13,901	508	400	5,588	76	239	—	—	20,711	
Agricultural land, production and other loans to farmers										
Pass	22,521	38,866	33,059	32,234	13,819	26,251	65,513	—	232,263	
Special Mention	—	266	—	—	—	597	—	—	863	
Substandard	34	156	—	458	—	64	—	—	712	
Total Agricultural land, production and other loans to farmers	22,555	39,288	33,059	32,692	13,819	26,912	65,513	—	233,838	
Current period gross write-offs	—	—	—	—	—	—	—	—	—	
Real estate loans:										
Construction										
Pass	362,578	295,563	266,129	14,325	4,047	2,526	11,577	—	956,745	
Special Mention	35,063	424	—	20,846	—	—	—	—	56,333	
Substandard	13	3,882	5,288	—	—	—	—	—	9,183	
Total Construction	397,654	299,869	271,417	35,171	4,047	2,526	11,577	—	1,022,261	
Current period gross write-offs	—	—	—	—	—	—	—	—	—	
Commercial real estate, non-owner occupied										
Pass	214,579	529,237	533,207	471,278	142,636	225,787	31,615	—	2,148,339	
Special Mention	64,871	22,956	7,842	3,641	26,567	32,842	47	—	158,766	
Substandard	18,666	9,807	92	22,216	—	2,339	247	—	53,367	
Doubtful	—	124	—	—	—	—	—	—	124	
Total Commercial real estate, non-owner occupied	298,116	562,124	541,141	497,135	169,203	260,968	31,909	—	2,360,596	
Current period gross write-offs	—	2	—	—	—	—	—	—	2	
Commercial real estate, owner occupied										
Pass	119,212	207,077	270,151	269,190	101,546	87,685	27,327	—	1,082,188	
Special Mention	5,178	13,603	9,437	6,053	2,831	5,110	334	—	42,546	
Substandard	15,113	1,339	4,228	2,486	17	5,163	627	—	28,973	
Total Commercial real estate, owner occupied	139,503	222,019	283,816	277,729	104,394	97,958	28,288	—	1,153,707	
Current period gross write-offs	—	—	—	—	2	—	—	—	2	
Residential										
Pass	332,210	691,941	451,830	372,247	105,548	265,879	4,878	65	2,224,598	
Special Mention	1,087	5,304	4,034	1,710	1,578	6,501	2,588	—	22,802	
Substandard	357	3,338	2,234	974	528	2,523	31	—	9,985	
Total Residential	333,654	700,583	458,098	374,931	107,654	274,903	7,497	65	2,257,385	
Current period gross write-offs	—	42	135	3	—	63	—	—	243	
Home equity										
Pass	9,155	34,784	64,438	11,511	1,162	4,566	472,517	2,065	600,198	
Special Mention	120	720	41	1,114	—	168	4,108	371	6,642	
Substandard	63	—	599	—	—	93	1,374	383	2,512	
Total Home Equity	9,338	35,504	65,078	12,625	1,162	4,827	477,999	2,819	609,352	
Current period gross write-offs	—	160	182	149	193	1,422	—	—	2,106	
Individuals' loans for household and other personal expenditures										
Pass	32,590	52,860	31,275	8,070	2,735	6,572	40,907	597	175,606	
Special Mention	29	388	250	34	11	11	193	1	917	
Substandard	—	—	—	—	—	—	—	—	—	
Total Individuals' loans for household and other personal expenditures	32,619	53,248	31,525	8,104	2,746	6,583	41,100	598	176,523	
Current period gross write-offs	98	591	291	77	57	151	—	—	1,265	
Public finance and other commercial loans										
Pass	61,235	209,069	206,637	157,399	91,705	231,931	8,831	—	966,807	
Total Public finance and other commercial loans	61,235	209,069	206,637	157,399	91,705	231,931	8,831	—	966,807	
Loans	\$ 2,212,810	\$ 2,705,962	\$ 2,210,224	\$ 1,500,790	\$ 553,043	\$ 958,254	\$ 2,126,807	\$ 3,532	\$ 12,271,422	
Total current period gross charge-offs	\$ 13,999	\$ 1,303	\$ 1,008	\$ 5,817	\$ 328	\$ 1,875	\$ —	\$ —	\$ 24,330	

March 31, 2024								
						Revolving loans	Revolving loans	Total
	Term Loans (amortized cost basis by origination year)					amortized	converted	
	2024	2023	2022	2021	2020	Prior	cost basis	
Commercial and industrial loans								



Pass	\$ 370,101	\$ 996,601	\$ 367,993	\$ 231,487	\$ 75,654	\$ 79,364	\$ 1,341,496	\$ —	\$ 3,462,696
Special Mention	482	46,079	13,757	1,215	4,807	2,895	59,223	—	128,458
Substandard	2,834	46,434	23,731	15,038	1,157	1,915	35,069	—	126,178
Doubtful	—	805	—	—	—	—	4,228	—	5,033
Total Commercial and industrial loans	373,417	1,089,919	405,481	247,740	81,618	84,174	1,440,016	—	3,722,365
Current period gross charge-offs	740	554	45	71	345	76	—	—	1,831
Agricultural land, production and other loans to farmers									
Pass	10,864	28,681	37,013	30,569	30,261	37,157	58,787	—	233,332
Special Mention	—	—	266	—	—	146	—	—	412
Substandard	—	56	143	—	454	34	—	—	687
Total Agricultural land, production and other loans to farmers	10,864	28,737	37,422	30,569	30,715	37,337	58,787	—	234,431
Real estate loans:									
Construction									
Pass	100,743	321,996	267,749	158,342	8,135	9,639	12,414	—	879,018
Special Mention	729	25,332	2,064	652	20,846	—	—	—	49,623
Substandard	—	2,867	4,896	5,322	—	—	—	—	13,085
Total Construction	101,472	350,195	274,709	164,316	28,981	9,639	12,414	—	941,726
Commercial real estate, non-owner occupied									
Pass	113,217	345,073	449,978	497,967	409,018	329,186	15,892	—	2,160,331
Special Mention	28,438	45,237	15,281	11,039	2,757	46,235	—	—	148,987
Substandard	—	14,773	9,670	216	20,068	2,059	85	—	46,871
Doubtful	—	11,472	699	—	—	—	—	—	12,171
Total Commercial real estate, non-owner occupied	141,655	416,555	475,628	509,222	431,843	377,480	15,977	—	2,368,360
Current period gross charge-offs	—	339	3	—	—	—	—	—	342
Commercial real estate, owner occupied									
Pass	32,088	176,955	193,895	241,834	235,547	168,792	27,158	—	1,076,269
Special Mention	140	6,681	10,555	6,949	2,618	2,098	—	—	29,041
Substandard	1,113	16,524	3,268	4,947	3,302	3,144	286	—	32,584
Total Commercial real estate, owner occupied	33,341	200,160	207,718	253,730	241,467	174,034	27,444	—	1,137,894
Current period gross charge-offs	—	—	—	—	9	—	—	—	9
Residential									
Pass	33,315	413,735	701,242	435,538	357,126	343,918	5,108	15	2,289,997
Special Mention	58	2,354	4,340	2,468	623	4,213	200	—	14,256
Substandard	180	801	3,555	2,690	1,017	3,994	—	—	12,237
Total Residential	33,553	416,890	709,137	440,696	358,766	352,125	5,308	15	2,316,490
Current period gross charge-offs	—	39	266	28	21	24	—	—	378
Home equity									
Pass	5,302	9,261	27,980	59,097	11,158	5,046	489,371	2,102	609,317
Special Mention	—	—	711	99	1,075	84	4,245	155	6,369
Substandard	63	—	—	725	—	248	1,536	—	2,572
Total Home Equity	5,365	9,261	28,691	59,921	12,233	5,378	495,152	2,257	618,258
Current period gross charge-offs	—	12	2	17	1	125	—	—	157
Individuals' loans for household and other personal expenditures									
Pass	8,190	32,152	44,959	25,956	5,351	6,787	37,110	25	160,530
Special Mention	10	137	291	135	48	20	84	194	919
Substandard	—	10	—	—	—	—	—	—	10
Total Individuals' loans for household and other personal expenditures	8,200	32,299	45,250	26,091	5,399	6,807	37,194	219	161,459
Current period gross charge-offs	20	190	131	62	21	12	—	—	436
Public finance and other commercial loans									
Pass	33,294	54,992	206,812	202,288	153,742	313,389	82	—	964,599
Total Public finance and other commercial loans	33,294	54,992	206,812	202,288	153,742	313,389	82	—	964,599

Loans	\$	741,161	\$	2,599,008	\$	2,390,848	\$	1,934,573	\$	1,344,764	\$	1,360,363	\$	2,092,374	\$	2,491	\$	12,465,582
Total current period gross charge-offs	\$	760	\$	1,134	\$	447	\$	178	\$	397	\$	237	\$	—	\$	—	\$	3,153

**PART I. FINANCIAL INFORMATION**  
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*(table dollar amounts in thousands, except share data)*  
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December 31, 2022														
							Revolving loans amortized	Revolving loans converted						
Term Loans (amortized cost basis by origination year)														
2022	2021	2020	2019	2018	Prior	cost basis	to term	Total						
December 31, 2023														
Term Loans (amortized cost basis by origination year)							December 31, 2023							
2023														
2023														
2023							2022	2021	2020	2019	Prior	cost basis	to term	Total
Commercial and industrial loans	Commercial and industrial loans													
Pass	Pass													
Pass	Pass	\$1,064,687	\$ 531,504	\$ 141,985	\$114,999	\$ 43,136	\$ 45,310	\$1,302,562	\$ 5,048	\$ 3,249,231				
Special Mention	Special Mention	2,164	18,005	11,900	5,727	1,012	2,181	27,702	150	68,841				
Substandard	Substandard	27,512	26,571	5,531	10,606	4,674	567	43,450	143	119,054				
Doubtful	Doubtful													
Total Commercial and industrial loans	Total Commercial and industrial loans	1,094,363	576,080	159,416	131,332	48,822	48,058	1,373,714	5,341	3,437,126				
Total Commercial and industrial loans														
Total Commercial and industrial loans														
Current period gross charge-offs														
Agricultural land, production and other loans to farmers	Agricultural land, production and other loans to farmers													
Pass	Pass													
Pass	Pass	44,446	36,299	35,791	15,296	3,752	28,910	73,402	—	237,896				
Special Mention	Special Mention	286	784	—	—	281	632	—	—	1,983				
Substandard	Substandard	178	—	490	—	94	1,152	—	—	1,914				
Total Agricultural land, production and other loans to farmers	Total Agricultural land, production and other loans to farmers	44,910	37,083	36,281	15,296	4,127	30,694	73,402	—	241,793				
Total Agricultural land, production and other loans to farmers														
Total Agricultural land, production and other loans to farmers														
Real estate loans:														
Real estate loans:														

Real estate loans:	Real estate loans:									
Construction	Construction									
Construction										
Construction										
Pass										
Pass										
Pass	Pass	366,414	301,986	117,541	11,428	857	3,224	17,167	—	818,617
Special	Special									
Mention	Mention	16,922	—	—	—	—	—	—	—	16,922
Substandard	Substandard	31	—	—	—	—	12	—	—	43
Total	Total									
Construction	Construction	383,367	301,986	117,541	11,428	857	3,236	17,167	—	835,582
Total Construction										
Total Construction										
Commercial real estate, non-owner occupied	Commercial real estate, non-owner occupied									
Commercial real estate, non-owner occupied										
Pass										
Pass										
Pass	Pass	560,146	603,254	550,605	168,701	116,859	190,264	31,196	3,803	2,224,828
Special	Special									
Mention	Mention	49,439	4,026	38,268	18,785	11,546	17,992	—	—	140,056
Substandard	Substandard	21,123	8,128	8,026	—	4,442	872	—	—	42,591
Total	Total									
Commercial real estate, non-owner occupied	Commercial real estate, non-owner occupied									
occupied	occupied	630,708	615,408	596,899	187,486	132,847	209,128	31,196	3,803	2,407,475
Total Commercial real estate, non-owner occupied										
Total Commercial real estate, non-owner occupied										
Current period gross charge-offs										
Commercial real estate, owner occupied	Commercial real estate, owner occupied									
Pass										
Pass										
Pass	Pass	260,725	316,665	330,441	114,015	63,816	81,286	33,123	3,378	1,203,449
Special	Special									
Mention	Mention	7,744	6,125	2,245	3,481	1,210	2,984	1,328	—	25,117
Substandard	Substandard	3,124	1,214	2,376	1,608	2,920	6,720	—	—	17,962
Total	Total									
Commercial real estate, owner occupied	Commercial real estate, owner occupied									
occupied	occupied	271,593	324,004	335,062	119,104	67,946	90,990	34,451	3,378	1,246,528
Total Commercial real estate, owner occupied										

Total Commercial real estate, owner occupied											
Current period gross charge-offs											
Residential	Residential										
Pass											
Pass											
Pass	Pass	758,161	489,301	401,353	114,420	77,768	229,812	5,365	46	2,076,226	
Special	Special										
Mention	Mention	2,839	2,924	1,972	513	396	2,588	34	—	11,266	
Substandard	Substandard	1,399	1,824	1,811	805	1,468	1,741	60	55	9,163	
Total	Total										
Residential	Residential	762,399	494,049	405,136	115,738	79,632	234,141	5,459	101	2,096,655	
Total Residential											
Total Residential											
Current period gross charge-offs											
Home equity	Home equity										
Pass											
Pass											
Pass	Pass	40,768	75,670	14,621	1,572	1,348	3,325	486,924	281	624,509	
Special	Special										
Mention	Mention	—	—	—	—	115	8	3,698	—	3,821	
Substandard	Substandard	—	79	—	—	65	60	2,098	—	2,302	
Total	Total										
Home	Home										
Equity	Equity	40,768	75,749	14,621	1,572	1,528	3,393	492,720	281	630,632	
Total Home Equity											
Total Home Equity											
Current period gross charge-offs											
Individuals' loans for household and other personal expenditures	Individuals' loans for household and other personal expenditures										
Pass											
Pass											
Pass	Pass	67,883	43,639	13,025	5,389	5,830	3,775	35,091	—	174,632	
Special Mention	Special Mention	178	134	77	33	28	17	16	—	483	
Substandard	Substandard	1	—	3	—	84	8	—	—	96	
Total Individuals' loans for household and other personal expenditures	Total Individuals' loans for household and other personal expenditures	68,062	43,773	13,105	5,422	5,942	3,800	35,107	—	175,211	
Total Individuals' loans for household and other personal expenditures											

**PART I. FINANCIAL INFORMATION**  
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*(table dollar amounts in thousands, except share data)*  
*(Unaudited)*

		September 30, 2023													
							Loans > 90 Days or More Past Due And Accruing								
		30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due			Total								
		Current	Due	Due	Due										
March 31, 2024									March 31, 2024						
									30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	Total	Loans > 90 Days or More Past Due And Accruing		
		Current							Current	Past Due	Past Due		Total	And Accruing	
Commercial and industrial loans	Commercial and industrial loans	\$ 3,474,368	\$ 4,005	\$ 3,224	\$ 9,356	\$ 3,490,953	\$ 12								
Agricultural land, production and other loans to farmers	Agricultural land, production and other loans to farmers	233,811	—	—	27	233,838	—								
Real estate loans:	Real estate loans:														
Construction	Construction														
Construction	Construction														
Construction	Construction	1,021,537	300	424	—	1,022,261	—								

Commercial real estate, non-owner occupied	Commercial real estate, non-owner occupied	2,343,002	4,603	1,913	11,078	2,360,596	—
Commercial real estate, owner occupied	Commercial real estate, owner occupied	1,150,029	2,368	1,225	85	1,153,707	—
Residential	Residential	2,227,184	10,884	10,405	8,912	2,257,385	39
Home equity	Home equity	602,829	2,878	1,325	2,320	609,352	38
Individuals' loans for household and other personal expenditures	Individuals' loans for household and other personal expenditures	175,605	773	145	—	176,523	—
Public finance and other commercial loans	Public finance and other commercial loans	966,774	33	—	—	966,807	—
Public finance and other commercial loans							
Public finance and other commercial loans							
Loans	Loans	\$12,195,139	\$25,844	\$18,661	\$31,778	\$12,271,422	\$ 89

December 31, 2022							
						Loans > 90 Days or More Past Due And Accruing	
		30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	Total		
		Current	Due	Due	Due	Total	Accruing
December 31, 2023							
		Current	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	Total	Loans > 90 Days or More Past Due And Accruing
Commercial and industrial loans	Commercial and industrial loans	\$ 3,429,314	\$ 4,904	\$ 434	\$ 2,474	\$ 3,437,126	\$ 1,147
Agricultural land, production and other loans to farmers	Agricultural land, production and other loans to farmers	241,739	—	—	54	241,793	—
Real estate loans:	Real estate loans:						
Construction	Construction						
Construction	Construction						
Construction	Construction	832,716	2,436	418	12	835,582	—
Commercial real estate, non-owner occupied	Commercial real estate, non-owner occupied	2,395,495	5,946	881	5,153	2,407,475	264
Commercial real estate, owner occupied	Commercial real estate, owner occupied	1,241,714	4,495	—	319	1,246,528	—
Residential	Residential	2,079,959	8,607	2,278	5,811	2,096,655	—
Home equity	Home equity	624,543	2,206	1,782	2,101	630,632	326
Individuals' loans for household and other personal expenditures	Individuals' loans for household and other personal expenditures	174,629	343	142	97	175,211	—
Public finance and other commercial loans	Public finance and other commercial loans	932,778	114	—	—	932,892	—
Public finance and other commercial loans							
Public finance and other commercial loans							
Loans	Loans	\$11,952,887	\$29,051	\$5,935	\$16,021	\$12,003,894	\$ 1,737

Loans are reclassified to a nonaccruing status when, in management's judgment, the collateral value and financial condition of the borrower do not justify accruing interest. At the time the accrual is discontinued, all unpaid accrued interest is reversed against earnings. Interest income accrued in prior years, if any, is charged to the allowance for credit losses. Payments subsequently received on nonaccrual loans are applied to principal. A loan is returned to accrual status when principal and interest are no longer past due and collectability is probable, typically after a minimum of six consecutive months of performance.

The following table summarizes the Corporation's nonaccrual loans by loan class as of the dates indicated:

		September 30, 2023		December 31, 2022	
		Nonaccrual Loans with no Allowance for		Nonaccrual Loans with no Allowance for	
		Nonaccrual Loans	Credit Losses	Nonaccrual Loans	Credit Losses
March 31, 2024					
March 31, 2024					
March 31, 2024					
Nonaccrual Loans					
Nonaccrual Loans					
Nonaccrual Loans					
Commercial and industrial loans					
Commercial and industrial loans					
Commercial and industrial loans	Commercial and industrial loans	\$ 14,737	\$ 1,020	\$ 3,292	\$ 481
Agricultural land, production and other loans to farmers	Agricultural land, production and other loans to farmers	61	—	54	—
Agricultural land, production and other loans to farmers					
Agricultural land, production and other loans to farmers					
Real estate loans:					
Real estate loans:					
Real estate loans:	Real estate loans:				
Construction	Construction	724	—	12	—
Construction					
Construction					
Commercial real estate, non-owner occupied					
Commercial real estate, non-owner occupied					
Commercial real estate, non-owner occupied	Commercial real estate, non-owner occupied	11,575	11,293	19,374	280
Commercial real estate, owner occupied	Commercial real estate, owner occupied	3,125	2,314	3,550	2,784
Commercial real estate, owner occupied					
Commercial real estate, owner occupied					
Residential					
Residential					
Residential	Residential	20,244	—	13,685	702
Home equity	Home equity	2,534	—	2,247	—
Home equity					
Home equity					
Individuals' loans for household and other personal expenditures					
Individuals' loans for household and other personal expenditures					
Individuals' loans for household and other personal expenditures	Individuals' loans for household and other personal expenditures	102	—	110	—
Loans	Loans	\$ 53,102	\$ 14,627	\$ 42,324	\$ 4,247
Loans					
Loans					

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Determining fair value for collateral dependent loans requires obtaining a current independent appraisal of the collateral and applying a discount factor, which includes selling costs if applicable, to the value. The fair value of real estate is generally based on appraisals by qualified licensed appraisers. The appraisers typically determine the value of the real estate by utilizing an income or market valuation approach. If an appraisal is not available, the fair value may be determined by using a cash flow analysis. Fair value on other collateral such as business assets is typically ascertained by assessing, either singularly or some combination of, asset appraisals, accounts receivable aging reports, inventory listings and or customer financial statements. Both appraised values and values based on borrower's financial information are discounted as considered appropriate based on age and quality of the information and current market conditions.

The tables below present the amortized cost basis of collateral dependent loans by loan class and their respective collateral type, which are individually evaluated to determine expected credit losses. The total collateral dependent loan balance decreased \$9.5 million, primarily related to a \$9.4 million decrease and \$8.6 million increase in commercial and industrial and commercial real estate, non-owner occupied, respectively, for the nine months ended September 30, 2023. The total related allowance balance increased \$3.4 million, primarily related to an increase in commercial and industrial offset by a \$2.0 million decrease in commercial real estate, non-owner occupied, respectively, for the nine months ended September 30, 2023.

September 30, 2023							
							Allowance on Collateral Dependent Loans
	Commercial Real Estate	Residential Real Estate	Other	Total			
March 31, 2024							
Commercial Real Estate							
Estate	Commercial Real Estate	Residential Real Estate	Other	Total	Allowance on Collateral Dependent Loans		
Commercial and industrial loans	Commercial and industrial loans	\$ —	\$ —	\$39,343	\$39,343	\$	14,542
Real estate loans:	Real estate loans:						
Real estate loans:							
Real estate loans:							
Construction							
Construction							
Construction	Construction	—	8	—	8	1	
Commercial real estate, non-owner occupied	Commercial real estate, non-owner occupied	17,145	—	—	17,145	57	
Commercial real estate, owner occupied	Commercial real estate, owner occupied	10,568	—	—	10,568	—	
Residential	Residential	—	1,464	—	1,464	235	
Home equity	Home equity	—	227	—	227	31	
Loans	Loans	\$ 27,713	\$ 1,699	\$39,343	\$68,755	\$	14,866
Loans							
Loans							


December 31, 2022									
		Commercial		Residential				Allowance on Collateral Dependent Loans	
		Real Estate	Real Estate	Other	Total				
December 31, 2023									
Commercial Real Estate									
Estate								Allowance on Collateral Dependent Loans	
Commercial and industrial loans	Commercial and industrial loans	\$ —	\$ —	\$42,101	\$42,101	\$ 8,367			
Real estate loans:	Real estate loans:								
Real estate loans:									



In certain situations, the Corporation may modify the terms of a loan to a debtor experiencing financial difficulty. The modifications may include principal forgiveness, interest rate reductions, payment delays, term extensions or combinations of the above. These modifications. The following tables present the amortized cost basis of loans at September 30, 2023, March 31, 2024 and March 31, 2023 that were both experiencing financial difficulty and modified during the three and nine months ended September 30, 2023, March 31, 2024 and 2023, by class and by type of modification. The percentage of the amortized cost basis of loans that were modified to borrowers in financial distress as compared to the amortized cost basis of each class of financing receivable is also presented below.

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Loan Modifications Made to Borrowers Experiencing Financial Difficulty						
	Payment Delay	Term Extension	Combination Interest Rate Reduction & Term Extension	Combination Payment Delay & Term Extension	% of Total Class of Financing Receivable	
Commercial and industrial loans	\$ 908	\$ 14,822	\$ 239	\$ —	0.46	%
Agricultural land, production and other loans to farmers	—	34	—	—	0.01	%
Real estate loans:						
Construction	—	13	—	—	—	%
Commercial real estate, non-owner occupied	—	11,823	5,942	—	0.75	%
Commercial real estate, owner occupied	5,602	8,642	75	—	1.24	%
Residential	—	—	—	472	0.02	%
Home equity	—	63	—	—	0.01	%
Individuals' loans for household and other personal expenditures	—	—	—	1	—	%
Total						
Total	Total \$ 6,510	\$ 35,397	\$ 6,256	\$ 473		
Total						

The following tables present the financial effect of the loan modifications presented above to borrowers experiencing financial difficulty for the three and nine months ended September 30, 2023, March 31, 2024 and 2023.

Three Months Ended September 30, 2023 March 31, 2024				
Financial Effect of Loan Modifications				
	Payment Delay	Term Extension	Combination Interest Rate Reduction & Term Extension	Combination Payment Delay & Term Extension
Commercial and industrial loans	Provided payment deferrals with weighted average delayed amounts of \$24,000, \$50,000.	Extended loans by a weighted average of 8 months 15 months.	Reduced the weighted average contractual interest rate from 10.75% 9.00% to 7.62% 8.00%.	Provided payment deferrals with weighted average delayed amounts of \$5,000. Extended loans by a weighted average of 14 3 months.
Real estate loans:				
Commercial real estate, owner occupied		Extended loans by a weighted average of 4 5 months.		Provided payment deferrals with weighted average delayed amounts of \$300. Extended loans by a weighted average of 3 months; \$31,000.
Residential				
Home equity	Provided payment deferrals with weighted average delayed amounts of \$4,000.	Extended loans by a weighted average of 5 6 months.		

Three Months Ended March 31, 2023		
Financial Effect of Loan Modifications		
	Term Extension	Combination Interest Rate Reduction & Term Extension
Commercial and industrial loans	Added a weighted average life of 4 months to the life of the loans, which reduced monthly payment amounts for the borrowers.	
Agricultural land, production and other loans to farmers	Added a weighted average life of 60 months to the life of the loans, which reduced monthly payment amounts for the borrowers.	
Real estate loans:		
Construction	Added a weighted average life of 24 months to the life of the loans, which reduced monthly payment amounts for the borrowers.	
Commercial real estate, non-owner occupied	Added a weighted average life of 12 months to the life of the loans, which reduced monthly payment amounts for the borrowers.	Reduced the weighted average contractual interest rate from 7.81% to 7.40%. Added a weighted average 41 months to the life of loans, which reduced monthly payment amounts for the borrowers.
Commercial real estate, owner occupied	Added a weighted average life of 9 months to the life of the loans, which reduced monthly payment amounts for the borrowers.	Reduced the weighted average contractual interest rate from 10.25% to 6.61%. Added a weighted average 114 months to the life of loans, which reduced monthly payment amounts for the borrowers.

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Nine Months Ended September 30, 2023

Financial Effect of Loan Modifications

	Payment Delay	Term Extension	Combination Interest Rate Reduction & Term Extension	Combination Payment Delay & Term Extension
Commercial and industrial loans	Provided payment deferrals with weighted average delayed amounts of \$24,000	Extended loans by a weighted average of 8 months.	Reduced the weighted average contractual interest rate from 9.66% to 7.39%. Extended loans by a weighted average of 13 months.	
Agricultural land, production and other loans to farmers		Extended loans by a weighted average of 60 months.		
Real estate loans:				
Construction		Extended loans by a weighted average of 24 months.		
Commercial real estate, non-owner occupied		Extended loans by a weighted average of 10 months.	Reduced the weighted average contractual interest rate from 7.81% to 7.40%. Extended loans by a weighted average of 41 months.	
Commercial real estate, owner occupied	Provided payment deferrals with weighted average delayed amounts of \$4.5 million.	Extended loans by a weighted average of 4 months.	Reduced the weighted average contractual interest rate from 10.25% to 6.61%. Extended loans by a weighted average of 114 months.	
Residential				Provided payment deferrals with weighted average delayed amounts \$3,400. Extended loans by a weighted average of 3 months.
Home equity		Extended loans by a weighted average of 5 months.		Provided payment deferrals with weighted average delayed amounts \$300. Extended loans by a weighted average of 3 months.

The following tables present the amortized cost basis and payment status of loans modified within the previous twelve months to borrowers experiencing financial difficulty, and that were modified subsequently defaulted during the three and nine months ended September 30, 2023 due to the borrowers experiencing financial difficulty, March 31, 2024 and 2023 and remained in default at period end.

		Three Months Ended September 30, 2023		Three Months Ended March 31, 2024		Three Months Ended March 31, 2024	
		Payment Status		Payment Status		Payment Status	
		30-89 Days Past Due		30-89 Days Past Due		90+ Days Past Due	
		Current	Due	Current	Due	Current	Due
Commercial and industrial loans	Commercial and industrial loans	\$ 8,776	\$ —				
Real estate loans:	Real estate loans:						
Real estate loans:							
Commercial real estate, non-owner occupied		11,823	—				
Commercial real estate, owner occupied	Commercial real estate, owner occupied	6,950	—				
Commercial real estate, owner occupied							
Commercial real estate, owner occupied							
Residential							
Home equity	Home equity	63	—				
Individuals' loans for household and other personal expenditures		—	1				
Total	Total	\$27,612	\$ 1				
Total							
Total							

Nine Months Ended September 30, 2023			
	Payment Status		
	Current	30-89 Days Past Due	
Commercial and industrial loans	\$ 15,863	\$ 106	
Agricultural land, production and other loans to farmers	34	—	
Real estate loans:			
Construction	13	—	
Commercial real estate, non-owner occupied	17,765	—	
Commercial real estate, owner occupied	13,157	1,162	
Residential	472	—	
Home equity	63	—	
Individuals' loans for household and other personal expenditures	—	1	
Total	\$ 47,367	\$ 1,269	

Three Months Ended March 31, 2023			
	Payment Status		
	Current	30-89 Days Past Due	
Commercial and industrial loans	\$ 9,224	\$ —	
Agricultural land, production and other loans to farmers	37	—	
Real estate loans:			
Construction	17	—	
Commercial real estate, non-owner occupied	6,063	—	
Commercial real estate, owner occupied	10,904	—	
Total	\$ 26,245	\$ —	

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

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#### Purchased Credit Deteriorated Loans

The Corporation acquired Level One on April 1, 2022 and performed an evaluation of the loan portfolio in which there were loans that, at acquisition, had more than an insignificant amount of credit quality deterioration. The carrying amount of those loans is shown in the table below:

	Level One
Purchase price of loans at acquisition	\$ 41,347
CECL Day 1 PCD/ACL	16,599
Par value of acquired loans at acquisition	\$ 57,946

#### Allowance for Credit Losses on Loans

The Allowance for Credit Losses on Loans ("ACL - Loans") is a valuation account that is deducted from the amortized cost basis of loans to present the net amount expected to be collected on loans over the contractual term. The ACL - Loans is adjusted by the provision for credit losses, which is reported in earnings, and reduced by **charge-offs charge-offs** for loans, net of recoveries. Provision for credit losses on loans reflects the totality of actions taken on all loans for a particular period including any necessary increases or decreases in the allowance related to changes in credit loss expectations associated with specific loans or pools of loans. Loans are **charged off charged-off** against the allowance when the uncollectibility of the loan is confirmed. Expected recoveries do not exceed the aggregate of amounts previously **charged off charged-off** and expected to be **charged off, charged-off**.

The allowance represents the Corporation's best estimate of current expected credit losses on loans using relevant available information, from internal and external sources, related to past events, current conditions, and reasonable and supportable forecasts. Historical credit loss experience provides the basis for the estimation of expected credit losses. The **current expected credit loss ("CECL") CECL** calculation is performed and evaluated quarterly and losses are estimated over the expected life of the loan. The level of the allowance for credit losses is believed to be adequate to absorb all expected future losses inherent in the loan portfolio at the measurement date.

In calculating the allowance for credit losses, the loan portfolio was pooled into ten loan segments with similar risk characteristics. Common characteristics include the type or purpose of the loan, underlying collateral and historical/expected credit loss patterns. In developing the loan segments, the Corporation analyzed the degree of correlation in how loans within each portfolio respond when subjected to varying economic conditions and scenarios as well as other portfolio stress factors.

The expected credit losses are measured over the life of each loan segment utilizing the Probability of Default / Loss Given Default methodology combined with economic forecast models to estimate the current expected credit loss inherent in the loan portfolio. This approach is also leveraged to estimate the expected credit losses associated with unfunded loan commitments incorporating expected utilization rates.

The Corporation sub-segmented certain commercial portfolios by risk level and certain consumer portfolios by delinquency status where appropriate. The Corporation utilized a four-quarter reasonable and supportable economic forecast period followed by a six-quarter, straight-line reversion period to the historical macroeconomic mean for the remaining life of the loans. Econometric modeling was performed using historical default rates and a selection of economic forecast scenarios published by Moody's to develop a range of estimated credit losses for which to determine the best credit loss estimate within. Macroeconomic factors utilized in the modeling process include the national unemployment rate, BBB US corporate index, CRE Commercial Real Estate ("CRE") price index and the home price index.

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The Corporation qualitatively adjusts model results for risk factors that are not inherently considered in the quantitative modeling process, but are nonetheless relevant in assessing the expected credit losses within the loan portfolio. These adjustments may increase or decrease the estimate of expected credit losses based upon the assessed level of risk for each qualitative factor. The various risks that may be considered in making qualitative adjustments include, among other things, the impact of (i) changes in the nature and volume of the loan portfolio, (ii) changes in the existence, growth and effect of any concentrations in credit, (iii) changes in lending policies and procedures, including changes in underwriting standards and practices for collections, write-offs, charge-offs, and recoveries, (iv) changes in the quality of the credit review function, (v) changes in the experience, ability and depth of lending, investment, collection and other relevant management staff, (vi) changes in the volume and staff, severity of past due financial assets, the volume of the nonaccrual assets, and (vi) the volume and severity of adversely classified or graded assets, (vii) the value of underlying collateral for loans that are not collateral dependent, and (viii) other environmental factors of a borrower such as regulatory, legal and technological considerations, as well as competition, competition and changes in the economic and business conditions that affect the collectibility of financial assets. At CECL adoption, the Corporation established certain qualitative factors that were expected to correlate to losses within the loan portfolio. During a scheduled review of qualitative factors in the third quarter of 2023, the Corporation determined there had not been no significant evidence of correlation to losses for the one qualitative factor factors that included i) changes in experience, ability and depth of lending management and staff; ii) changes in lending policies and procedures; and iii) changes in the quality of the credit review function. function; iv) portfolio mix and growth; and v) industry concentration. The Corporation decided to refine this qualitative factor by separating it into three individual these qualitative factors in order to improve our ability to assess related risk for the three different factors and enhance our ability to correlate to losses. The Corporation's evaluation of the qualitative approach resulted in an insignificant change to the ACL – Loans estimate.

In some cases, management may determine that an individual loan exhibits unique risk characteristics which differentiate the loan from other loans within the loan segments. In such cases, the loans are evaluated for expected credit losses on an individual basis and excluded from the collective evaluation. Specific reserve allocations of the allowance for credit losses are determined by analyzing the borrower's ability to repay amounts owed, collateral deficiencies, the relative risk grade of the loan and economic conditions affecting the borrower's industry, among other things. A loan is considered to be collateral dependent when, based upon management's assessment, the borrower is experiencing financial difficulty and repayment is expected to be provided substantially through the operation or sale of the collateral. In such cases, expected credit losses are based on the fair value of the collateral at the measurement date, adjusted for estimated selling costs if satisfaction of the loan depends on the sale of the collateral. The fair value of collateral supporting collateral dependent loans is evaluated on a quarterly basis.

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The risk characteristics of the Corporation's portfolio segments are as follows:

#### Commercial

Commercial lending is primarily based on the identified cash flows of the borrower and secondarily on the underlying collateral provided by the borrower. The cash flows of borrowers, however, may not be as expected and the collateral securing these loans may fluctuate in value. Most commercial loans are secured by the tangible assets being financed such as equipment or real estate or other business assets such as accounts receivable or inventory and may incorporate a personal guarantee. Other loans may be unsecured, secured but under-collateralized or otherwise made on the basis of the enterprise value of an organization. In the case of loans secured by accounts receivable, the availability of funds for the repayment of these loans may be substantially dependent on the ability of the borrower to collect amounts due from its customers.

#### Commercial real estate

Commercial real estate loans are viewed primarily as cash flow loans and secondarily as loans secured by real estate. Commercial real estate lending typically involves higher loan principal amounts and the repayment of these loans is generally dependent on the successful operation of the property securing the loan or the business conducted on the property securing the loan. The Corporation monitors commercial real estate loans based on collateral and risk grade criteria, as well as the levels of owner-occupied versus non-owner occupied loans.

#### Construction

Construction loans are underwritten utilizing a combination of tools and techniques including feasibility and market studies, independent appraisals and appraisal reviews, absorption and interest rate sensitivity analysis as well as the financial analysis of the developer and all guarantors. Construction loans are monitored by either in house or third party inspectors limiting advances to a percentage of costs or stabilized project value. These loans frequently involve the disbursement of significant funds with the repayment dependent upon the successful completion and, where necessary, the future stabilization of the project. The predominant inherent risk of this portfolio is associated with the borrower's ability to successfully complete a project on time, within budget and stabilize the projected as originally projected.

#### Consumer and Residential

With respect to residential loans that are secured by 1-4 family residences, which are typically owner occupied, the Corporation generally establishes a maximum loan-to-value ratio and requires private mortgage insurance if that ratio is exceeded. Home equity loans are secured by a subordinate interest in 1-4 family residences, and consumer loans are secured by consumer assets such as automobiles or recreational vehicles. Some consumer loans, such as small installment loans and certain lines of credit, are unsecured. Repayment of these loans is primarily dependent on the personal income and credit rating of the borrowers and can also be impacted by changes in property values. Risk is mitigated by the fact that the loans are of smaller individual amounts and spread over a large number of borrowers.

The allowance for credit losses decreased \$15.4 million and \$17.5 million, due to net charge-offs during the three and nine months ended September 30, 2023, respectively. There were two large commercial and industrial loan charge-offs of \$13.7 million and \$5.4 million in the third quarter of 2023. These charge-offs, along with related specific reserves, materially represent the entire credit risk on the loans that were idiosyncratic in nature and are not indicative of a larger

portfolio credit issue. There was \$5.0 million in provision for credit losses during the three and nine months ended September 30, 2023. The allowance for credit losses increased \$427,000 and \$31.3 million for the three and nine months ended September 30, 2022, respectively. The increase for the nine months ended September 30, 2022 was primarily due to \$16.6 million of allowance for credit losses on PCD loans acquired in the Level One acquisition established through accounting adjustments on the acquisition date. In addition, \$14.0 million was recorded to establish an allowance for credit losses on non-PCD loans acquired in the Level One acquisition. The following tables summarize changes in the allowance for credit losses by loan segment for the three and nine months ended September 30, 2023 and 2022:

Three Months Ended September 30, 2023					
	Commercial	Commercial Real Estate	Construction	Consumer & Residential	Total
<b>Allowance for credit losses</b>					
Balances, June 30, 2023	\$ 108,373	\$ 39,157	\$ 30,073	\$ 43,544	\$ 221,147
Provision for credit losses	3,020	4,901	140	(3,061)	5,000
Recoveries on loans	179	—	—	367	546
Loans charged off	(19,833)	—	—	(1,078)	(20,911)
Balances, September 30, 2023	\$ 91,739	\$ 44,058	\$ 30,213	\$ 39,772	\$ 205,782

Nine Months Ended September 30, 2023					
	Commercial	Commercial Real Estate	Construction	Consumer & Residential	Total
<b>Allowance for credit losses</b>					
Balances, December 31, 2022	\$ 102,216	\$ 46,839	\$ 28,955	\$ 45,267	\$ 223,277
Provision for credit losses	9,460	(2,833)	1,258	(2,885)	5,000
Recoveries on loans	775	56	—	1,004	1,835
Loans charged off	(20,712)	(4)	—	(3,614)	(24,330)
Balances, September 30, 2023	\$ 91,739	\$ 44,058	\$ 30,213	\$ 39,772	\$ 205,782

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Three Months Ended September 30, 2022					
	Commercial	Commercial Real Estate	Construction	Consumer & Residential	Total
<b>Allowance for credit losses</b>					
Balances, June 30, 2022	\$ 94,228	\$ 55,328	\$ 27,401	\$ 49,318	\$ 226,275
Provision for credit losses	10,142	(7,054)	186	(3,274)	—
Recoveries on loans	81	188	824	222	1,315
Loans charged off	(306)	(1)	—	(581)	(888)
Balances, September 30, 2022	\$ 104,145	\$ 48,461	\$ 28,411	\$ 45,685	\$ 226,702

Nine Months Ended September 30, 2022					
	Commercial	Commercial Real Estate	Construction	Consumer & Residential	Total
<b>Allowance for credit losses</b>					
Balances, December 31, 2021	\$ 69,935	\$ 60,665	\$ 20,206	\$ 44,591	\$ 195,397
Provision for credit losses	18,518	(21,697)	5,862	(2,683)	—
CECL Day 1 non-PCD provision for credit losses	2,957	5,539	871	4,588	13,955
CECL Day 1 PCD ACL	12,970	2,981	648	—	16,599
Recoveries on loans	789	1,096	824	827	3,536
Loans charged off	(1,024)	(123)	—	(1,638)	(2,785)
Balances, September 30, 2022	\$ 104,145	\$ 48,461	\$ 28,411	\$ 45,685	\$ 226,702

The allowance for credit losses decreased \$253,000 during the three months ended March 31, 2024. Net charge-offs totaled \$2.3 million and provision expense of \$2.0 million was recorded during the three months ended March 31, 2024. The allowance for credit losses decreased \$225,000 due to net charge-offs for the

three months ended March 31, 2023. The following tables summarize changes in the allowance for credit losses by loan segment for the three months ended March 31, 2024 and 2023:

Three Months Ended March 31, 2024					
	Commercial	Commercial Real Estate	Construction	Consumer & Residential	Total
Allowance for credit losses					
Balances, December 31, 2023	\$ 97,348	\$ 44,048	\$ 24,823	\$ 38,715	\$ 204,934
Provision for credit losses	3,145	1,528	(4,454)	1,781	2,000
Recoveries on loans	551	53	—	296	900
Loans charged off	(1,831)	(351)	—	(971)	(3,153)
Balances, March 31, 2024	\$ 99,213	\$ 45,278	\$ 20,369	\$ 39,821	\$ 204,681

Three Months Ended March 31, 2023					
	Commercial	Commercial Real Estate	Construction	Consumer & Residential	Total
Allowance for credit losses					
Balances, December 31, 2022	\$ 102,216	\$ 46,839	\$ 28,955	\$ 45,267	\$ 223,277
Provision for credit losses	(1,199)	(583)	(384)	2,166	—
Recoveries on loans	530	56	—	258	844
Loans charged off	(243)	(4)	—	(822)	(1,069)
Balances, March 31, 2023	\$ 101,304	\$ 46,308	\$ 28,571	\$ 46,869	\$ 223,052

Off-Balance Sheet Arrangements, Commitments And Contingencies

In the normal course of business, the Corporation has entered into off-balance sheet financial instruments which include commitments to extend credit and standby letters of credit. Commitments to extend credit are usually the result of lines of credit granted to existing borrowers under agreements that the total outstanding indebtedness will not exceed a specific amount during the term of the indebtedness. Typical borrowers are commercial customers that use lines of credit to supplement their treasury management functions, and thus their total outstanding indebtedness may fluctuate during any time period based on the seasonality of their business and the resultant timing for their cash flows. Other typical lines of credit are related to home equity loans granted to customers. Commitments to extend credit generally have fixed expiration dates or other termination clauses that may require a fee.

Standby letters of credit are generally issued on behalf of an applicant (the Corporation's customer) to a specifically named beneficiary and are the result of a particular business arrangement that exists between the applicant and the beneficiary. Standby letters of credit have fixed expiration dates and are usually for terms of two years or less unless terminated beforehand due to criteria specified in the standby letter of credit. The standby letter of credit would permit the beneficiary to obtain payment from the Corporation under certain prescribed circumstances. Subsequently, the Corporation would seek reimbursement from the applicant pursuant to the terms of the standby letter of credit.

The Corporation typically follows the same credit policies and underwriting practices when making these commitments as it does for on-balance sheet instruments. Each customer's creditworthiness is typically evaluated on a case-by-case basis, and the amount of collateral obtained, if any, is based on management's credit evaluation of the customer. Collateral held varies but may include cash, real estate, marketable securities, accounts receivable, inventory, equipment and personal property.

The contractual amounts of these commitments are not reflected in the consolidated financial statements and only amounts drawn upon would be reflected in the future. Since many of the commitments are expected to expire without being drawn upon, the contractual amounts do not necessarily represent future cash requirements. However, should the commitments be drawn upon and should the Corporation's customers default on their resulting obligation to the Corporation, the maximum exposure to credit loss, without consideration of collateral, is represented by the contractual amount of those commitments.

Financial instruments with off-balance sheet risk were as follows:

		September 30, 2023	December 31, 2022
March 31, 2024		March 31, 2024	December 31, 2023
Amounts of commitments:	Amounts of commitments:		
Loan commitments to extend credit	Loan commitments to extend credit	\$5,074,572	\$4,950,724
Loan commitments to extend credit			
Loan commitments to extend credit			





Core deposit intangibles and other intangibles are recorded on the acquisition date of an entity. The Corporation has one year after the acquisition date, the measurement period, to record subsequent adjustments to these intangibles for provisional amounts recorded at the acquisition date. The Level One acquisition on April 1, 2022 resulted in a core deposit intangible of \$17.2 million and other intangibles, consisting of non-compete intangibles, of \$1.4 million. Details regarding the Level One acquisition are discussed in NOTE 2. ACQUISITIONS of these Notes to Consolidated Condensed Financial Statements. The carrying basis and accumulated amortization of recognized core deposit intangibles and other intangibles are noted below.

	September 30, 2023	December 31, 2022
Gross carrying amount	\$ 123,285	\$ 104,643
Other intangibles acquired	—	18,642
Accumulated amortization	(94,004)	(87,443)
Total core deposit and other intangibles	\$ 29,281	\$ 35,842

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The core deposit intangibles and other intangibles are being amortized primarily on an accelerated basis over their estimated useful lives, generally over a period of two years to ten years. Intangible amortization expenses for each of the three and nine months ended September 30, 2023 were \$2.2 million and \$6.6 million, respectively. This was compared to the three and nine months ended September 30, 2022 which were \$2.3 million and \$6.0 million, respectively. Estimated future amortization expense is summarized as follows:

	Amortization Expense
2023	\$ 2,183
2024	7,271
2025	6,028
2026	4,910
2027	3,603
After 2027	5,286
	\$ 29,281

NOTE 7

DERIVATIVE FINANCIAL INSTRUMENTS

Risk Management Objective of Using Derivatives

The Corporation is exposed to certain risks arising from both its business operations and economic conditions. The Corporation principally manages its exposures to a wide variety of business and operational risks through management of its core business activities. The Corporation manages economic risks, including interest rate, liquidity, and credit risk, primarily by managing the amount, sources, and duration of its assets and liabilities and through the use of derivative financial instruments. Specifically, the Corporation 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 Corporation's derivative financial instruments are used to manage differences in the amount, timing, and duration of the Corporation's known or expected cash payments principally related to certain variable-rate liabilities. The Corporation also has derivatives that are a result of a service the Corporation provides to certain qualifying customers, and, therefore, are not used to manage interest rate risk in the Corporation's assets or liabilities. The Corporation manages a matched book with respect to its derivative instruments offered as a part of this service to its customers in order to minimize its net risk exposure resulting from such transactions.

Derivatives Designated as Hedges

The Corporation's objectives in using interest rate derivatives are to add stability to interest expense and to manage its exposure to interest rate movements. To accomplish these objectives, the Corporation primarily uses interest rate swaps and interest rate caps as part of its interest rate risk management strategy. Interest rate swaps designated as cash flow hedges involve the payment of fixed amounts to a counterparty in exchange for the Corporation receiving variable payments over the life of the agreements without exchange of the underlying notional amount. Interest rate caps designated as cash flow hedges involve the receipt of variable amounts from a counterparty if interest rates rise above the strike rate on the contract in exchange for an up-front premium. As of December 31, 2022, March 31, 2024 and December 31, 2023 the Corporation had one no interest rate swap with a notional amount of \$10.0 million that was used to hedge the variable cash outflows (SOFR-based) associated with one Federal Home Loan Bank advance. This interest swap matured in the third quarter of 2023.

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swaps.

The effective portion of changes in the fair value of derivatives designated and that qualify as cash flow hedges is recorded in accumulated other comprehensive income (loss) and is subsequently reclassified into earnings in the period that the hedged forecasted transaction affects earnings. During 2023, \$10.0 million of interest rate swaps were used to hedge the variable cash outflows (SOFR-based) associated with one Federal Home Loan Bank advance. The ineffective portion of the change in fair value of the derivatives is recognized directly in earnings. During the three and nine months ended September 30, 2023 March 31, 2024 and 2022 2023, the Corporation did not recognize any ineffectiveness.

Amounts reported in accumulated other comprehensive loss income (loss) related to derivatives will be reclassified to interest expense as interest payments are made on the Corporation's variable-rate liabilities. During the next twelve months, the Corporation doesn't expect to reclassify income (loss) from accumulated other comprehensive loss income (loss) to interest income.

The following table summarizes the Corporation's derivatives designated as hedges:

	Asset Derivatives				Liability Derivatives			
	September 30, 2023		December 31, 2022		September 30, 2023		December 31, 2022	
	Balance		Balance		Balance		Balance	
	Sheet	Fair	Sheet	Fair	Sheet	Fair	Sheet	Fair
	Location	Value	Location	Value	Location	Value	Location	Value
Cash flow hedges:								
Interest rate swaps on borrowings	Other Assets	\$ —	Other Assets	\$ 164	Other Liabilities	\$ —	Other Liabilities	\$ —

The amount of gain (loss) recognized in other comprehensive income (loss) is included in the table below for the periods indicated.

	Amount of Gain (Loss) Recognized in Other Comprehensive Income (Loss) on Derivatives			
	(Effective Portion)			
	Three Months Ended		Nine Months Ended	
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
	Derivatives in Cash Flow Hedging Relationships		Derivatives in Cash Flow Hedging Relationships	
Interest Rate Products	\$ (66)	\$ 94	\$ (179)	\$ 507

	Amount of Loss Recognized in Other Comprehensive Income (Loss) on Derivatives	
	(Effective Portion)	
	Three Months Ended	
	March 31, 2024	March 31, 2023
	Derivatives in Cash Flow Hedging Relationships	
Interest Rate Products	\$ —	\$ (51)

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The amount of gain (loss) reclassified from other comprehensive income (loss) into income related to cash flow hedging relationships is included in the table below for the periods indicated.

Derivatives Designated as Hedging Instruments	Location of Gain (Loss) Recognized Income on Derivative	Amount of Gain (Loss) Reclassified from Other Comprehensive Income (Loss) into Income (Effective Portion)			
		Three Months Ended		Three Months Ended	
		September 30, 2023	March 31, 2024	September 30, 2022	March 31, 2023
Interest rate contracts	Interest Expense	\$ —	\$ —	\$ (78)	\$ 1

Derivatives Designated as Hedging Instruments	Location of Gain (Loss) Recognized Income on Derivative	Amount of Gain (Loss) Reclassified from Other Comprehensive Income (Loss) into Income (Effective Portion)			
		Nine Months Ended		Nine Months Ended	
		September 30, 2023		September 30, 2022	
Interest rate contracts	Interest Expense	\$ (15)	\$ —	\$ (496)	\$ —

Non-designated Hedges

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

Commitments to fund certain mortgage loans (interest rate locks) to be sold into the secondary market and forward commitments for the future delivery of mortgage loans to third party investors are considered derivatives. It is the Corporation's practice to enter into forward commitments for the future delivery of residential mortgage loans when interest rate lock commitments are entered into in order to economically hedge the effect of changes in interest rates resulting from its commitments to fund the loans. These mortgage banking derivatives are not designated in hedge relationships. Fair values were estimated based on changes in mortgage interest rates from the date of the commitments. Changes in the fair value of these mortgage banking derivatives are included in net gains and fees on sales of loans.

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The table below presents the fair value of the Corporation's non-designated hedges, as well as their classification on the Consolidated Condensed Balance Sheet, as of September 30, 2023, March 31, 2024, and December 31, 2023.

		September 30, 2023		December 31, 2022						
		Notional	Fair	Notional	Fair					
		Amount	Value	Amount	Value					
March 31, 2024						March 31, 2024		December 31, 2023		
Notional Amount						Notional Amount	Fair Value	Notional Amount	Fair Value	
Included in other assets:	Included in other assets:									
Interest rate swaps										
Interest rate swaps										
Interest rate swaps	Interest rate swaps	\$1,321,737	\$113,691	\$1,184,866	\$92,652					
Forward contracts related to mortgage loans to be delivered for sale	Forward contracts related to mortgage loans to be delivered for sale									
sale	sale	66,301	768	14,406	188	Forward contracts related to mortgage loans to be delivered for sale	25,689	357	15,160	469
Interest rate lock commitments	Interest rate lock commitments	10,761	82	5,049	32	Interest rate lock commitments	30,146	177	22,706	167
Included in other assets	Included in other assets	\$1,398,799	\$114,541	\$1,204,321	\$92,872					
Included in other liabilities:	Included in other liabilities:									
Interest rate swaps	Interest rate swaps	\$1,321,737	\$113,740	\$1,184,866	\$92,652					
Interest rate swaps										
Interest rate swaps										
Forward contracts related to mortgage loans to be delivered for sale	Forward contracts related to mortgage loans to be delivered for sale									
sale	sale	14,847	36	4,483	63	Forward contracts related to mortgage loans to be delivered for sale	32,935	143	25,290	191



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#### Credit-risk-related Contingent Features

The Corporation has agreements with certain of its derivative counterparties that contain a provision where if the Corporation fails to maintain its status as a well or adequately capitalized institution, then the Corporation could be required to terminate or fully collateralize all outstanding derivative contracts. Additionally, the Corporation has agreements with certain of its derivative counterparties that contain a provision where if the Corporation defaults on any of its indebtedness, including default where repayment of the indebtedness has not been accelerated by the lender, then the Corporation could also be declared in default on its derivative obligations. As of September 30, 2023 March 31, 2024, the termination value of derivatives in a net liability position related to these agreements was \$105,000, \$4.0 million, which resulted in no collateral pledged to counterparties as of September 30, 2023 March 31, 2024. While the Corporation did not breach any of these provisions as of September 30, 2023 March 31, 2024, if it had, the Corporation could have been required to settle its obligations under the agreements at their termination value.

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#### NOTE 8 5

#### FAIR VALUES OF FINANCIAL INSTRUMENTS

The Corporation used fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. The accounting guidance defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. ASC 820 applies only when other guidance requires or permits assets or liabilities to be measured at fair value; it does not expand the use of fair value in any new circumstances.

As defined in ASC 820, fair value is the price to sell an asset or transfer a liability in an orderly transaction between market participants. It represents an exit price at the measurement date. Market participants are buyers and sellers, who are independent, knowledgeable, and willing and able to transact in the principal (or most advantageous) market for the asset or liability being measured. Current market conditions, including imbalances between supply and demand, are considered in determining fair value. The Corporation values its assets and liabilities in the principal market where it sells the particular asset or transfers the liability with the greatest volume and level of activity. In the absence of a principal market, the valuation is based on the most advantageous market for the asset or liability (i.e., the market where the asset could be sold or the liability transferred at a price that maximizes the amount to be received for the asset or minimizes the amount to be paid to transfer the liability).

Valuation inputs refer to the assumptions market participants would use in pricing a given asset or liability. Inputs can be observable or unobservable. Observable inputs are those assumptions which market participants would use in pricing the particular asset or liability. These inputs are based on market data and are obtained from a source independent of the Corporation. Unobservable inputs are assumptions based on the Corporation's own information or estimate of assumptions used by market participants in pricing the asset or liability. Unobservable inputs are based on the best and most current information available on the measurement date. All inputs, whether observable or unobservable, are ranked in accordance with a prescribed fair value hierarchy which gives the highest ranking to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1) and the lowest ranking to unobservable inputs for which there is little or no market activity (Level 3). Fair values for assets or liabilities classified as Level 2 are based on one or a combination of the following factors: (i) quoted prices for similar assets; (ii) observable inputs for the asset or liability, such as interest rates or yield curves; or (iii) inputs derived principally from or corroborated by observable market data. The level in the fair value hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement in its entirety. The Corporation considers an input to be significant if it drives 10 percent or more of the total fair value of a particular asset or liability.

#### RECURRING MEASUREMENTS

Assets and liabilities are considered to be measured at fair value on a recurring basis if fair value is measured regularly (i.e., daily, weekly, monthly or quarterly). Recurring valuation occurs at a minimum on the measurement date. Assets and liabilities are considered to be measured at fair value on a nonrecurring basis if the fair value measurement of the instrument does not necessarily result in a change in the amount recorded on the balance sheet. Generally, nonrecurring valuation is the result of the application of other accounting pronouncements which require assets or liabilities to be assessed for impairment and recorded at the lower of cost or fair value. The fair value of assets or liabilities transferred in or out of Level 3 is measured on the transfer date, with any additional changes in fair value subsequent to the transfer considered to be realized or unrealized gains or losses.

Following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the accompanying balance sheets, as well as the general classification of such instruments pursuant to the valuation hierarchy.

#### Investment Securities

Where quoted prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include U.S. Treasury securities. Where significant observable inputs, other than Level 1 quoted prices, are available, securities are classified within Level 2 of the valuation hierarchy. Level 2 securities include U.S. Government-sponsored agency and mortgage-backed securities, state and municipal securities and corporate obligations securities. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy and include state and municipal securities, U.S. Government-sponsored mortgage-backed securities and corporate obligations securities. Level 3 fair value for securities was determined using a discounted cash flow model that incorporated market estimates of interest rates and volatility in markets that have not been active.

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Third party vendors compile prices from various sources and may apply such techniques as matrix pricing to determine the value of identical or similar investment securities (Level 2). Matrix pricing is a mathematical technique widely used in the banking industry to value investment securities without relying exclusively on quoted prices for specific investment securities but rather relying on the investment securities' relationship to other benchmark quoted investment securities. Any investment security not valued based upon the methods above are considered Level 3.

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Derivative Financial Agreements

See information regarding the Corporation's derivative financial agreements in NOTE 7. 4. DERIVATIVE FINANCIAL INSTRUMENTS of these Notes to Consolidated Condensed Financial Statements.

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying balance sheets measured at fair value on a recurring basis and the level within the ASC 820-10 fair value hierarchy in which the fair value measurements fall at September 30, 2023 March 31, 2024, and December 31, 2022 December 31, 2023.

Fair Value Measurements Using:					Fair Value Measurements Using:				
Quoted Prices in Active Markets for Identical Assets					Significant Other Observable Inputs				
for Other Significant Inputs					Significant Unobservable Inputs				
Fair Value (Level 1) (Level 2) (Level 3)					Fair Value (Level 1) (Level 2) (Level 3)				
September 30, 2023									
Available for sale securities:					Available for sale securities:				
U.S. Treasury	\$ 1,713	\$ 1,713	\$ —	\$ —					
U.S. Government-sponsored agency securities									
U.S. Government-sponsored agency securities									
U.S. Government-sponsored agency securities	93,585	—	93,585	—					
State and municipal	973,056	—	969,863	3,193					
U.S. Government-sponsored mortgage-backed securities	419,963	—	419,959	4					
Corporate obligations	11,819	—	11,788	31					
Derivative assets	114,541	—	114,541	—					
Derivative liabilities	114,014	—	114,014	—					
Fair Value Measurements Using:					Fair Value Measurements Using:				





Purchases, issuances and settlements					
		—	—	—	5,111
Included in other comprehensive income					
Included in other comprehensive income					
Principal payments					
Principal payments					
Principal payments	Principal payments	(90)	(3,152)	(183)	(4,498)
Ending balance	Ending balance	\$ 3,228	\$ 5,507	\$ 3,228	\$ 5,507
Ending balance					
Ending balance					

There were no gains or losses included in earnings that were attributable to the changes in unrealized gains or losses related to assets or liabilities held at September 30, 2023 March 31, 2024 or December 31, 2022 December 31, 2023.

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Transfers Between Levels

There were no transfers in or out of Level 3 during the three and nine months ended September 30, 2023 March 31, 2024 and 2022, 2023.

Nonrecurring Measurements

Following is a description of valuation methodologies used for instruments measured at fair value on a nonrecurring basis and recognized in the accompanying balance sheets, as well as the general classification of such instruments pursuant to the valuation hierarchy at September 30, 2023 March 31, 2024, and December 31, 2022 December 31, 2023.

		Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs
September 30, 2023	Fair Value	(Level 1)	(Level 2)	(Level 3)
Collateral dependent loans	\$ 50,607	\$ —	\$ —	\$ 50,607
Other real estate owned	362	—	—	362

		Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs
March 31, 2024	Fair Value	(Level 1)	(Level 2)	(Level 3)
Collateral dependent loans	\$ 33,522	\$ —	\$ —	\$ 33,522

		Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs
December 31, 2022	Fair Value	(Level 1)	(Level 2)	(Level 3)

								Quoted Prices in		Significant Other							
								Active Markets for		Observable		Significant Unobservable					
December								Identical Assets		Inputs		Inputs					
31, 2023								December 31, 2023		Fair Value		(Level 1)		(Level 2)		(Level 3)	
Collateral	Collateral																
dependent	dependent																
loans	loans							\$55,290	\$	—	\$	—	\$	55,290			

Collateral Dependent Loans and Other Real Estate Owned

Determining fair value for collateral dependent loans and other real estate requires obtaining a current independent appraisal of the collateral and applying a discount factor, which includes selling costs if applicable, to the value. The fair value of real estate is generally based on appraisals by qualified licensed appraisers. The appraisers typically determine the value of the real estate by utilizing an income or market valuation approach. If an appraisal is not available, the fair value may be determined by using a cash flow analysis. Fair value on other collateral such as business assets is typically ascertained by assessing, either singularly or some combination of, asset appraisals, accounts receivable aging reports, inventory listings and or customer financial statements. Both appraised values and values based on borrower’s financial information are discounted as considered appropriate based on age and quality of the information and current market conditions.

Unobservable (Level 3) Inputs

The following tables present quantitative information about unobservable inputs used in recurring and nonrecurring Level 3 fair value measurements, other than goodwill, at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023.

September 30, 2023 March 31, 2024	Fair Value	Valuation Technique	Unobservable Inputs	Range (Weighted-Average)
State and municipal securities	\$ 3,193 3,212	Discounted cash flow	Maturity/Call date	1 month to 15 years
			US Muni BQ curve	BBB
			Discount rate	4.2% 3.4% - 5.1% 4.6%
			Weighted-average coupon	3.3%
Corporate obligations and U.S. Government-sponsored mortgage-backed securities	\$ 35	Discounted cash flow	Risk free rate	3 month CME Term SOFR plus 26bps
			plus premium for illiquidity (basis points)	plus 200bps
			Weighted-average coupon	0%
Collateral dependent loans	\$ 50,607 33,522	Collateral based measurements	Discount to reflect current market conditions and ultimate collectability	0% - 10%
			Weighted-average discount by loan balance	4.8% 4.2%
	0% - 10%			

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December 31, 2022 2023	Fair Value	Valuation Technique	Unobservable Inputs	Range (Weighted-Average)
State and municipal securities	\$ 3,404 3,275	Discounted cash flow	Maturity/Call date	1 month to 15 years
			US Muni BQ curve	A- to BBB
			Discount rate	0.4% 3.6% - 8% 4.7%
			Weighted-average coupon	3.4% 3.3%
Corporate obligations and U.S. Government-sponsored mortgage-backed securities	\$ 35	Discounted cash flow	Risk free rate	3 month LIBOR CME Term SOFR plus 26bps
			plus premium for illiquidity (basis points)	plus 200bps
			Weighted-average coupon	0%
Collateral dependent loans	\$ 55,290 55,020	Collateral based measurements	Discount to reflect current market conditions and ultimate collectability	0% - 10%
			Weighted-average discount by loan balance	1.1% 4.1%

The following is a discussion of the sensitivity of significant unobservable inputs, the interrelationships between those inputs and other unobservable inputs used in recurring fair value measurement and how those inputs might magnify or mitigate the effect of changes in the unobservable inputs on the fair value measurement.

State and Municipal Securities, Corporate Obligations and U.S. Government-sponsored Mortgage-Backed Securities

The significant unobservable inputs used in the fair value measurement of the Corporation's state and municipal securities, corporate obligations and U.S. Government-sponsored mortgage-backed securities are premiums for unrated securities and marketability discounts. Significant increases or decreases in either of those inputs in isolation would result in a significantly lower or higher fair value measurement. Generally, changes in either of those inputs will not affect the other input.

Fair Value of Financial Instruments

The following table presents estimated fair values of the Corporation's financial instruments and the level within the fair value hierarchy in which the fair value measurements fall at September 30, 2023, March 31, 2024 and December 31, 2022.

March 31, 2024											
		September 30, 2023									
		Quoted Prices in Active Markets for Identical Assets									
		Significant Other Observable Inputs									
		Significant Unobservable Inputs									
		Carrying Amount	(Level 1)	(Level 2)	(Level 3)	Total Fair Value	Carrying Amount	(Level 1)	(Level 2)	(Level 3)	Total Fair Value
Assets:	Assets:										
Cash and due from banks	Cash and due from banks										
Cash and due from banks	Cash and due from banks										
Cash and due from banks	Cash and due from banks	\$ 125,173	\$ 125,173	\$ —	\$ —	\$ 125,173					
Interest-bearing deposits	Interest-bearing deposits	348,639	348,639	—	—	348,639					
Investment securities available for sale	Investment securities available for sale	1,500,136	1,713	1,495,195	3,228	1,500,136					
Investment securities held to maturity, net	Investment securities held to maturity, net	2,213,588	—	1,730,830	10,395	1,741,225					
Loans held for sale	Loans held for sale	30,972	—	30,972	—	30,972					
Loans, net	Loans, net	12,065,640	—	—	11,801,546	11,801,546					
Federal Home Loan Bank stock	Federal Home Loan Bank stock	41,797	—	41,797	—	41,797					
Derivative assets	Derivative assets	114,541	—	114,541	—	114,541					
Interest receivable	Interest receivable	90,011	—	90,011	—	90,011					
Liabilities:	Liabilities:										
Deposits	Deposits	\$14,646,576	\$12,524,202	\$2,104,703	\$ —	14,628,905					
Deposits	Deposits										
Deposits	Deposits										
Borrowings:	Borrowings:										
Securities sold under repurchase agreements	Securities sold under repurchase agreements										
Securities sold under repurchase agreements	Securities sold under repurchase agreements										
Securities sold under repurchase agreements	Securities sold under repurchase agreements	152,537	—	152,523	—	152,523					
Federal Home Loan Bank advances	Federal Home Loan Bank advances	713,384	—	695,425	—	695,425					

Subordinated debentures and other borrowings	Subordinated debentures and other borrowings	158,665	—	135,847	—	135,847
Derivative liabilities	Derivative liabilities	114,014	—	114,014	—	114,014
Interest payable	Interest payable	16,473	—	16,473	—	16,473

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December 31, 2023									
December 31, 2022									
Quoted Prices in Active Markets for Identical Assets									
Significant Other Inputs									
Significant Unobservable Inputs									
Carrying Amount									
Total Fair Value									
Carrying Amount									
(Level 1)									
(Level 2)									
(Level 3)									
Total Fair Value									
Assets:	Assets:								
Cash and due from banks	Cash and due from banks								
Cash and due from banks	Cash and due from banks								
Cash and due from banks	Cash and due from banks	\$ 122,594	\$ 122,594	\$ —	\$ —	\$ 122,594			
Interest-bearing deposits	Interest-bearing deposits	126,061	126,061	—	—	126,061			
Investment securities available for sale	Investment securities available for sale	1,976,661	2,459	1,970,763	3,439	1,976,661			
Investment securities held to maturity, net	Investment securities held to maturity, net	2,287,127	—	1,893,271	14,594	1,907,865			
Loans held for sale	Loans held for sale	9,094	—	9,094	—	9,094			
Loans, net	Loans, net	11,780,617	—	—	11,156,217	11,156,217			
Federal Home Loan Bank stock	Federal Home Loan Bank stock	38,525	—	38,525	—	38,525			
Derivative assets	Derivative assets	93,036	—	93,036	—	93,036			
Interest receivable	Interest receivable	85,070	—	85,070	—	85,070			
Liabilities:	Liabilities:								
Deposits	Deposits	\$14,382,745	\$13,105,936	\$1,251,017	\$ —	14,356,953			
Deposits	Deposits								
Deposits	Deposits								
Borrowings:	Borrowings:								
Federal funds purchased	Federal funds purchased	171,560	—	171,560	—	171,560			
Securities sold under repurchase agreements	Securities sold under repurchase agreements								
Securities sold under repurchase agreements	Securities sold under repurchase agreements								

Securities sold under repurchase agreements	Securities sold under repurchase agreements	167,413	—	167,396	—	167,396
Federal Home Loan Bank advances	Federal Home Loan Bank advances	823,674	—	615,211	—	615,211
Subordinated debentures and other borrowings	Subordinated debentures and other borrowings	151,298	—	122,102	—	122,102
Derivative liabilities	Derivative liabilities	92,770	—	92,770	—	92,770
Interest payable	Interest payable	7,530	—	7,530	—	7,530

#### NOTE 6

#### QUALIFIED AFFORDABLE HOUSING INVESTMENTS

The Corporation has investments in various limited partnerships that sponsor affordable housing projects. The purpose of these investments is to earn an adequate return of capital through the receipt of low income housing tax credits and to assist the Corporation in achieving goals associated with the CRA. These investments are included in other assets on the Consolidated Balance Sheet, with any unfunded commitments included in other liabilities. The investments are amortized as a component of income tax expense.

The following table summarizes the Corporation's affordable housing investments as of March 31, 2024 and December 31, 2023:

Investment Type	March 31, 2024		December 31, 2023	
	Investment	Unfunded Commitment	Investment	Unfunded Commitment
LIHTC	\$ 112,728	\$ 88,433	\$ 114,514	\$ 96,408

The following table summarizes the amortization expense and tax credits recognized for the Corporation's affordable housing investments for the three months ended March 31, 2024 and 2023, respectively:

	Three Months Ended March 31,	
	2024	2023
Amortization expense	\$ 1,696	\$ 244
Tax credits recognized	1,644	284

#### NOTE 7

#### TRANSFERS ACCOUNTED FOR AS SECURED BORROWINGS

The collateral pledged for all repurchase agreements that are accounted for as secured following table summarizes the Corporation's borrowings as of September 30, 2023, March 31, 2024 and December 31, 2022 were: December 31, 2023:

	September 30, 2023				
	Remaining Contractual Maturity of the Agreements				
	Overnight and Continuous	Up to 30 Days	30-90 Days	Greater Than 90 Days	Total
U.S. Government-sponsored mortgage-backed securities	\$ 152,537	\$ —	\$ —	\$ —	\$ 152,537

	March 31, 2024	December 31, 2023
Securities sold under repurchase agreements	\$ 130,264	\$ 157,280
Federal Home Loan Bank advances	612,778	712,852
Subordinated debentures and other borrowings	118,612	158,644
Total Borrowings	\$ 861,654	\$ 1,028,776

	December 31, 2022				
	Remaining Contractual Maturity of the Agreements				
	Overnight and Continuous	Up to 30 Days	30-90 Days	Greater Than 90 Days	Total
U.S. Government-sponsored mortgage-backed securities	\$ 167,413	\$ —	\$ —	\$ —	\$ 167,413

Securities sold under repurchase agreements consist of obligations of the Bank to other parties and are secured by U.S. Government-sponsored enterprise obligations. The maximum amount of outstanding agreements at any month-end during the first three months of 2024 and 2023 totaled \$194.2 million and \$242.2 million, respectively, and the average of such agreements totaled \$172.7 million and \$208.0 million during the same period of 2024 and 2023, respectively.

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**NOTE 10** The collateral pledged for all repurchase agreements that are accounted for as secured borrowings as of March 31, 2024 and December 31, 2023 were:

March 31, 2024					
Remaining Contractual Maturity of the Agreements					
	Overnight and Continuous	Up to 30 Days	30-90 Days	Greater Than 90 Days	Total
U.S. Government-sponsored mortgage-backed securities	\$ 130,264	\$ —	\$ —	\$ —	\$ 130,264

December 31, 2023					
Remaining Contractual Maturity of the Agreements					
	Overnight and Continuous	Up to 30 Days	30-90 Days	Greater Than 90 Days	Total
U.S. Government-sponsored mortgage-backed securities	\$ 157,280	\$ —	\$ —	\$ —	\$ 157,280

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Contractual maturities of borrowings as of March 31, 2024, are as follows:

Maturities in Years Ending December 31:	Securities Sold	Federal Home	Subordinated
	Under Repurchase Agreements	Loan Bank	Debentures and
		Advances	Term Loans
2024	\$ 130,264	\$ 60,000	\$ 1,166
2025	—	95,000	—
2026	—	75,000	—
2027	—	250,000	—
2028	—	115,000	30,000
2029 and after	—	17,778	91,029
ASC 805 fair value adjustments at acquisition	—	—	(3,583)
	<u>\$ 130,264</u>	<u>\$ 612,778</u>	<u>\$ 118,612</u>

The terms of a security agreement with the Federal Home Loan Bank ("FHLB") require the Corporation to pledge, as collateral for advances, qualifying first mortgage loans, investment securities and multi-family loans in an amount equal to at least 145 percent of these advances depending on the type of collateral pledged. At March 31, 2024, the outstanding FHLB advances had interest rates from 0.35 to 4.94 percent and are subject to restrictions or penalties in the event of prepayment. The total available remaining borrowing capacity from the FHLB at March 31, 2024, was \$721.2 million. As of March 31, 2024, the Corporation had \$110.0 million of putable advances with the FHLB.

**Subordinated Debentures and Term Loans.** As of March 31, 2024 and December 31, 2023, subordinated debentures and term loans totaled \$118.6 million and \$158.6 million, respectively.

- **First Merchants Capital Trust II ("FMC Trust II").** At March 31, 2024 and December 31, 2023, the Corporation had \$41.7 million of subordinated debentures issued to FMC Trust II, a wholly-owned statutory business trust. FMC Trust II was formed in July 2007 for purposes of issuing trust preferred securities to investors. At that time, it simultaneously issued and sold its common securities to the Corporation, which constituted all of the issued and outstanding common securities of FMC Trust II. The subordinated debentures, which were purchased with the proceeds of the sale of the trust's capital securities, are the sole assets of FMC Trust II and are fully and unconditionally guaranteed by the Corporation. As of March 31, 2024, the subordinated debentures and trust preferred securities bear interest at a variable rate equal to the three-month CME Term Secured Overnight Financing Rate ("SOFR"), plus the 0.26161 percent spread adjustment. The interest rate at March 31, 2024 was 7.15 percent. As of December 31, 2023, the subordinated debentures and the trust preferred securities bear interest at a variable rate equal to CME Term SOFR, plus the 0.26161 percent spread adjustment. The interest rate at December 31, 2023 was 7.21 percent. The trust preferred securities are currently redeemable at par and without penalty, subject to the Corporation having first redeemed the related subordinated debentures, with the prior approval of the Federal Reserve if then required under applicable

capital guidelines or policies. The trust preferred securities and the subordinated debentures of FMC Trust II will mature on September 15, 2037. The Corporation continues to hold all outstanding common securities of FMC Trust II.

- Ameriana Capital Trust I.** At March 31, 2024 and December 31, 2023, the Corporation had \$10.3 million of subordinated debentures issued to Ameriana Capital Trust I. On December 31, 2015, the Corporation acquired Ameriana Capital Trust I in conjunction with its acquisition of Ameriana Bancorp, Inc. With a trust preferred structure substantially similar to that described above for FMC Trust II, the subordinated debentures held by Ameriana Capital Trust I were purchased with the proceeds of the sale of the trust's capital securities. As of March 31, 2024, the subordinated debentures and trust preferred securities bear interest at a variable rate equal to the three-month CME Term SOFR, plus the 0.26161 percent spread adjustment. The interest rate at March 31, 2024 was 7.09 percent. As of December 31, 2023, the subordinated debentures and the trust preferred securities bear interest at a variable rate equal to three-month CME Term SOFR, plus the 0.26161 percent spread adjustment. The interest rate at December 31, 2023 was 7.15 percent. The trust preferred securities of Ameriana Capital Trust I are currently redeemable at par and without penalty, subject to the Corporation having first redeemed the related subordinated debentures, with the prior approval of the Federal Reserve if then required under applicable capital guidelines or policies. The trust preferred securities and the subordinated debentures of Ameriana Capital Trust I will mature in March 2036. The Corporation continues to hold all of the outstanding common securities of Ameriana Capital Trust I.

PART I. FINANCIAL INFORMATION

ITEM 1. NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

(table dollar amounts in thousands, except share data)  
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- First Merchants Senior Notes and Subordinated Notes.** On November 1, 2013, the Corporation completed the private issuance and sale to four institutional investors of an aggregate of \$70 million of debt comprised of (a) 5.00 percent Fixed-to-Floating Rate Senior Notes due 2028 in the aggregate principal amount of \$5 million (the "Senior Debt") and (b) 6.75 percent Fixed-to-Floating Rate Subordinated Notes due 2028 in the aggregate principal amount of \$65 million (the "Subordinated Debt"). The interest rate on the Senior Debt and Subordinated Debt remained fixed for the first ten (10) years and became floating thereafter. The rates converted to floating on October 30, 2023. As of March 31, 2024, the Senior Debt had an annual floating rate equal to the three-month CME Term SOFR, adjusted by the relevant spread adjustment (which is 0.26161 percent for a three-month tenor), plus 2.345 percent, or 7.91 percent, and the Subordinated Debt had an annual floating rate equal to the three-month CME Term SOFR, plus the 0.26161 percent spread adjustment, plus 4.095 percent, or 9.66 percent. The Corporation has an option to redeem the Subordinated Debt in whole or in part at a redemption price equal to 100 percent of the principal amount of the redeemed Subordinated Notes, plus accrued and unpaid interest to the date of the redemption. The option of redemption is subject to the approval of the Federal Reserve Board. The Corporation has an option to redeem the Senior Debt in whole or in part at a redemption price equal to 100 percent of the principal amount of the redeemed Senior Notes, plus accrued and unpaid interest to the date of the redemption; provided, however, that no Subordinated Notes (as defined in the Issuing and Paying Agency Agreement) may remain outstanding subsequent to any early redemption of Senior Notes. The Subordinated Debt and the Senior Debt options to redeem began with the interest payment date on October 30, 2023, or on any scheduled interest payment date thereafter. During the first quarter of 2024, the Corporation exercised its rights to redeem \$40.0 million in principal and paid the debt on the scheduled interest payment date. Additionally, the Corporation issued notice in the first quarter of 2024 to the holders of the Subordinated Debt that it intends to exercise its rights to redeem \$25.0 million in principal. This redemption occurred in the second quarter of 2024 on the scheduled interest payment date. Both redemptions were permitted under the optional redemptions provisions of the Subordinated Note Certificate representing the Subordinated Debt. The Senior Debt agreement contains certain customary representations and warranties and financial and negative covenants. As of March 31, 2024 and December 31, 2023 the Corporation was in compliance with these covenants.
- Level One Subordinated Notes.** On April 1, 2022, the Corporation assumed certain subordinated notes in conjunction with its acquisition of Level One. The \$30.0 million of subordinated notes issued on December 18, 2019 bear a fixed interest rate of 4.75 percent per annum, payable semiannually through December 18, 2024. The notes will bear a floating interest rate equal to the of three-month CME Term SOFR plus 3.11 percent, payable quarterly, after December 18, 2024 through maturity. The notes mature on December 18, 2029, and the Corporation has the option to redeem any or all of the subordinated notes without premium or penalty any time after December 18, 2024 or upon the occurrence of a tier 2 capital event or tax event.
- Other Borrowings.** During the third quarter of 2023, the Corporation acquired a secured borrowing in conjunction with the purchase of the Indianapolis regional headquarters building. The secured borrowing bears a fixed interest rate of 3.41 percent, has a maturity date of March 2035, and had a balance of \$7.3 million as of March 31, 2024 and December 31, 2023. On April 1, 2022, the Corporation acquired a secured borrowing in conjunction with its acquisition of Level One. The secured borrowing related to a certain loan participation sold by Level One that did not qualify for sales treatment. The secured borrowing bears a fixed rate of 1.00 percent and had a balance of \$1.2 million as of March 31, 2024 and December 31, 2023.

NOTE 8  
ACCUMULATED OTHER COMPREHENSIVE LOSS

The following table summarizes the changes in the balances of each component of accumulated other comprehensive income (loss), net of tax, as of September 30, 2023, March 31, 2024 and 2022: 2023:

	Accumulated Other Comprehensive Income (Loss)			
	Unrealized Gains (Losses) on Securities Available for Sale	Unrealized Gains (Losses) on Cash Flow Hedges	Unrealized Gains (Losses) on Defined Benefit Plans	Total
Balance at December 31, 2022	\$ (234,495)	\$ 130	\$ (4,786)	\$ (239,151)
Other comprehensive loss before reclassifications	(71,633)	(142)	—	(71,775)
Amounts reclassified from accumulated other comprehensive income	3,644	12	—	3,656
Period change	(67,989)	(130)	—	(68,119)
Balance at September 30, 2023	\$ (302,484)	\$ —	\$ (4,786)	\$ (307,270)
Balance at December 31, 2021	\$ 59,774	\$ (660)	\$ (4,001)	\$ 55,113
Other comprehensive income (loss) before reclassifications	(369,096)	400	—	(368,696)

Amounts reclassified from accumulated other comprehensive income	(898)	392	—	(506)
Period change	(369,994)	792	—	(369,202)
Balance at September 30, 2022	<u>\$ (310,220)</u>	<u>\$ 132</u>	<u>\$ (4,001)</u>	<u>\$ (314,089)</u>

	Accumulated Other Comprehensive Income (Loss)			
	Unrealized Gains (Losses) on Securities Available for Sale	Unrealized Gains (Losses) on Cash Flow Hedges	Unrealized Gains (Losses) on Defined Benefit Plans	Total
Balance at December 31, 2023	\$ (173,654)	\$ —	\$ (2,316)	\$ (175,970)
Other comprehensive income (loss) before reclassifications	(22,061)	—	—	(22,061)
Amounts reclassified from accumulated other comprehensive income (loss)	2	—	—	2
Period change	(22,059)	—	—	(22,059)
Balance at March 31, 2024	<u>\$ (195,713)</u>	<u>\$ —</u>	<u>\$ (2,316)</u>	<u>\$ (198,029)</u>
Balance at December 31, 2022	\$ (234,495)	\$ 130	\$ (4,786)	\$ (239,151)
Other comprehensive income (loss) before reclassifications	39,038	(41)	—	38,997
Amounts reclassified from accumulated other comprehensive income (loss)	1,241	(1)	—	1,240
Period change	40,279	(42)	—	40,237
Balance at March 31, 2023	<u>\$ (194,216)</u>	<u>\$ 88</u>	<u>\$ (4,786)</u>	<u>\$ (198,914)</u>

PART I. FINANCIAL INFORMATION

ITEM 1. NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

(table dollar amounts in thousands, except share data)

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The following tables present the reclassification adjustments out of accumulated other comprehensive income (loss) that were included in net income in the Consolidated Condensed Statements of Income for the three and nine months ended September 30, 2023, March 31, 2024 and 2022, 2023.

	Amount Reclassified from Accumulated Other Comprehensive Income (Loss) For the Three Months Ended		
	September 30,		
Details about Accumulated Other Comprehensive Income (Loss) Components	2023	2022	Affected Line Item in the Statements of Income
Unrealized gains (losses) on available for sale securities <sup>(1)</sup>			
Realized securities gains (losses) reclassified into income	\$ (1,650)	\$ 481	Other income - net realized gains (losses) on sales of available for sale securities
Related income tax benefit (expense)	346	(101)	Income tax expense
	<u>\$ (1,304)</u>	<u>\$ 380</u>	
Unrealized gains (losses) on cash flow hedges <sup>(2)</sup>			
Interest rate contracts	\$ —	\$ (78)	Interest expense - subordinated debentures and term loans
Related income tax benefit (expense)	—	16	Income tax expense
	<u>\$ —</u>	<u>\$ (62)</u>	
Total reclassifications for the period, net of tax	<u>\$ (1,304)</u>	<u>\$ 318</u>	

Amount
Reclassified from
Accumulated Other
Comprehensive
Income (Loss) For
the Nine Months
Ended September
30,



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For additional detail related to unrealized gains (losses) on available for sale securities and related amounts reclassified from accumulated other comprehensive income loss see NOTE 3.2, INVESTMENT SECURITIES of these Notes to Consolidated Condensed Financial Statements.

For additional detail related to unrealized gains (losses) on cash flow hedges and related amounts reclassified from accumulated other comprehensive income loss see NOTE 7.4, DERIVATIVE FINANCIAL INSTRUMENTS of these Notes to Consolidated Condensed Financial Statements.

Stock and ESPP Options				
Pre-tax compensation expense	\$	35	\$	15
Income tax expense (benefit)		—		—
Stock and ESPP option expense, net of income taxes	\$	35	\$	15
Restricted Stock Awards				
Pre-tax compensation expense	\$	1,325	\$	1,171
Income tax expense (benefit)		(393)		(332)
Restricted stock awards expense, net of income taxes	\$	932	\$	839
Total Share-Based Compensation				
Pre-tax compensation expense	\$	1,360	\$	1,186
Income tax expense (benefit)		(393)		(332)
Total share-based compensation expense, net of income taxes	\$	967	\$	854

The grant date fair value of ESPP options was estimated to be approximately \$35,000 at the beginning of the July 1, 2023 quarterly offering period. The ESPP options vested during the three months ending September 30, 2023, leaving no unrecognized compensation expense related to unvested ESPP options at September 30, 2023.

# **PART I. FINANCIAL INFORMATION** **ITEM 1. NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS** *(table dollar amounts in thousands, except share data)* **(Unaudited)**

The following table summarizes the components of the Corporation's share-based compensation awards recorded as an expense and the income tax benefit of such awards.

	Three Months Ended	
	March 31,	
	2024	2023
Stock and ESPP Options		
Pre-tax compensation expense	\$ 67	\$ 30
Income tax expense (benefit)	—	(57)
Stock and ESPP option expense, net of income taxes	\$ 67	\$ (27)
Restricted Stock Awards		
Pre-tax compensation expense	\$ 1,335	\$ 1,167
Income tax expense (benefit)	(264)	(255)
Restricted stock awards expense, net of income taxes	\$ 1,071	\$ 912
Total Share-Based Compensation		
Pre-tax compensation expense	\$ 1,402	\$ 1,197
Income tax expense (benefit)	(264)	(312)
Total share-based compensation expense, net of income taxes	\$ 1,138	\$ 885

The grant date fair value of ESPP options was estimated to be approximately \$67,000 at the beginning of the January 1, 2024 quarterly offering period. The ESPP options vested during the three months ending March 31, 2024, leaving no unrecognized compensation expense related to unvested ESPP options at March 31, 2024.

Stock option activity under the Corporation's stock option plans as of September 30, 2023 March 31, 2024 and changes during the nine three months ended September 30, 2023 March 31, 2024, were as follows:

	Number of		Weighted Average Remaining		Aggregate
	Shares	Weighted-Average Exercise Price	Contractual Term	(in Years)	
Outstanding at January 1, 2023	155,100	\$ 18.89			
Exercised	(65,025)	\$ 17.07			
Outstanding September 30, 2023	90,075	\$ 20.21	2.18	\$	685,817
Vested and Expected to Vest at September 30, 2023	90,075	\$ 20.21	2.18	\$	685,817
Exercisable at September 30, 2023	90,075	\$ 20.21	2.18	\$	685,817



Tax credits	(84)	(122)	(249)	(292)
State Income Tax	254	658	1,474	1,177
Other	53	262	251	420
Actual Tax Expense	\$ 9,005	\$ 9,793	\$ 31,021	\$ 20,938
Effective Tax Rate	13.8 %	13.3 %	14.6 %	12.2 %

2023:

	Three Months Ended March 31,	
	2024	2023
Reconciliation of Federal Statutory to Actual Tax Expense:		
Federal statutory income tax at 21%	\$ 11,501	\$ 15,833
Tax-exempt interest income	(4,352)	(4,867)
Non-deductible FDIC premiums	139	60
Share-based compensation	30	(61)
Tax-exempt earnings and gains on life insurance	(334)	(270)
Tax credits	(304)	(92)
State Income Tax	34	700
Other	111	14
Actual Tax Expense	\$ 6,825	\$ 11,317
Effective Tax Rate	12.5 %	15.0 %

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NOTE 13.11

NET INCOME PER COMMON SHARE

Basic net income per common share is computed by dividing net income available to common stockholders by the weighted-average common shares outstanding during the reporting period. Diluted net income per common share is computed by dividing net income available to common stockholders by the combination of the weighted-average common shares outstanding during the reporting period and all potentially dilutive common shares. Potentially dilutive common shares include stock options and RSAs issued under the Corporation's share-based compensation plans. Potentially dilutive common shares are excluded from the computation of diluted earnings per common share in the periods where the effect would be antidilutive.

The following tables reconcile table reconciles basic and diluted net income per common share for the three and nine months ended September 30, 2023 March 31, 2024 and 2022, 2023.

	Three Months Ended September 30,					
	2023			2022		
	Net Income Available to Common Stockholders	Weighted-Average Common Shares	Per Share Amount	Net Income Available to Common Stockholders	Weighted-Average Common Shares	Per Share Amount
Net income available to common stockholders	\$ 55,898	59,335,877	\$ 0.95	\$ 63,283	59,096,688	\$ 1.08
Effect of potentially dilutive stock options and restricted stock awards		166,648			242,041	
Diluted net income per common share	\$ 55,898	59,502,525	\$ 0.94	\$ 63,283	59,338,729	\$ 1.08

Nine Months Ended September 30,						Three Months Ended March 31,					
2023			2022			2024			2023		
Net Income Available to Common Stockholders	Weighted-Average Common Shares	Per Share Amount	Net Income Available to Common Stockholders	Weighted-Average Common Shares	Per Share Amount	Net Income Available to Common Stockholders	Weighted-Average Common Shares	Per Share Amount	Net Income Available to Common Stockholders	Weighted-Average Common Shares	Per Share Amount

Net income available to common stockholders	Net income available to common stockholders	\$	179,901	59,272,401	\$	3.04	\$	150,391	57,200,843	\$	2.63
	Effect of potentially dilutive stock options and restricted stock awards			192,997				266,716			
Diluted net income per common share	Diluted net income per common share	\$	179,901	59,465,398	\$	3.03	\$	150,391	57,467,559	\$	2.62
RSAs excluded from the diluted average common share calculation <sup>(1)</sup>											

Effect of potentially dilutive stock options and restricted stock awards

206,225

224,530

For <sup>(1)</sup> Anti-dilution occurs when the three and nine months ended September 30, 2023 and 2022, there were no stock options with unrecognized compensation cost per share of an option price greater than RSA exceeds the average market price of the common shares. Corporation's stock;

NOTE 14 12  
GENERAL LITIGATION AND REGULATORY EXAMINATIONS

The Corporation is subject to claims and lawsuits that arise primarily in the ordinary course of business. Additionally, the Corporation is also subject to periodic examinations by various regulatory agencies. It is the general opinion of management that the disposition or ultimate resolution of any such routine litigation or regulatory examinations will not have a material adverse effect on the consolidated financial position, results of operations and cash flow of the Corporation.

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(table dollar amounts in thousands, except share data)  
(Unaudited)

NOTE 13  
SUBSEQUENT EVENT

In April 2024, the Corporation was informed by a borrower that, for the foreseeable future, it planned to discontinue the repayment of principal and interest because of the renegotiation and cessation of several key governmental contracts which provided material cash flow for the repayment of the borrower's loan. As of March 31, 2024, the Corporation's borrower was current, risk graded as Substandard, and had an outstanding loan balance of \$38.6 million. The Corporation is evaluating the borrower's restructuring plan and its impact on the Corporation's collateral position. At this time, the Corporation is unable to determine the extent of potential loss of principal and/or interest.

PART I: FINANCIAL INFORMATION  
ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS  
FORWARD-LOOKING STATEMENTS

From time to time, we include forward-looking statements in our oral and written communication. We may include forward-looking statements in filings with the Securities and Exchange Commission, such as this Quarterly Report on Form 10-Q, in other written materials and in oral statements made by senior management to analysts, investors, representatives of the media and others. We intend these forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995, and we are including this statement for purposes of these safe harbor provisions. Forward-looking statements can often be identified by the use of words like "believe", "continue", "pattern", "estimate", "project", "intend", "anticipate", "expect" and similar expressions or future or conditional verbs such as "will", "would", "should", "could", "might", "can", "may", or similar expressions. These forward-looking statements include:

- statements of the Corporation's goals, intentions and expectations;
- statements regarding the Corporation's business plan and growth strategies;
- statements regarding the asset quality of the Corporation's loan and investment portfolios; and
- estimates of the Corporation's risks and future costs and benefits.

These forward-looking statements are subject to significant risks, assumptions and uncertainties, including, among other things, the following important factors which could affect the actual outcome of future events:

- fluctuations in market rates of interest and loan and deposit pricing, which could negatively affect our net interest margin, asset valuations and expense expectations;
- adverse changes in the economy, which might affect our business prospects and could cause credit-related losses and expenses;
- the impacts of epidemics, pandemics or other infectious disease outbreaks;
- the impacts related to or resulting from recent bank failures or adverse developments at other banks on general investor sentiment regarding the stability and liquidity of banks;
- adverse developments in our loan and investment portfolios;
- competitive factors in the banking industry, such as the trend towards consolidation in our market;
- changes in the banking legislation or the regulatory requirements of federal and state agencies applicable to bank holding companies and banks like our affiliate bank;
- acquisitions of other businesses by us and integration of such acquired businesses;
- changes in market, economic, operational, liquidity, credit and interest rate risks associated with our business; and
- the continued availability of earnings and excess capital sufficient for the lawful and prudent declaration and payment of cash dividends.

Because of these and other uncertainties, our actual future results may be materially different from the results indicated by these forward-looking statements. In addition, our past results of operations do not necessarily indicate our anticipated future results.

#### BUSINESS SUMMARY

First Merchants Corporation (the "Corporation") is a financial holding company headquartered in Muncie, Indiana and was organized in September 1982. The Corporation's common stock is traded on the Nasdaq's Global Select Market System under the symbol FRME. The Corporation conducts its banking operations through First Merchants Bank (the "Bank"), a wholly-owned subsidiary that opened for business in Muncie, Indiana, in March 1993. The Bank also operates First Merchants Private Wealth Advisors (a division of First Merchants Bank). The Bank includes 118 116 banking locations in Indiana, Ohio, Michigan and Illinois. In addition to its branch network, the Corporation offers comprehensive electronic and mobile delivery channels to its customers. The Corporation's business activities are currently limited to one significant business segment, which is community banking.

Through the Bank, the Corporation offers a broad range of financial services, including accepting time, savings and demand deposits; making consumer, commercial, agri-business, public finance and real estate mortgage loans; providing personal and corporate trust services; offering full-service brokerage and private wealth management; and providing letters of credit, repurchase agreements and other corporate services.

## PART I: FINANCIAL INFORMATION

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

#### CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Generally accepted accounting principles are complex and require us to apply significant judgments to various accounting, reporting and disclosure matters. Management must use assumptions and estimates to apply those principles where actual measurement is not possible or practical. The judgments and assumptions made are based upon historical experience or other factors that management believes to be reasonable under the circumstances. Because of the nature of the judgments and assumptions, actual results could differ from estimates, which could have a material effect on our financial condition and results of operations. There have been no significant changes during the nine three months ended September 30, 2023 March 31, 2024 to the items disclosed as our critical accounting policies and estimates in Management's Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023. For a complete discussion of our significant accounting policies, see "Notes to the Consolidated Financial Statements" in our Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023.

## PART I: FINANCIAL INFORMATION

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

#### HIGHLIGHTS FOR THE THIRD FIRST QUARTER OF 2023 2024

- Net income available to common stockholders for the three months ended September 30, 2023 March 31, 2024 was \$55.9 million \$47.5 million compared to \$63.3 million \$63.6 million for the three months ended September 30, 2022 March 31, 2023 and \$60.4 million \$42.0 million for the three months ended June 30, 2023 December 31, 2023.
- Earnings per fully diluted common share for the third first quarter of 2024 totaled \$0.80 compared to \$1.07 in the first quarter of 2023 totaled \$0.94 compared to \$1.08 and \$0.71 in the third quarter of 2022, and \$1.02 in the second fourth quarter of 2023.
- Earnings per fully diluted common share for the third first quarter of 2023 2024, excluding income on Paycheck Protection Program ("PPP") ("PPP") loans and acquisition-related costs of the Level One acquisition, non-core expenses, totaled \$0.94 \$0.85 compared to \$1.12 \$1.07 in the third first quarter of 2022 2023 and \$1.02 \$0.87 in the second fourth quarter of 2023. These adjusted earnings per share amounts are non-GAAP measures. For reconciliations of GAAP measures to the corresponding non-GAAP measures, see "NON-GAAP FINANCIAL MEASURES" within the "Results of Operations" section of this Management's Discussion and Analysis of Financial Condition and Results of Operations.

- Total loans grew \$4.9 million decreased \$24.3 million, or 0.2 0.8 percent annualized on a linked quarter basis, and \$406.0 million, or 4.6 percent annualized since December 31, 2022, when excluding non-relationship based commercial loan sales that occurred during the second quarter of \$116.6 million, basis.
- Total deposits increased \$65.4 million \$63.1 million, or 1.8 1.7 percent annualized on a linked quarter basis, and \$263.8 million, or 2.4 percent annualized since December 31, 2022, basis.
- Strong liquidity and capital with Common Equity Tier 1 Capital Ratio of 11.26 11.25 percent.
- The efficiency ratio totaled 53.91 percent for the quarter.

## RESULTS OF OPERATIONS

The Corporation reported third first quarter 2023 2024 net income available to common stockholders and diluted earnings per common share of \$55.9 million \$47.5 million and \$0.94 \$0.80 per diluted share, respectively, compared to \$63.3 million \$63.6 million and \$1.08 \$1.07 per diluted share, respectively, during the third first quarter of 2022. Net income available to common stockholders and diluted earnings per common share for the nine months ended September 30, 2023 was \$179.9 million and \$3.03 per diluted share, respectively, compared to \$150.4 million and \$2.62 per diluted share during the nine months ended September 30, 2022, 2023.

Earnings per fully diluted common share for the third first quarter of 2023, 2024, excluding income on PPP loans and Level One acquisition-related non-core expenses, (non-GAAP), totaled \$0.94, \$0.85, compared to \$1.02 \$1.07 in the second first quarter of 2023 and \$1.12 \$0.87 in the third fourth quarter of 2022. Earnings per fully diluted common share for the nine months ended September 30, 2023, excluding income from PPP loans and Level One acquisition-related expenses, totaled \$3.03 compared to \$3.01 for the same period in 2022, 2023. For reconciliations of GAAP earnings per share measures to the corresponding non-GAAP measures provided above, refer to the "NON-GAAP FINANCIAL MEASURES" section of this Management's Discussion and Analysis of Financial Condition and Results of Operations.

As of September 30, 2023 March 31, 2024, total assets equaled \$18.0 billion \$18.3 billion, an increase a decrease from the December 31, 2022 December 31, 2023 total of \$17.9 billion \$18.4 billion.

Cash and due from banks and interest-bearing deposits increased decreased \$37.7 million from December 31, 2022 by a total of \$225.2 million, December 31, 2023 as deposit growth and proceeds from investment securities principal and interest cashflows in addition to sales were cash held in cash for liquidity purposes. ATMs and banking centers decreased and funds were used to paydown borrowings and repurchase shares of the Corporation's stock. Total investment securities decreased \$550.1 million \$27.8 million from December 31, 2022 December 31, 2023, primarily due to the sales of \$347.3 million of investment securities during the first nine months of 2023. Scheduled scheduled paydowns and maturities of investment securities of \$121.4 million \$29.4 million and an increase of \$86.1 million \$27.9 million in unrealized losses in the available for sale portfolio during the first nine three months of 2023 contributed to 2024. Partially offsetting these decreases were securities purchases of \$32.2 million during the decrease since December 31, 2022. While quarter. Additionally, while not reflected in the balance sheet, the unrealized loss in the held to maturity portfolio also increased during the nine three months ended September 30, 2023 March 31, 2024 by \$93.1 million \$29.0 million. Currently, the Corporation is not reinvesting cashflows into the investment securities portfolio but rather on a limited basis with a primary focus of using the liquidity to paydown borrowings and fund current and future loan growth and paydown borrowings. growth. The investment portfolio as a percentage of total assets was 20.6 20.7 percent at September 30, 2023, March 31, 2024 and December 31, 2023 which is down from the peak at December 31, 2021 of 29.3 percent, and reflects progress towards a more normalized earning asset mix. Additional details of the changes in the Corporation's investment securities portfolio are discussed within NOTE 3 2. INVESTMENT SECURITIES of the Notes to Consolidated Condensed Financial Statements of this Quarterly Report on Form 10-Q.

## PART I: FINANCIAL INFORMATION

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

The Corporation's total loan portfolio grew \$406.0 million decreased \$24.3 million, or 4.6 0.8 percent on an annualized basis, since December 31, 2022, after excluding non-relationship based commercial loan sales that occurred in the second quarter of \$116.6 million December 31, 2023. The composition of the loan portfolio is 75.2 75.1 percent commercial oriented with the largest loan classes of commercial and industrial and commercial real estate, non-owner occupied, representing 28.4 29.8 percent and 19.2 19.0 percent of the total loan portfolio, respectively. The loan classes that experienced the largest increases decreases from December 31, 2022 December 31, 2023 were agricultural land, construction, real estate, residential real estate, and commercial and industrial loans. Commercial real estate, owner occupied, commercial real estate, non-owner occupied, and home equity loans were the largest loan classes that experienced a decrease from December 31, 2022, commercial real estate, owner occupied. Partially offsetting those decreases was an increase in commercial and industrial and residential real estate. Additional details of the changes in the Corporation's loans are discussed within NOTE 4 3. LOANS AND ALLOWANCE of the Notes to Consolidated Condensed Financial Statements of this Quarterly Report on Form 10-Q, and the "LOAN QUALITY AND PROVISION FOR CREDIT LOSSES ON LOANS" section of this Management's Discussion and Analysis of Financial Condition and Results of Operations.

The Corporation's allowance for credit losses ACL - loans ("ACL - loans") totaled \$205.8 million \$204.7 million as of September 30, 2023 March 31, 2024 and equaled 1.67 1.64 percent of total loans, compared to \$223.3 million \$204.9 million and 1.86 1.64 percent of total loans at December 31, 2022 December 31, 2023. The ACL - loans decreased \$15.4 million \$0.3 million since June 30, 2023 December 31, 2023, primarily as a result of net charge-offs in the third first quarter of 2023 2024 were \$2.3 million and provision for credit losses - loans of \$20.4 million, as compared to net recoveries of \$427,000 in the third quarter of 2022. Loan charge-offs, net of recoveries, for the quarter \$2.0 million was recorded. Nonaccrual loans at March 31, 2024 were \$62.5 million and increased \$8.9 million from December 31, 2023 primarily due to the charge-off of a previously reported nonaccrual \$11.5 million commercial real estate, non-owner occupied loan moving to a syndicated specialty finance company resulting from alleged fraud that impacted our borrower's ability to repay, non-accrual in 2024. The effect of the third quarter charge-offs on the ACL - loans increase was partially offset by provision expense on a decline in non-accrual balances within commercial and industrial and construction loans of \$5.0 million in the third quarter of 2023. Reserves for unfunded commitments were reduced by \$3.0 million, resulting in a net provision expense of \$2.0 million in the third quarter of 2023, as compared to no provision expense in the same period of 2022. The ACL - loans decreased \$17.5 million since December 31, 2022, primarily as a result of net charge-offs during the nine months ended September 30, 2023 of \$22.5 million, as compared to net recoveries of \$751,000 during the same period in 2022. The Corporation recognized provision expense on loans of \$5 million, less a \$3 million reduction in the reserve for unfunded commitments, which resulted in a net provision expense of \$2.0 million \$1.9 million during the first nine months of 2023. The Corporation recognized provision expense of \$16.8 million for the nine months ended September 30, 2022 as part of the Level One acquisition. Nonaccrual loans at September 30, 2023 were \$53.1 million and decreased \$16.1 million from June 30, 2023 primarily as a result of the nonaccrual loan that was charged off in the third quarter of 2023. Nonaccrual loans increased \$10.8 million since December 31, 2022 and resulted in a coverage ratio at September 30, 2023 of 387.5 percent, 2024. The Corporation's reserve for unfunded commitments was \$20.3 million \$19.5 million at September 30, 2023, compared to \$23.3 million at December 31, 2022 March 31, 2024 and December 31, 2023, and is recorded in Other Liabilities. Additional details of the Corporation's allowance methodology and asset quality are discussed within NOTE 4 3. LOANS AND ALLOWANCE of the Notes to Consolidated Condensed Financial Statements of this Quarterly Report on Form 10-Q and within the "LOAN QUALITY AND PROVISION FOR CREDIT LOSSES ON LOANS" section of this Management's Discussion and Analysis of Financial Condition and Results of Operations.

The Corporation's premises and equipment increased \$15.3 million from December 31, 2022 primarily due to the \$15.9 million purchase of an Indianapolis regional headquarters building in the third quarter of 2023.



**The Corporation's net tax asset, deferred and receivable increased \$24.3 million from December 31, 2022. The primary driver was the increase in the net unrealized losses on available for sale securities noted above, which resulted in an \$18.1 million increase in the net deferred tax asset.**

**PART I: FINANCIAL INFORMATION**

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

The Corporation's other assets increased \$37.2 million \$8.7 million from December 31, 2022 December 31, 2023. The Corporation's derivative assets (recorded in other assets) and derivative liabilities (recorded in other liabilities) increased \$21.5 million \$10.4 million and \$21.2 million \$10.4 million, respectively, from December 31, 2022 December 31, 2023. The increase in valuations are due to higher additional notional amounts higher target fed funds rates, heightened new debt issuances, originated in the first quarter of 2024 and the resiliency of economic data, which are all contributing to higher nominal rates and increased forward rate expectations. Additionally, the Corporation's continual investment in community redevelopment funds resulted in an increase of \$10.8 million when compared to December 31, 2022. in rates.

As of September 30, 2023 March 31, 2024, total deposits equaled \$14.6 billion \$14.9 billion, an increase of \$263.8 million \$63.1 million from December 31, 2022 December 31, 2023, or 2.4 1.7 percent on an annualized basis. Total deposits less time deposits greater than \$100,000, or core deposits, represented 90.7 90.1 percent of the deposit portfolio at September 30, 2023 March 31, 2024. Noninterest bearing deposits represents 17.4 15.7 percent of the deposit portfolio which is a decline from the peak in the second quarter of 2022 of 23.6 percent, at March 31, 2024, compared to 16.9 percent at December 31, 2023. The decline is the result of a mix shift occurring across the industry as clients move into higher yielding deposit products. The Corporation experienced increases from December 31, 2022 December 31, 2023 in money market of \$141.2 million, certificates and other time deposits of \$100,000 or more of \$538.1 million \$40.2 million, other certificates and time deposits of \$292.5 million and brokered certificates of deposit of \$15.0 million. Demand \$51.6 million and savings accounts of \$11.6 million. Demand accounts decreased from December 31, 2022 December 31, 2023 by \$496.8 million and \$85.0 million, respectively, \$161.7 million.

The average account within the deposit portfolio totals only \$34,000. Insured deposits totaled 71.5 70.6 percent of total deposits, with the State of Indiana's Public Deposit Insurance Fund, which insures certain public deposits, providing insurance to 15.0 14.2 percent of deposits and the FDIC Federal Deposit Insurance Corporation ("FDIC") providing insurance to the remaining 56.5 56.4 percent. Only 28.5 29.4 percent of deposits are uninsured and our available liquidity is ample to cover those when considering both on balance sheet sources of liquidity and unused capacity from the Federal Reserve Discount Window, FHLB and unsecured borrowing sources.

Total borrowings decreased \$289.4 million \$167.1 million as of September 30, 2023 March 31, 2024, compared to December 31, 2022 December 31, 2023. Federal funds purchased Securities sold under repurchase and FHLB advances decreased \$171.6 million \$27.0 million and \$110.3 million \$100.1 million, respectively, compared to December 31, 2022 December 31, 2023 as the Corporation utilized excess liquidity to pay down borrowings in 2023 2024. Additionally, there was a decrease subordinated debt decreased due to the paydown of \$40.0 million in securities sold under repurchase agreements principal on the scheduled interest payment date during the first quarter of \$14.9 million when compared 2024. Additionally, the Corporation issued notice in the first quarter of 2024 to December 31, 2022, the holders of subordinated debt that it intends to exercise its rights to redeem \$25.0 million in principal in the second quarter of 2024.

The Corporation continued to maintain all regulatory capital ratios in excess of the regulatory definition of "well-capitalized." Details of the Stock Repurchase Program and regulatory capital ratios are discussed within the "CAPITAL" section of this Management's Discussion and Analysis of Financial Condition and Results of Operations.

**PART I: FINANCIAL INFORMATION**

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

**NON-GAAP FINANCIAL MEASURES**

The Corporation's accounting and reporting policies conform to GAAP and general practices within the banking industry. As a supplement to GAAP, the Corporation provides non-GAAP performance measures, which management believes are useful because they assist investors in assessing the Corporation's performance. Non-GAAP financial measures have inherent limitations, are not required to be uniformly applied, and are not audited. Although these non-GAAP financial measures are frequently used by investors to evaluate a company, they have limitations as analytical tools, and should not be considered in isolation, or as a substitute for analyses of results as reported under GAAP. Where non-GAAP financial measures are used, the comparable GAAP financial measure, as well as the reconciliation to the comparable GAAP financial measure can be found in the following tables.

Adjusted earnings per share, excluding PPP loans and acquisition-related non-core expenses, are meaningful non-GAAP financial measures for management, as they provide a meaningful foundation for period-to-period and company-to-company comparisons, which management believes will aid both investors and analysts in analyzing our financial measures and predicting future performance. These non-GAAP financial measures are also used by management to assess the performance of the Corporation's business, because management does not consider these items to be relevant to ongoing financial performance on a per share basis.

Non-GAAP financial measures such as tangible common equity to tangible assets, tangible earnings per share, return on average tangible assets and return on average tangible equity are important measures of the strength of the Corporation's capital and ability to generate earnings on tangible common equity invested by our shareholders. These non-GAAP measures provide useful supplemental information and may assist investors in analyzing the Corporation's financial position without regard to the effects of intangible assets and preferred stock, but do retain the effect of accumulated other comprehensive gains (losses) in stockholders' equity. Disclosure of these measures also allows analysts and banking regulators to assess our capital adequacy on these same bases.

ADJUSTED EPS EXCLUDING PAYCHECK PROTECTION PROGRAM ("PPP") AND ACQUISITION RELATED EXPENSES - non-GAAP					
(Dollars in thousands, except per share amounts)					
	Three Months Ended			Nine Months Ended	
	September 30,	June 30,	September 30,	September 30,	September 30,
	2023	2023	2022	2023	2022
Net Income Available to Common Stockholders - GAAP	\$ 55,898	\$ 60,393	\$ 63,283	\$ 179,901	\$ 150,391
Adjustments:					
PPP loan income	(8)	(9)	(323)	(42)	(3,098)
Acquisition-related expenses	—	—	3,417	—	16,118
Acquisition-related provision expense	—	—	—	—	16,755
Tax on adjustment	2	2	(759)	10	(7,301)
Adjusted Net Income Available to Common Stockholders - non-GAAP	\$ 55,892	\$ 60,386	\$ 65,618	\$ 179,869	\$ 172,865

Average Diluted Common Shares Outstanding (in thousands)	59,503	59,448	59,339	59,465	57,468
<b>Diluted Earnings Per Common Share - GAAP</b>	<b>\$ 0.94</b>	<b>\$ 1.02</b>	<b>\$ 1.08</b>	<b>\$ 3.03</b>	<b>\$ 2.62</b>
Adjustments:					
PPP loan income	—	—	—	—	(0.05)
Acquisition-related expenses	—	—	0.05	—	0.27
Acquisition-related provision expense	—	—	—	—	0.30
Tax on adjustment	—	—	(0.01)	—	(0.13)
Adjusted Diluted Earnings Per Common Share - non-GAAP	<u>\$ 0.94</u>	<u>\$ 1.02</u>	<u>\$ 1.12</u>	<u>\$ 3.03</u>	<u>\$ 3.01</u>

## PART I: FINANCIAL INFORMATION

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

TANGIBLE COMMON EQUITY TO TANGIBLE ASSETS - non-GAAP		
(Dollars in thousands, except per share amounts)		
	September 30, 2023	December 31, 2022
Total Stockholders' Equity (GAAP)	\$ 2,092,644	\$ 2,034,770
Less: Preferred stock (GAAP)	(25,125)	(25,125)
Less: Intangible assets (GAAP)	(741,283)	(747,844)
Tangible common equity (non-GAAP)	<u>\$ 1,326,236</u>	<u>\$ 1,261,801</u>
Total assets (GAAP)	\$ 17,996,648	\$ 17,938,306
Less: Intangible assets (GAAP)	(741,283)	(747,844)
Tangible assets (non-GAAP)	<u>\$ 17,255,365</u>	<u>\$ 17,190,462</u>
Stockholders' Equity to Assets (GAAP)	11.63 %	11.34 %
Tangible common equity to tangible assets (non-GAAP)	7.69 %	7.34 %
Tangible common equity (non-GAAP)	\$ 1,326,236	\$ 1,261,801
Plus: Tax benefit of intangibles (non-GAAP)	6,290	7,702
Tangible common equity, net of tax (non-GAAP)	<u>\$ 1,332,526</u>	<u>\$ 1,269,503</u>
Common Stock outstanding	59,398	59,171
Book Value (GAAP)	\$ 34.81	\$ 33.96
Tangible book value - common (non-GAAP)	\$ 22.43	\$ 21.45

ADJUSTED NET INCOME AND DILUTED EARNINGS PER COMMON SHARE - non-GAAP			
(Dollars in thousands, except per share amounts)			
	Three Months Ended		
	March 31, 2024	December 31, 2023	March 31, 2023
<b>Net Income Available to Common Stockholders - GAAP</b>	<b>\$ 47,472</b>	<b>\$ 42,010</b>	<b>\$ 63,610</b>
Adjustments:			
PPP loan income	—	(7)	(25)
Non-core expenses <sup>1,2</sup>	3,481	12,682	—
Tax on adjustment	(848)	(3,088)	6
Adjusted Net Income Available to Common Stockholders - non-GAAP	<u>\$ 50,105</u>	<u>\$ 51,597</u>	<u>\$ 63,591</u>
Average Diluted Common Shares Outstanding (in thousands)	59,273	59,556	59,441
<b>Diluted Earnings Per Common Share - GAAP</b>	<b>\$ 0.80</b>	<b>\$ 0.71</b>	<b>\$ 1.07</b>
Adjustments:			
PPP loan income	—	—	—
Non-core expenses <sup>1,2</sup>	0.06	0.21	—
Tax on adjustment	(0.01)	(0.05)	—

Adjusted Diluted Earnings Per Common Share - non-GAAP	\$	0.85	\$	0.87	\$	1.07
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<sup>1</sup> - Non-core expenses in the three months ended December 31, 2023 included \$4.3 million from the FDIC special assessment, \$6.3 million from early retirement and severance costs, and \$2.1 million from a lease termination.

<sup>2</sup> - Non-core expenses in the three months ended March 31, 2024 included \$1.1 million from the FDIC special assessment and \$2.4 million from digital platform conversion costs.

TANGIBLE COMMON EQUITY TO TANGIBLE ASSETS - non-GAAP					
(Dollars in thousands, except per share amounts)					
			March 31, 2024		December 31, 2023
Total Stockholders' Equity (GAAP)	\$		2,224,803	\$	2,247,713
Less: Preferred stock (GAAP)			(25,125)		(25,125)
Less: Intangible assets (GAAP)			(737,144)		(739,101)
Tangible common equity (non-GAAP)	\$		1,462,534	\$	1,483,487
Total assets (GAAP)	\$		18,317,803	\$	18,405,887
Less: Intangible assets (GAAP)			(737,144)		(739,101)
Tangible assets (non-GAAP)	\$		17,580,659	\$	17,666,786
Stockholders' Equity to Assets (GAAP)			12.15 %		12.21 %
Tangible common equity to tangible assets (non-GAAP)			8.32 %		8.40 %
Tangible common equity (non-GAAP)	\$		1,462,534	\$	1,483,487
Plus: Tax benefit of intangibles (non-GAAP)			5,398		5,819
Tangible common equity, net of tax (non-GAAP)	\$		1,467,932	\$	1,489,306
Common Stock outstanding			58,565		59,424
Book Value (GAAP)	\$		37.56	\$	37.40
Tangible book value - common (non-GAAP)	\$		25.07	\$	25.06

PART I: FINANCIAL INFORMATION

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

TANGIBLE EARNINGS PER SHARE, RETURN ON TANGIBLE ASSETS AND RETURN ON TANGIBLE EQUITY - non-GAAP					
TANGIBLE EARNINGS PER SHARE, RETURN ON TANGIBLE ASSETS AND RETURN ON TANGIBLE EQUITY - non-GAAP					
TANGIBLE EARNINGS PER SHARE, RETURN ON TANGIBLE ASSETS AND RETURN ON TANGIBLE EQUITY - non-GAAP					
(Dollars in thousands, except per share amounts)	(Dollars in thousands, except per share amounts)				
	Three Months Ended March 31,				
	Three Months Ended September 30,		Nine Months Ended September 30,		
	Three Months Ended March 31,				
	2023	2022	2023	2022	
	Three Months Ended March 31,				
	2024				
	2024				
	2024				
Average goodwill (GAAP)					
Average goodwill (GAAP)					
Average goodwill (GAAP)	Average goodwill (GAAP)	\$	712,002	\$	712,995
Average other intangibles (GAAP)	Average other intangibles (GAAP)		30,293		39,580
					32,446
Average other intangibles (GAAP)					35,500
Average other intangibles (GAAP)					
Average other intangibles (GAAP)					

Average deferred tax on other intangibles (GAAP)					
Average deferred tax on other intangibles (GAAP)					
Average deferred tax on other intangibles (GAAP)	Average deferred tax on other intangibles (GAAP)	(6,508)	(8,505)	(6,972)	(7,436)
Intangible adjustment (non-GAAP)	Intangible adjustment (non-GAAP)	\$ 735,787	\$ 744,070	\$ 737,476	\$ 685,707
Intangible adjustment (non-GAAP)					
Intangible adjustment (non-GAAP)					
Average stockholders' equity (GAAP)	Average stockholders' equity (GAAP)	\$ 2,154,232	\$ 2,018,156	\$ 2,126,005	\$ 1,977,299
Average stockholders' equity (GAAP)					
Average stockholders' equity (GAAP)					
Average preferred stock (GAAP)					
Average preferred stock (GAAP)					
Average preferred stock (GAAP)	Average preferred stock (GAAP)	(25,125)	(25,125)	(25,125)	(16,792)
Intangible adjustment (non-GAAP)	Intangible adjustment (non-GAAP)	(735,787)	(744,070)	(737,476)	(685,707)
Intangible adjustment (non-GAAP)					
Intangible adjustment (non-GAAP)					
Average tangible capital (non-GAAP)					
Average tangible capital (non-GAAP)					
Average tangible capital (non-GAAP)	Average tangible capital (non-GAAP)	\$ 1,393,320	\$ 1,248,961	\$ 1,363,404	\$ 1,274,800
Average assets (GAAP)	Average assets (GAAP)	\$ 18,152,239	\$ 17,770,623	\$ 18,115,504	\$ 17,012,930
Average assets (GAAP)					
Average assets (GAAP)					
Intangible adjustment (non-GAAP)					
Intangible adjustment (non-GAAP)					
Intangible adjustment (non-GAAP)	Intangible adjustment (non-GAAP)	(735,787)	(744,070)	(737,476)	(685,707)
Average tangible assets (non-GAAP)	Average tangible assets (non-GAAP)	\$ 17,416,452	\$ 17,026,553	\$ 17,378,028	\$ 16,327,223
Average tangible assets (non-GAAP)					
Average tangible assets (non-GAAP)					
Net income available to common stockholders (GAAP)					
Net income available to common stockholders (GAAP)					
Net income available to common stockholders (GAAP)	Net income available to common stockholders (GAAP)	\$ 55,898	\$ 63,283	\$ 179,901	\$ 150,391
Other intangible amortization, net of tax (GAAP)	Other intangible amortization, net of tax (GAAP)	1,724	1,819	5,183	4,718
Other intangible amortization, net of tax (GAAP)					
Other intangible amortization, net of tax (GAAP)					
Preferred stock dividend					
Preferred stock dividend					
Preferred stock dividend	Preferred stock dividend	468	469	1,406	938
Tangible net income available to common stockholders (non-GAAP)	Tangible net income available to common stockholders (non-GAAP)	\$ 58,090	\$ 65,571	\$ 186,490	\$ 156,047
Tangible net income available to common stockholders (non-GAAP)					

Tangible net income available to common stockholders (non-GAAP)									
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Return on average tangible capital is tangible net income available to common stockholders (annualized) expressed as a percentage of average tangible capital. Return on average tangible assets is tangible net income available to common stockholders (annualized) expressed as a percentage of average tangible assets.

NET INTEREST INCOME

Net interest income is the most significant component of our earnings, comprising 84.0 82.7 percent of revenues for the nine three months ended September 30, 2023 March 31, 2024. Net interest income and margin are influenced by many factors, primarily the volume and mix of earning assets, funding sources, and interest rate fluctuations. Other factors include the level of accretion income on purchased loans, prepayment risk on loan and investment-related assets, and the composition and maturity of earning assets and interest-bearing liabilities. Loans typically generate more interest income than investment securities with similar maturities. Funding from customer deposits generally costs less than wholesale funding sources. Factors such as general economic activity, Federal Reserve Board monetary policy, and price volatility of competing alternative investments, can also exert significant influence on our ability to optimize the mix of assets and funding and the net interest income and margin.

Net interest income is the excess of interest received from earning assets over interest paid on interest-bearing liabilities. For analytical purposes, net interest income is also presented on an FTE a fully taxable equivalent ("FTE") basis in the tables table that follow follows to reflect what our tax-exempt assets would need to yield in order to achieve the same after-tax yield as a taxable asset. The federal statutory rate of 21 percent was used for 2023 2024 and 2022, 2023. The FTE analysis portrays the income tax benefits associated with tax-exempt assets and helps to facilitate a comparison between taxable and tax-exempt assets. Management believes that it is a standard practice in the banking industry to present net interest margin and net interest income on a fully taxable equivalent basis. Therefore, management believes these measures provide useful information for both management and investors by allowing them to make peer comparisons.

Net interest margin, on an FTE basis, decreased 26 48 basis points to 3.29 3.10 percent for the three months ended September, 30 2023 March 31, 2024 compared to 3.55 3.58 percent for the same period in 2022.

Net interest margin, on an FTE basis, increased 12 basis points to 3.42 percent for the nine months ended September, 30 2023 compared to 3.30 percent for the same period in 2022, 2023.

#### Average Balance Sheet

Average earning assets for the three months and nine months ended September 30, 2023 March 31, 2024 increased \$438.8 million and \$1.2 billion, respectively, \$299.4 million compared to the same periods period in 2022. 2023. The increase for the three months ended September 30, 2023 March 31, 2024 was primarily driven by organic an increase in interest-bearing deposits of \$402.9 million as deposit growth and proceeds from investment securities principal and interest cashflows were held in cash for liquidity purposes. Organic loan growth within the commercial residential real estate and residential real estate portfolios. The increase for commercial portfolios of \$216.3 million and \$114.2 million, respectively, also contributed to the nine months ended September 30, 2023 was driven by a \$1.6 billion increase in loans when compared to the same period in 2022 which was primarily due to the acquisition of Level One on April 1, 2022, coupled with organic loan growth within the commercial real estate and residential real estate portfolios. PPP loans averaged approximately \$3.2 million and \$3.6 million for the three and nine months ended September 30, 2023, respectively, compared to an average of approximately \$19.2 million and \$53.1 million for the same periods of 2022. earning assets.

## PART I: FINANCIAL INFORMATION

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

The average Offsetting the increases in interest-bearing deposits due from other banks in the three and nine months ended September 30, 2023 increased \$313.5 million and \$7.1 million, respectively, as deposit growth and proceeds from investment securities principal and interest cashflows in addition to sales were held in cash for liquidity purposes.

The decline loans was a decrease in the average investment securities portfolio, in which was \$447.1 million for the three and nine months ended September 30, 2023 of \$676.9 million and \$460.4 million March 31, 2024, respectively, when compared to the same periods period in 2022 was due to the 2023. The Corporation not is reinvesting cashflows into the investment securities portfolio but rather on a limited basis with a primary focus of using the liquidity to fund current paydown borrowings and future fund loan growth. Additionally, there was an increase of \$27.9 million in unrealized losses in the available for sale portfolio during the first three months of 2024. The investment portfolio as a percentage of total assets was 20.6 20.7 percent at September 30, 2023 March 31, 2024, which is down from the peak at December 31, 2021 of 29.3 percent, and 22.2 percent at March 31, 2023. This decline reflects progress towards a more normalized earning asset mix.

Total average deposits for the three months ended March 31, 2024 increased \$457.8 million when compared to the same period in 2023. Average interest-bearing deposits for the three and nine months ended September 30, 2023 March 31, 2024 increased \$981.7 million and \$935.1 million, respectively, \$1.2 billion compared to the same periods period in 2022. 2023, with the largest increases in both periods in the certificates and other time deposit portfolio. Additionally, for the nine months ended September 30, 2023, the increase in average portfolio, money market and interest-bearing deposits was primarily due to the acquisition of Level One on April 1, 2022. demand deposits. Noninterest bearing deposits represents 17.4 act to mitigate deposit yield increases as interest rates rise and represented 16.3 percent of the deposit portfolio, which is a decline from the peak in the second quarter of 2022 of 23.6 percent. percent, and 21.6 percent for the three months ended March 31, 2023. Noninterest bearing deposits declined \$693.1 million in the three months ended March 31, 2024 when compared to the same period in 2023. The decline is the result of a mix shift occurring across the industry as clients move into higher yielding deposit products. Noninterest bearing deposits act to mitigate deposit yield increases as interest rates rise.

Average borrowings increased \$18.3 million and \$326.5 million decreased \$281.5 million for the three and nine months ended September 30, 2023, respectively, March 31, 2024 compared to the same periods period in 2023. Average securities sold under repurchase, Federal Funds purchased and FHLB advances decreased \$35.3 million, \$98.5 million and \$127.1 million, respectively, in the first quarter of 2022 2024 compared to the same period in 2023 as the Corporation utilized excess liquidity to pay down borrowings in 2024. Additionally, average balance of FHLB advances increased \$123.7 million subordinated debt decreased \$27.6 million due to the acquisition paydown of Level One \$40.0 million in principal on April 1, 2022, which resulted the scheduled interest payment date during the first quarter of 2024. Additionally, the Corporation issued notice in an additional \$160.0 million the first quarter of FHLB advances. 2024 to the holders of subordinated debt that it intends to exercise its rights to redeem \$25.0 million in principal in the second quarter of 2024.

#### Interest Income/Expense and Average Yields

In the third first quarter of 2023, 2024, FTE asset yields increased 144 59 basis points compared to the same period in 2022, 2023. The increase in interest income, on an FTE basis, of \$65.4 million \$29.0 million during the three months ended September 30, 2023 March 31, 2024 compared to the same period in 2022 2023 was primarily due to an increase in average earning assets, coupled with assets. Additionally, the FOMC's interest rate increases of 525 basis points since March of 2022. The Corporation's loan portfolio is 65.6 66.4 percent variable with 37.1 percent and repricing occurred when the Federal Open Market Committee's ("FOMC") increased interest rates a total of the portfolio repricing within one month and 51.4 percent repricing within three months. Additionally, due to the 100 basis points in 2023. The FOMC interest rate increases in 2023 and 2022 the also resulted in increased yields on new and renewed loans, increased which were 8.15 percent for the three months ended September 30, 2023 March 31, 2024 compared to 7.08 percent for the same period in 2022. The PPP loans originated in 2021 and 2020 were recorded at an interest rate of only 1 percent. The Corporation recognized fee and interest income of \$8,000 on PPP loans for the three months ended September 30, 2023, compared to \$323,000 in the same period of 2022, which is included in interest income. 2023. The Corporation also recognized fair value accretion income on purchased loans, which is included in interest income, of \$2.0 million \$1.4 million, which accounted for 5 3 basis points of net interest margin in the three months ended September 30, 2023 March 31, 2024. Comparatively, the Corporation recognized \$3.2 million \$2.4 million of accretion income for the three months ended September 30, 2022 March 31, 2023, or 8 6 basis points of net interest margin.

Interest costs increased 216 125 basis points, which mitigated the 144 59 basis point increase in asset yields and resulted in a 72 66 basis point FTE decrease in net interest spread when compared to the same period in 2022, 2023. Interest costs have increased during the quarter and year due to deposit pricing pressure and deposit portfolio mix changes as a result of customers migrating out of noninterest-bearing deposit products into interest-bearing deposit products.

Interest-bearing deposits and borrowing costs As customers have migrated to higher yielding interest-bearing deposit products, interest expense increased 47.6 million for the three months ended September 30, 2023 were 2.83 percent and 3.95 percent, respectively, compared to 0.60 percent and 2.52 percent, respectively, during the same period in 2022. Total cost of funds was 292 March 31, 2024, or 137 basis points for the three months ended September 30, 2023 compared to 76 basis points during the same period in 2022.

In the nine months ended September, 30 2023, FTE asset yields increased 166 basis points compared to the same period in 2022. The increase in interest income, on an FTE basis, of \$242.7 million during the nine months ended September 30, 2023 compared to the same period in 2022 was primarily due to an increase in average earning assets, coupled with the FOMC's interest rate increases of 525 basis points since March of 2022. The PPP loans originated in 2021 and 2020 were recorded at an interest rate of only 1 percent. The Corporation recognized fee and interest income of \$41,000 on PPP loans for the nine months ended September 30, 2023, compared to \$3.1 million in the same period of 2022, which is included in interest income. The Corporation also recognized fair value accretion income on purchased loans, which is included in interest income, of \$6.4 million, which accounted for 5 basis points of net interest margin in the nine months ended September 30, 2023. Comparatively, the Corporation recognized \$7.4 million of accretion income for the nine months ended September 30, 2022, or 6 basis points of net interest margin.

Interest costs increased 200 basis points, which mitigated the 166 basis point increase in asset yields and resulted in a 34 basis point FTE decrease in net interest spread when compared to the same period in 2022.

Interest-bearing deposits and 2023. Offsetting some of the increase in deposit costs, borrowing costs declined 58 basis points. Total cost of funds was 3.23 percent for the nine three months ended September 30, 2023 were 2.37 percent and 3.74 percent, respectively, March 31, 2024 compared to 0.36 1.98 percent and 2.18 percent, respectively, during the same period in 2022. Total cost of funds was 249 basis points for the nine months ended September 30, 2023 compared to 49 basis points during the same period in 2022. 2023.

Details regarding the Corporation's acquisition of Level One can be found in NOTE 2. ACQUISITIONS of the Notes to Consolidated Condensed Financial Statements of this Quarterly Report on Form 10-Q.

## PART I: FINANCIAL INFORMATION

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

The following tables present table presents the Corporation's average balance sheet, interest income/interest expense, and the average rate as a percent of average earning assets/liabilities for the three and nine months ended September 30, 2023, March 31, 2024 and 2022, 2023.

(Dollars in Thousands)	(Dollars in Thousands)	Three Months Ended							(Dollars in Thousands)	Three Months Ended							
March 31, 2024									March 31, 2024								
									Interest								
									Income								
Average Balance									Average Balance	/	Average Rate	Average Balance					
Assets:																	
	September 30, 2023							September 30, 2022									
Interest-bearing deposits																	
	Interest							Interest									
	Average Balance	Income / Expense	Average Rate	Average Balance	Income / Expense	Average Rate		Average Balance	Income / Expense	Average Rate							
Assets:																	
Interest-bearing deposits																	
Interest-bearing deposits	Interest-bearing deposits	\$ 502,967	\$ 5,884	4.68 %	\$ 190,434	\$ 704	1.48 %	\$ 575,699	\$ 6,493	4.51 %	\$ 172,814	\$ 2,000	1.17 %	\$ 1,000	\$ 1,000	\$ 1,000	
Federal Home Loan Bank stock	Federal Home Loan Bank stock	41,826	719	6.88	38,089	314	3.30										
Investment Securities: (1)	Investment Securities: (1)																
Taxable	Taxable	1,817,219	8,590	1.89	2,091,608	10,055	1.92										
Taxable																	
Taxable																	
Tax-Exempt (2)	Tax-Exempt (2)	2,298,025	17,655	3.07	2,700,580	21,849	3.24										
Total Investment Securities	Total Investment Securities	4,115,244	26,245	2.55	4,792,188	31,904	2.66										
Loans held for sale	Loans held for sale	24,227	386	6.37	20,039	266	5.74										
Loans: (3)	Loans: (3)																
Commercial																	
Commercial																	
Commercial	Commercial	8,456,527	153,993	7.28	8,177,895	103,227	5.05										
Real estate mortgage	Real estate mortgage	2,079,067	21,618	4.16	1,666,173	14,701	3.53										
Installment	Installment	827,318	15,708	7.59	813,112	10,310	5.07										
Tax-Exempt (2)	Tax-Exempt (2)	900,493	10,491	4.66	810,984	8,228	4.06										
Total Loans	Total Loans	12,287,632	202,196	6.58	11,488,203	136,732	4.76										
Total Earning Assets	Total Earning Assets	16,947,669	235,044	5.55 %	16,508,914	169,654	4.11 %	Total Earning Assets	17,123,851	241,695	5.65 %	16,824,407	212,719	5.65 %			
Assets	Assets	16,947,669			16,508,914			Assets	17,123,851			16,824,407					
Total Non-Earning Assets	Total Non-Earning Assets	1,204,570			1,261,709												
Total Assets	Total Assets	\$18,152,239			\$17,770,623												
Total Assets																	
Total Assets																	
Liabilities:																	
Liabilities:																	
Liabilities:	Liabilities:																
Interest-Bearing Deposits:	Interest-Bearing Deposits:																
Interest-Bearing Deposits:																	
Interest-Bearing Deposits:																	
Interest-bearing deposits																	
Interest-bearing deposits																	
Interest-bearing deposits	Interest-bearing deposits	\$ 5,425,829	\$ 37,780	2.79 %	\$ 5,184,087	\$ 8,723	0.67 %	\$ 5,419,821	\$ 39,491	2.91 %	\$ 5,263,601	\$ 1,000	0.02 %	\$ 1,000	\$ 1,000	\$ 1,000	
Money market deposits	Money market deposits	2,923,798	23,607	3.23	3,096,423	5,390	0.70										





(1) Average balance of securities is computed based on the average of the historical amortized cost balances without the effects of the fair value adjustments. Annualized amounts are computed utilizing a 30/360 day basis.

(1) Average balance of securities is computed based on the average of the historical amortized cost balances without the effects of the fair value adjustments. Annualized amounts are computed utilizing a 30/360 day basis.

(1) Average balance of securities is computed based on the average of the historical amortized cost balances without the effects of the fair value adjustments. Annualized amounts are computed utilizing a 30/360 day basis.

(2) Tax-exempt securities and loans are presented on a fully taxable equivalent basis, using a marginal tax rate of 21 percent for 2024 and 2023. These totals equal \$5,795 and \$6,321 for the three months ended March 31, 2024 and 2023, respectively.

(2) Tax-exempt securities and loans are presented on a fully taxable equivalent basis, using a marginal tax rate of 21 percent for 2024 and 2023. These totals equal \$5,795 and \$6,321 for the three months ended March 31, 2024 and 2023, respectively.

(3) Nonaccruing loans have been included in the average balances.

(3) Nonaccruing loans have been included in the average balances.

(4) Net Interest Spread (FTE) is interest income expressed as a percentage of average earning assets minus interest expense expressed as a percentage of average interest-bearing liabilities.

(4) Net Interest Spread (FTE) is interest income expressed as a percentage of average earning assets minus interest expense expressed as a percentage of average interest-bearing liabilities.

(4) Net Interest Spread (FTE) is interest income expressed as a percentage of average earning assets minus interest expense expressed as a percentage of average interest-bearing liabilities.

(5) Net Interest Margin (FTE) is interest income expressed as a percentage of average earning assets minus interest expense expressed as a percentage of average earning assets.

(5) Net Interest Margin (FTE) is interest income expressed as a percentage of average earning assets minus interest expense expressed as a percentage of average earning assets.

(5) Net Interest Margin (FTE) is interest income expressed as a percentage of average earning assets minus interest expense expressed as a percentage of average earning assets.

PART I: FINANCIAL INFORMATION

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

(Dollars in Thousands)						
Nine Months Ended						
	September 30, 2023			September 30, 2022		
	Average Balance	Interest Income / Expense	Average Rate	Average Balance	Interest Income / Expense	Average Rate
Assets:						
Interest-bearing deposits	\$ 340,887	\$ 9,685	3.79 %	\$ 333,818	\$ 1,544	0.62 %
Federal Home Loan Bank stock	41,160	2,281	7.39	34,742	635	2.44
Investment Securities: (1)						
Taxable	1,872,267	26,563	1.89	2,079,983	28,937	1.85
Tax-Exempt (2)	2,394,864	56,071	3.12	2,647,547	63,732	3.21
Total Investment Securities	4,267,131	82,634	2.58	4,727,530	92,669	2.61
Loans held for sale	22,398	1,046	6.23	19,020	622	4.36
Loans: (3)						

Commercial	8,515,148	444,422	6.96	7,731,591	253,770	4.38
Real estate mortgage	2,008,852	60,354	4.01	1,350,969	35,199	3.47
Installment	833,133	44,492	7.12	765,960	24,775	4.31
Tax-Exempt <sup>(2)</sup>	885,256	30,072	4.53	780,410	23,030	3.93
Total Loans	12,264,787	580,386	6.31	10,647,950	337,396	4.22
Total Earning Assets	16,913,965	674,985	5.32 %	15,744,040	432,244	3.66 %
Total Non-Earning Assets	1,201,539			1,268,890		
Total Assets	\$ 18,115,504			\$ 17,012,930		
<b>Liabilities:</b>						
Interest-Bearing Deposits:						
Interest-bearing deposits	\$ 5,412,482	\$ 97,016	2.39 %	\$ 5,195,249	\$ 15,699	0.40 %
Money market deposits	2,812,891	55,868	2.65	2,880,603	8,392	0.39
Savings deposits	1,730,110	10,693	0.82	1,937,761	2,895	0.20
Certificates and other time deposits	1,821,408	45,860	3.36	828,158	2,437	0.39
Total Interest-Bearing Deposits	11,776,891	209,437	2.37	10,841,771	29,423	0.36
Borrowings	1,144,368	32,122	3.74	817,894	13,354	2.18
Total Interest-Bearing Liabilities	12,921,259	241,559	2.49	11,659,665	42,777	0.49
Noninterest-bearing deposits	2,850,557			3,232,925		
Other liabilities	217,683			143,041		
Total Liabilities	15,989,499			15,035,631		
Stockholders' Equity	2,126,005			1,977,299		
Total Liabilities and Stockholders' Equity	\$ 18,115,504	241,559		\$ 17,012,930	42,777	
Net Interest Income (FTE)		\$ 433,427			\$ 389,467	
Net Interest Spread (FTE) <sup>(4)</sup>			2.83 %			3.17 %
<b>Net Interest Margin (FTE):</b>						
Interest Income (FTE) / Average Earning Assets			5.32 %			3.66 %
Interest Expense / Average Earning Assets			1.90 %			0.36 %
Net Interest Margin (FTE) <sup>(5)</sup>			3.42 %			3.30 %

<sup>(1)</sup> Average balance of securities is computed based on the average of the historical amortized cost balances without the effects of the fair value adjustments. Annualized amounts are computed utilizing a 30/360 day basis.

<sup>(2)</sup> Tax-exempt securities and loans are presented on a fully taxable equivalent basis, using a marginal tax rate of 21 percent for 2023 and 2022. These totals equal \$18,090 and \$18,220 for the nine months ended September 30, 2023 and 2022, respectively.

<sup>(3)</sup> Nonaccruing loans have been included in the average balances.

<sup>(4)</sup> Net Interest Spread (FTE) is interest income expressed as a percentage of average earning assets minus interest expense expressed as a percentage of average interest-bearing liabilities.

<sup>(5)</sup> Net Interest Margin (FTE) is interest income expressed as a percentage of average earning assets minus interest expense expressed as a percentage of average earning assets.

## PART I: FINANCIAL INFORMATION

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

#### NONINTEREST INCOME

Noninterest income totaled **\$27.8 million** \$26.6 million for the **third** first quarter of **2023, 2024**, a **\$1.8 million** \$1.6 million, or **6.0** 6.6 percent, decrease increase from the **third** first quarter of **2022, 2023**. The **third** first quarter of **2023** 2024 included **\$551,000** \$2,000 of gains net realized losses on life insurance benefits, sales of available for sale securities, compared to **\$5.3 million** \$1.6 million in the same period of 2022. Additionally, \$1.7 million in net losses were realized on the sale of \$33.2 million of available for sale securities during the current quarter, compared to \$481,000 of net realized gains in the third quarter of 2022.

Offsetting these declines in the three months ended September 30, 2023 was an increase of \$3.0 million in net gains and fees on sales of loans and a \$1.7 million increase in other income, primarily due to a \$1.9 million write-down of an equity investment, when compared to the third quarter of 2022.

During the first nine months of 2023, noninterest income totaled \$79.2 million, a \$4.6 million, or 5.5 percent, decrease when compared to the same period in 2022. The largest decrease was \$4.6 million in net losses realized on the sale of \$347.3 million of available for sale securities during the first nine months of 2023, compared to \$1.1 million in net realized gains in the first nine months of 2022. Additionally, gains on life insurance benefits decreased \$4.5 million in the nine months ended September 30, 2023 compared to the same period in 2022.

Offsetting the declines in the first nine months of 2023 was an increase of \$3.6 million in net gains and fees on sales of loans and a \$1.6 million increase in other income, primarily due to a \$1.9 million write-down of an equity investment, when compared to the same period in 2022. Additionally, service charges were \$1.9 million higher in the first nine months of 2023 compared to the first nine months of 2022 primarily due to the Level One acquisition in the second quarter of 2022, 2023.

## NONINTEREST EXPENSE

Noninterest expense totaled \$93.9 million \$96.9 million for the third first quarter of 2023, 2024, a \$2.5 million \$3.2 million, or 2.6 3.4 percent, decrease increase from the third first quarter of 2022, 2023. The decrease increase was primarily due to one-time Level One acquisition related non-core charges incurred during the three months ended March 31, 2024 of \$3.4 million recorded \$3.5 million, which included a \$1.1 million accrual estimate for an additional FDIC special assessment, and \$2.4 million of digital platform conversion costs.

Partially offsetting these increases, other expenses decreased \$1.9 million in the third first quarter of 2022, for core system processing and conversion expenses of \$1.5 million recorded in outside data processing fees and professional and other outside services, \$1.2 million recorded in salaries and employee benefits and \$368,000 of marketing expenses. In addition, other expenses were \$1.2 million less in the third quarter of 2023 than in 2024 compared to the same period of 2022, 2023, primarily due to higher losses gains on the sales of former banking center facilities in the third quarter of 2022 and lower customer-related contingent losses and mortgage servicing rights.

Partially offsetting the declines was an increase in other real estate and foreclosure expenses as a result of less credit-related expense recoveries and higher forced-placed insurance expenses.

During the first nine months of 2023, noninterest expense totaled \$280.2 million, a \$14.2 million, or 5.3 percent, increase when compared to the same period in 2022. The largest increase of \$13.2 million was in salaries and employee benefits and resulted from the addition of Level One staff for the entire nine months ended September 30, 2023 as compared to only six months of 2022. In addition, occupancy and equipment expenses from the larger franchise footprint resulted in an increase in expenses in 2023 as compared to the same period in 2022. The Corporation continues to invest in customer-facing digital solutions that contributed to increases in outside data processing expenses of \$3.2 million. The increase in other real estate and foreclosure expenses of \$949,000, when compared to the first nine months of 2022, was the result of less credit-related expense recoveries and higher forced-placed insurance expenses. The increase in other expenses is primarily due to higher customer-related contingent losses during the first nine months of 2023 as compared to the same period in 2022.

As part of the Level One acquisition, the Corporation recorded acquisition-related costs in the first nine months of 2022, which totaled \$16.1 million, of which \$7.5 million was in professional and other outside services, \$5.7 million was reflected in salaries and employee benefits, and \$2.0 million in equipment and outside data processing expenses. The acquisition-related expenses were primarily contract termination charges, core system conversion expenses, transaction advisory services and employee retention bonuses and severance. Additionally, the FDIC assessment decline in 2023 compared to 2022 was primarily due to a one-time FDIC credit of \$2.0 million recorded in the first quarter of 2023, offset by increases from growth in the balance sheet and the FDIC rate increase of 2 basis points, which was effective at the beginning of 2023.

Details regarding the Corporation's acquisition of Level One can be found in NOTE 2. ACQUISITIONS of the Notes to Consolidated Condensed Financial Statements of this Quarterly Report on Form 10-Q, 2024.

## INCOME TAXES

Income tax expense for the third quarter of 2023 three months ended March 31, 2024 was \$9.0 million \$6.8 million on pre-tax net income of \$65.4 million \$54.8 million. For the same period in 2022, 2023, income tax expense was \$9.8 million \$11.3 million on pre-tax income of \$73.5 million \$75.4 million. The effective income tax rates for the third quarter first quarters of 2024 and 2023 and 2022 were 13.8 12.5 percent and 13.3 15.0 percent, respectively.

Income tax expense for the nine months ended September 30, 2023 was \$31.0 million on pre-tax net income of \$212.3 million. For the same period in 2022, income tax expense was \$20.9 million on pre-tax net income of \$172.3 million. The effective income tax rates for the nine months ended September 30, 2023 and 2022 were 14.6 percent and 12.2 percent, respectively.

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The higher lower effective income tax rate for the three and nine months ended September 30, 2023 March 31, 2024 when compared to the same periods period in 2022 2023 was primarily a result of tax-exempt interest income being a smaller larger portion of pre-tax income in 2023 coupled with 2022 containing higher levels of tax-exempt earnings and gains on life insurance, which are also non-taxable, 2024.

The detailed reconciliation of federal statutory to actual tax expense is shown in NOTE 12, 10, INCOME TAX of the Notes to Consolidated Condensed Financial Statements of this Quarterly Report on Form 10-Q.

## CAPITAL

### Preferred Stock

As part of the Level One acquisition, the Corporation issued 10,000 shares of newly created 7.5 percent non-cumulative perpetual preferred stock, with a liquidation preference of \$2,500 per share, in exchange for the outstanding Level One Series B preferred stock. Likewise, stock, and as part of that exchange, each outstanding Level One depository depository share representing a 1/100th interest in a share of the Level One Series B preferred stock was converted into a depository depository share of the Corporation representing a 1/100th interest in a share of its newly issued preferred stock. The Corporation had \$25.0 million of outstanding preferred stock at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023. During the three and nine months ended September 30, 2023, March 31, 2024 and 2023, the Corporation declared and paid dividends of \$46.88 per share (equivalent to \$0.4688 per depository depository share) and \$140.64 per share, respectively, equal to \$468,000 and \$1,406,000, respectively. During the three and nine months ended September 30, 2022, the Corporation declared and paid dividends of \$46.88 per share and \$93.76 per share, respectively, equal to \$469,000 and \$938,000, respectively, \$469,000. The Series A preferred stock qualifies as Tier 1 capital for purposes of the regulatory capital calculations.

### Stock Repurchase Program

On January 27, 2021, the Board of Directors of the Corporation approved a stock repurchase program of up to 3,333,000 shares of the Corporation's outstanding common stock; provided, however, that the total aggregate investment in shares repurchased under the program may not exceed \$100,000,000. On a share basis, the amount of common stock subject to the repurchase program represented approximately 6 percent of the Corporation's outstanding shares at the time the program became effective. The Corporation did not repurchase any repurchased 0.9 million shares of its common stock pursuant to the repurchase program during 2022 or the nine three months ended September 30, 2023 March 31, 2024. As of September 30, 2023 March 31, 2024, the Corporation had approximately 2.7 million 1.8 million shares at an aggregate value of \$74.5 million \$44.6 million available to repurchase under the program.

In August 2022, the Inflation Reduction Act of 2022 (the "IRA") was enacted. Among other things, the IRA imposes a new 1 percent excise tax on the fair market value of stock repurchased after December 31, 2022 by publicly traded U.S. corporations (like the Corporation). With certain exceptions, the value of stock repurchased is determined net of stock issued in the year, including shares issued pursuant to compensatory arrangements. For the three months ended March 31, 2024, the Corporation recorded excise tax of \$297,000 related to its share repurchases during the first quarter of 2024, which is reflected in the Statement of Stockholders' Equity as a component of additional paid-in capital.

Regulatory Capital

Capital adequacy is an important indicator of financial stability and performance. The Corporation and the Bank are subject to various regulatory capital requirements administered by the federal banking agencies and are assigned to a capital category. The assigned capital category is largely determined by four ratios that are calculated according to the regulations: total risk-based capital, tier 1 risk-based capital, CET1, common equity tier 1 ("CET1"), and tier 1 leverage ratios. The ratios are intended to measure capital relative to assets and credit risk associated with those assets and off-balance sheet exposures of the entity. The capital category assigned to an entity can also be affected by qualitative judgments made by regulatory agencies about the risk inherent in the entity's activities that are not part of the calculated ratios.

There are five capital categories defined in the regulations, ranging from well capitalized to critically undercapitalized. Classification of a bank in any of the undercapitalized categories can result in actions by regulators that could have a material effect on a bank's operations. Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios of total risk-based capital, tier 1 capital, and common equity tier 1 capital, in each case, to risk-weighted assets, and of tier 1 capital to average assets, or leverage ratio, all of which are calculated as defined in the regulations. Banks with lower capital levels are deemed to be undercapitalized, significantly undercapitalized or critically undercapitalized, depending on their actual levels. The appropriate federal regulatory agency may also downgrade a bank to the next lower capital category upon a determination that the bank is in an unsafe or unsound practice. Banks are required to monitor closely their capital levels and to notify their appropriate regulatory agency of any basis for a change in capital category.

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Basel III requires the Corporation and the Bank to maintain the minimum capital and leverage ratios as defined in the regulation and as illustrated in the table below, which capital to risk-weighted asset ratios include a 2.5 percent capital conservation buffer. Under Basel III, in order to avoid limitations on capital distributions, including dividends, the Corporation must hold a 2.5 percent capital conservation buffer above the adequately capitalized CET1 to risk-weighted assets ratio (which buffer is reflected in the required ratios below). Under Basel III, the Corporation and Bank elected to opt-out of including accumulated other comprehensive income in regulatory capital. As of September 30, 2023 March 31, 2024, the Bank met all capital adequacy requirements to be considered well capitalized under the fully phased-in Basel III capital rules. There is no threshold for well capitalized status for bank holding companies.

As part of a March 27, 2020 joint statement of federal banking regulators, an interim final rule that allowed banking organizations to mitigate the effects of the CECL accounting standard on their regulatory capital was announced. Banking organizations could elect to mitigate the estimated cumulative regulatory capital effects of CECL for up to two years. This two-year delay was to be in addition to the three-year transition period that federal banking regulators had already made available. While the Consolidated Appropriations Act of 2021 provided for a further extension of the mandatory adoption of CECL until January 1, 2022, the federal banking regulators elected to not provide a similar extension to the two year mitigation period applicable to regulatory capital effects. Instead, the federal banking regulators require that, in order to utilize the additional two-year delay, banking organizations must have adopted the CECL standard no later than December 31, 2020, as required by the Coronavirus Aid, Relief and Economic Security Act, or CARES Act. As a result, because implementation of the CECL standard was delayed by the Corporation until January 1, 2021, it began phasing in the cumulative effect of the adoption on its regulatory capital, at a rate of 25 percent per year, over a three-year transition period that began on January 1, 2021. Under that phase-in schedule, the cumulative effect of the adoption will be is fully reflected in regulatory capital on January 1, 2024.

The Corporation's and Bank's actual and required capital ratios as of March 31, 2024 and December 31, 2023 were as follows:

March 31, 2024	Prompt Corrective Action Thresholds					
	Actual		Basel III Minimum Capital Required		Well Capitalized	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total risk-based capital to risk-weighted assets						
First Merchants Corporation	\$ 1,976,448	13.34 %	\$ 1,555,978	10.50 %	N/A	N/A
First Merchants Bank	1,909,328	12.87	1,557,432	10.50	\$ 1,483,268	10.00 %
Tier 1 capital to risk-weighted assets						
First Merchants Corporation	\$ 1,692,633	11.42 %	\$ 1,259,601	8.50 %	N/A	N/A
First Merchants Bank	1,723,518	11.62	1,260,778	8.50	\$ 1,186,615	8.00 %
CET1 capital to risk-weighted assets						
First Merchants Corporation	\$ 1,667,633	11.25 %	\$ 1,037,319	7.00 %	N/A	N/A
First Merchants Bank	1,723,518	11.62	1,038,288	7.00	\$ 964,124	6.50 %
Tier 1 capital to average assets						
First Merchants Corporation	\$ 1,692,633	9.56 %	\$ 708,018	4.00 %	N/A	N/A
First Merchants Bank	1,723,518	9.74	707,625	4.00	\$ 884,532	5.00 %

December 31, 2023	Prompt Corrective Action Thresholds					
	Actual		Basel III Minimum Capital Required		Well Capitalized	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total risk-based capital to risk-weighted assets						
First Merchants Corporation	\$ 2,021,124	13.67 %	\$ 1,552,685	10.50 %	N/A	N/A
First Merchants Bank	1,931,810	13.06	1,553,600	10.50	\$ 1,479,619	10.00 %
Tier 1 capital to risk-weighted assets						
First Merchants Corporation	\$ 1,703,626	11.52 %	\$ 1,256,935	8.50 %	N/A	N/A
First Merchants Bank	1,746,299	11.80	1,257,676	8.50	\$ 1,183,695	8.00 %
Common equity tier 1 capital to risk-weighted assets						
First Merchants Corporation	\$ 1,678,626	11.35 %	\$ 1,035,123	7.00 %	N/A	N/A

First Merchants Bank	1,746,299	11.80	1,035,733	7.00	\$	961,752	6.50 %
Tier 1 capital to average assets							
First Merchants Corporation	\$	1,703,626	9.64 %	\$	707,091	4.00 %	N/A
First Merchants Bank	1,746,299	9.89	706,331	4.00	\$	882,913	5.00 %

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**The Corporation's** On November 1, 2013, the Corporation completed the private issuance and **Bank's actual** sale to four institutional investors of an aggregate of \$70 million of debt comprised of (a) 5.00 percent Fixed-to-Floating Rate Senior Notes due 2028 in the aggregate principal amount of \$5 million and **required capital ratios** (b) 6.75 percent Fixed-to-Floating Rate Subordinated Notes due October 30, 2028 in the aggregate principal amount of \$65 million. As of December 31, 2023 the Corporation began the five year phase-out (at a rate of 20 percent per year) as of September 30, 2023 and December 31, 2022 were as follows:

September 30, 2023	Prompt Corrective Action Thresholds					
	Actual		Basel III Minimum Capital Required		Well Capitalized	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total risk-based capital to risk-weighted assets						
First Merchants Corporation	\$	2,005,401	13.66 %	\$	1,541,750	10.50 %
First Merchants Bank		1,911,504	13.01		1,542,558	10.50
					\$	1,469,103
Tier 1 capital to risk-weighted assets						
First Merchants Corporation	\$	1,678,208	11.43 %	\$	1,248,083	8.50 %
First Merchants Bank		1,727,271	11.76		1,248,738	8.50
					\$	1,175,282
CET1 capital to risk-weighted assets						
First Merchants Corporation	\$	1,653,208	11.26 %	\$	1,027,833	7.00 %
First Merchants Bank		1,727,271	11.76		1,028,372	7.00
					\$	954,917
Tier 1 capital to average assets						
First Merchants Corporation	\$	1,678,208	9.63 %	\$	697,226	4.00 %
First Merchants Bank		1,727,271	9.92		696,705	4.00
					\$	870,881

December 31, 2022	Prompt Corrective Action Thresholds					
	Actual		Basel III Minimum Capital Required		Well Capitalized	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total risk-based capital to risk-weighted assets						
First Merchants Corporation	\$	1,882,254	13.08 %	\$	1,511,230	10.50 %
First Merchants Bank		1,822,296	12.65		1,513,064	10.50
					\$	1,441,014
Tier 1 capital to risk-weighted assets						
First Merchants Corporation	\$	1,558,281	10.83 %	\$	1,223,377	8.50 %
First Merchants Bank		1,641,210	11.39		1,224,862	8.50
					\$	1,152,811
Common equity tier 1 capital to risk-weighted assets						
First Merchants Corporation	\$	1,533,281	10.65 %	\$	1,007,487	7.00 %
First Merchants Bank		1,641,210	11.39		1,008,710	7.00
					\$	936,659
Tier 1 capital to average assets						
First Merchants Corporation	\$	1,558,281	9.10 %	\$	684,758	4.00 %
First Merchants Bank		1,641,210	9.60		683,680	4.00
					\$	854,600

On April 9, 2020, federal banking regulators issued an interim final rule to modify defined in the Basel III regulatory capital rules, applicable to banking organizations to allow those organizations participating which resulted in the PPP to neutralize the regulatory capital effects a reduction of participating \$13 million in the program. The interim final rule, which became effective April 13, 2020, clarified that PPP loans receive a zero percent risk-weight for purposes of determining risk-weighted assets and the CET1, tier 1 and total risk-based capital ratios. At September 30, 2023 and December 31, 2022, risk-weighted assets included \$3.0 million and \$4.7 million, respectively, of PPP loans at a zero risk weight.

Basel III permits banks with less than \$15 billion in assets to continue to treat trust preferred securities as tier 1 capital. This treatment is permanently grandfathered as tier 1 capital even if the Corporation should ever exceed \$15 billion in assets. Additionally, subordinated debt decreased due to organic growth but not following certain mergers or acquisitions. As a result, while the Corporation's total assets exceeded \$15 billion as paydown of December 31, 2021, the Corporation has continued to treat its trust preferred securities as tier 1 capital as of such date. However, under certain amendments to the "transition rules" of Basel III, if a bank holding company that held less than \$15 billion of assets as of December 31, 2009 (which would include the Corporation) acquires a bank holding company with under \$15 billion \$40 million in assets at the time of acquisition (which would include Level One), and the resulting organization has total consolidated assets of \$15 billion or more as reported principal on the resulting organization's call report for scheduled interest payment date during the period first quarter of 2024, which resulted in which the transaction occurred, the resulting organization must begin reflecting its trust preferred securities as an additional reduction of \$32 million in tier 2 capital. As of March 31, 2024, \$25 million

remains outstanding under these instruments, and \$20 million is included in tier 2 capital at such time. As a result, effective with after the April 1, 2022 consummation of the Level One merger, the Corporation began reflecting all of its trust preferred securities as tier 2 capital. 20 percent phase-out.

Management believes the disclosed capital ratios are meaningful measurements for evaluating the safety and soundness of the Corporation. Traditionally, the banking regulators have assessed bank and bank holding company capital adequacy based on both the amount and the composition of capital, the calculation of which is prescribed in federal banking regulations. The Federal Reserve focuses its assessment of capital adequacy on a component of tier 1 capital known as CET1. Because the Federal Reserve has long indicated that voting common ~~shareholders~~ ~~stockholders~~ equity (essentially tier 1 risk-based capital less preferred stock and non-controlling interest in subsidiaries) generally should be the dominant element in tier 1 risk-based capital, this focus on CET1 is consistent with existing capital adequacy categories. ~~tier~~ ~~Tier~~ I regulatory capital consists primarily of total common stockholders' equity and subordinated debentures issued to business trusts categorized as qualifying borrowings, less non-qualifying intangible assets and unrealized net securities gains or losses.

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A reconciliation of regulatory measures are detailed in the following table as of the dates indicated.

September 30, 2023				December 31, 2022							
March 31, 2024						March 31, 2024				December 31, 2023	
		First	First	First	First						
		Merchants	Merchants	Merchants	Merchants						
(Dollars in thousands)	(Dollars in thousands)	Corporation	Bank	Corporation	Bank	(Dollars in thousands)	First Merchants Corporation	First Merchants Bank	First Merchants Corporation		First Merchants Bank
Total Risk-Based	Total Risk-Based										
Capital	Capital										
Total Stockholders' Equity (GAAP)											
Total Stockholders' Equity (GAAP)											
Total Stockholders'	Total Stockholders'										
Equity (GAAP)	Equity (GAAP)	\$ 2,092,644	\$ 2,143,339	\$ 2,034,770	\$ 2,119,316						
Adjust for	Adjust for										
Accumulated Other	Accumulated Other										
Comprehensive	Comprehensive										
(Income) Loss <sup>(1)</sup>	(Income) Loss <sup>(1)</sup>	307,270	305,191	239,151	237,094						
Less: Preferred Stock	Less: Preferred Stock	(25,125)	(125)	(25,125)	(125)						
Add: Qualifying	Add: Qualifying										
Capital Securities	Capital Securities	25,000	—	25,000	—						
Less: Disallowed	Less: Disallowed										
Goodwill and	Goodwill and										
Intangible Assets	Intangible Assets	(732,903)	(732,455)	(738,206)	(737,758)						
Less: Disallowed Goodwill and Intangible											
Assets											
Less: Disallowed Goodwill and Intangible											
Assets											
Add: Modified CECL	Add: Modified CECL										
Transition Amount	Transition Amount	11,514	11,514	23,028	23,028						
Less: Disallowed Deferred Tax Assets											
Less: Disallowed Deferred Tax Assets											
Less: Disallowed	Less: Disallowed										
Deferred Tax Assets	Deferred Tax Assets	(192)	(193)	(337)	(345)						
Total Tier 1	Total Tier 1										
Capital	Capital										
(Regulatory)	(Regulatory)	1,678,208	1,727,271	1,558,281	1,641,210						
Qualifying	Qualifying										
Subordinated	Subordinated										
Debentures	Debentures	143,147	—	143,103	—						
Allowance for Loan	Allowance for Loan										
Losses Includible in	Losses Includible in										
Tier 2 Capital	Tier 2 Capital	184,046	184,233	180,870	181,086						



The Corporation's tangible common equity measures are capital adequacy metrics that are meaningful to the Corporation, as well as analysts and investors, in assessing the Corporation's use of equity and in facilitating period-to-period and company-to-company comparisons. Tangible common equity to tangible assets ratio was 7.69 8.32 percent at September 30, 2023 March 31, 2024, and 7.34 8.44 percent at December 31, 2022 December 31, 2023. At March 31, 2024 and December 31, 2023, the Corporation had net unrealized losses associated with its investment securities available for sale of \$247.7 million and \$219.7 million, respectively. This decrease in value is due to interest rate changes and not due to credit quality.

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Non-GAAP financial measures such as tangible common equity to tangible assets, tangible earnings per share, return on average tangible assets and return on average tangible equity are important measures of the strength of the Corporation's capital and ability to generate earnings on tangible common equity invested by our shareholders. These non-GAAP measures provide useful supplemental information and may assist investors in analyzing the Corporation's financial position without regard to the effects of intangible assets and preferred stock, but retain the effect of accumulated other comprehensive gains (losses) in shareholder's equity. Disclosure of these measures also allows analysts and banking regulators to assess our capital adequacy on these same bases.

The tables within the "NON-GAAP FINANCIAL MEASURES" section of this Management's Discussion and Analysis of Financial Condition and Results of Operations reconcile traditional GAAP measures to these non-GAAP financial measures at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023.

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LOAN QUALITY AND PROVISION FOR CREDIT LOSSES ON LOANS

The Corporation's primary lending focus is small business and middle market commercial, commercial real estate, public finance and residential real estate, which results in portfolio diversification. Commercial loans are individually underwritten and judgmentally risk rated. They are periodically monitored and prompt corrective actions are taken on deteriorating loans. Consumer loans are typically underwritten with statistical decision-making tools and are managed throughout their life cycle on a portfolio basis.

Loan Maturities

The following tables present the maturity distribution of our loan portfolio, excluding loans held for sale, by collateral classification at September 30, 2023 March 31, 2024 according to contractual maturities of (1) one year or less, (2) after one year but within five years and (3) after five years. The tables also present the portion of loans by loan classification that have fixed interest rates or variable interest rates that fluctuate over the life of the loans in accordance with changes in an interest rate index.

		Maturing		Maturing					
(Dollars in Thousands)	(Dollars in Thousands)	Within 1	Maturing	Over					
		Year	1-5 Years	5 Years	Total	(Dollars in Thousands)	Within 1 Year	Maturing	Maturing Over
								1-5 Years	5 Years
Commercial and industrial loans	Commercial and industrial loans	\$ 789,625	\$2,380,668	\$ 320,660	\$ 3,490,953				
Agricultural land, production and other loans to farmers	Agricultural land, production and other loans to farmers	67,166	36,355	130,317	233,838				
Real estate loans:	Real estate loans:								
Construction	Construction								
Construction	Construction								
Construction	Construction	362,223	448,083	211,955	1,022,261				
Commercial real estate, non-owner occupied	Commercial real estate, non-owner occupied	350,269	956,714	1,053,613	2,360,596				
Commercial real estate, owner occupied	Commercial real estate, owner occupied	81,915	584,407	487,385	1,153,707				
Residential	Residential	21,377	136,774	2,099,234	2,257,385				
Home Equity	Home Equity	21,958	39,744	547,650	609,352				



Individuals' loans for household and other personal expenditures	Individuals' loans for household and other personal expenditures	23,138	98,730	54,655	176,523
Public finance and other commercial loans	Public finance and other commercial loans	10,093	50,087	906,627	966,807
Total	Total	\$1,727,764	\$4,731,562	\$5,812,096	\$12,271,422

(Dollars in Thousands)	(Dollars in Thousands)	Maturing Within 1 Year	Maturing 1-5 Years	Maturing Over 5 Years	Maturing Total	(Dollars in Thousands)	Maturing Within 1 Year	Maturing 1-5 Years	Maturing Over 5 Years	Total
Commercial and industrial loans	Commercial and industrial loans	\$ 27,699	\$ 332,511	\$ 180,161	\$ 540,371					
Agricultural land, production and other loans to farmers	Agricultural land, production and other loans to farmers	10,545	26,704	14,613	51,862					
Real estate loans:	Real estate loans:									
Construction	Construction									
Construction	Construction									
Construction	Construction	5,246	34,040	174,015	213,301					
Commercial real estate, non-owner occupied	Commercial real estate, non-owner occupied	130,701	444,206	177,844	752,751					
Commercial real estate, owner occupied	Commercial real estate, owner occupied	44,064	395,518	138,697	578,279					
Residential	Residential	13,115	112,816	920,546	1,046,477					
Home Equity	Home Equity	5,949	9,811	10,005	25,765					
Individuals' loans for household and other personal expenditures	Individuals' loans for household and other personal expenditures	5,095	76,523	24,537	106,155					
Public finance and other commercial loans	Public finance and other commercial loans	2,855	27,457	875,745	906,057					
Total loans with fixed interest rates	Total loans with fixed interest rates	\$245,269	\$1,459,586	\$2,516,163	\$4,221,018					

(Dollars in Thousands)	(Dollars in Thousands)	Maturing Within 1 Year	Maturing 1-5 Years	Maturing Over 5 Years	Maturing Total	(Dollars in Thousands)	Maturing Within 1 Year	Maturing 1-5 Years	Maturing Over 5 Years	Total
Commercial and industrial loans	Commercial and industrial loans	\$ 761,926	\$2,048,157	\$ 140,499	\$2,950,582					
Agricultural land, production and other loans to farmers	Agricultural land, production and other loans to farmers	56,621	9,651	115,704	181,976					
Real estate loans:	Real estate loans:									
Construction	Construction									
Construction	Construction									
Construction	Construction	356,977	414,043	37,940	808,960					

Commercial real estate, non-owner occupied	Commercial real estate, non-owner occupied	219,568	512,508	875,769	1,607,845
Commercial real estate, owner occupied	Commercial real estate, owner occupied	37,851	188,889	348,688	575,428
Residential	Residential	8,262	23,958	1,178,688	1,210,908
Home Equity	Home Equity	16,009	29,933	537,645	583,587
Individuals' loans for household and other personal expenditures	Individuals' loans for household and other personal expenditures	18,043	22,207	30,118	70,368
Public finance and other commercial loans	Public finance and other commercial loans	7,238	22,630	30,882	60,750
Total loans with variable interest rates	Total loans with variable interest rates	\$1,482,495	\$3,271,976	\$3,295,933	\$8,050,404

## PART I: FINANCIAL INFORMATION

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

#### Loan Quality

The quality of the loan portfolio and the amount of nonperforming loans may increase or decrease as a result of acquisitions, organic portfolio growth, problem loan recognition and resolution through collections, sales or charge-offs. The performance of any loan can be affected by external factors such as economic conditions, or internal factors specific to a particular borrower, such as the actions of a customer's internal management.

At September 30, 2023 March 31, 2024, nonperforming non-accrual loans totaled \$53.1 million, an increase of \$10.6 million from December 31, 2022. Nonaccrual loans totaled \$53.1 million at September 30, 2023 \$62.5 million, an increase of \$10.8 million \$8.9 million from December 31, 2022 December 31, 2023, primarily due to an \$8.7 million \$11.5 million commercial real estate, non-owner occupied loan to a material handling company that moved to nonaccrual non-accrual in 2023, the first quarter of 2024. The increase was partially offset by a decline in non-accrual balances within commercial and industrial and construction of \$1.9 million during the first quarter of 2024.

Other real estate owned and repossessions, totaling \$6.5 million \$4.9 million at September 30, 2023 March 31, 2024, increased \$49,000 \$55,000 from December 31, 2022 December 31, 2023. For other real estate owned, current appraisals are obtained to determine fair value as management continues to aggressively market these real estate assets.

According to applicable accounting guidance, loans that no longer exhibit similar risk characteristics are evaluated individually to determine if there is a need for a specific reserve. Commercial loans under \$500,000 and consumer loans are not individually evaluated. The determination for individual evaluation is made based on current information or events that may suggest it is probable that not all amounts due of principal and interest, according to the contractual terms of the loan agreement, will be substantially collected.

The Corporation's nonperforming assets plus accruing loans 90 days 90-days or more delinquent and individually evaluated loans are presented in the table below.

(Dollars in Thousands)	(Dollars in Thousands)	September 30, 2023	December 31, 2022	(Dollars in Thousands)	March 31, 2024	December 31, 2023
Nonperforming Assets:	Nonperforming Assets:			Nonperforming Assets:		
Nonaccrual loans		\$ 53,102	\$ 42,324			
Renegotiated loans		—	224			
Nonperforming loans (NPL)		53,102	42,548			
Non-accrual loans						
OREO and Repossessions	OREO and Repossessions	6,480	6,431			
Nonperforming assets (NPA)	Nonperforming assets (NPA)	59,582	48,979			
Loans 90-days or more delinquent and still accruing	Loans 90-days or more delinquent and still accruing	89	1,737			

NPAs and loans 90-days or more delinquent	NPAs and loans 90-days or more delinquent		
		\$ 59,671	\$ 50,716

The composition of nonperforming assets plus accruing loans 90-days or more delinquent is reflected in the following table by loan class.

(Dollars in Thousands)	(Dollars in Thousands)	September 30, 2023	December 31, 2022	(Dollars in Thousands)	March 31, 2024	December 31, 2023
Nonperforming assets and loans 90-days or more delinquent:	Nonperforming assets and loans 90-days or more delinquent:			Nonperforming assets and loans 90-days or more delinquent:		
Commercial and industrial loans	Commercial and industrial loans	\$ 14,749	\$ 4,439			
Agricultural land, production and other loans to farmers	Agricultural land, production and other loans to farmers	61	54			
Real estate loans:	Real estate loans:					
Construction	Construction	724	12			
Construction	Construction					
Commercial real estate, non-owner occupied	Commercial real estate, non-owner occupied	17,431	25,494			
Commercial real estate, owner occupied	Commercial real estate, owner occupied	3,125	3,550			
Residential	Residential	20,661	14,315			
Home equity	Home equity	2,818	2,742			
Individuals' loans for household and other personal expenditures	Individuals' loans for household and other personal expenditures	102	110			
Public finance and other commercial loans						
Nonperforming assets and loans 90-days or more delinquent:	Nonperforming assets and loans 90-days or more delinquent:	\$ 59,671	\$ 50,716			

### Provision and Allowance for Credit Losses on Loans

The Corporation adopted FASB Accounting Standards Update (ASU) No. 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement* *Measurement of Credit Losses on Financial Instruments* ("CECL") on January 1, 2021. CECL replaces replaced the previous "incurred loss" model with an "expected loss" model of measuring credit losses, which encompasses allowances for losses expected to be incurred over the life of the portfolio. The new CECL model requires the measurement of all expected credit losses for financial assets measured at amortized cost based on historical experiences, current conditions and reasonable and supportable forecasts. CECL also requires enhanced disclosures related to the significant estimates and judgments used in estimating credit losses, as well as credit quality and underwriting standards of an organization's portfolio. Additional details of the Corporation's CECL methodology and allowance calculation are discussed within NOTE 4.3. LOANS AND ALLOWANCE of the Notes to Consolidated Condensed Financial Statements of this Quarterly Report on Form 10-Q.

The CECL allowance is maintained through the provision for credit losses, which is a charge against earnings. Based on management's judgment as to the appropriate level of the allowance for credit losses, the amount provided in any period may be greater or less than net loan losses for the same period. The determination of the provision amount and the adequacy of the allowance in any period is based on management's continuing review

and evaluation of the loan portfolio.

## PART I: FINANCIAL INFORMATION

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

The Corporation's loan balances, excluding loans held for sale, increased \$267.5 million decreased \$20.4 million from December 31, 2022 December 31, 2023 to \$12.3 \$12.5 billion at September 30, 2023 March 31, 2024. At September 30, 2023 March 31, 2024, the allowance for credit losses totaled \$205.8 \$204.7 million, which represents a decrease of \$17.5 million \$253,000 from December 31, 2022 December 31, 2023. As a percentage of loans, the allowance for credit losses was 1.68 percent compared to 1.86 1.64 percent at December 31, 2022 March 31, 2024 and December 31, 2023.

Net charge-offs totaling \$20.4 million and \$22.5 million, respectively, \$2.3 million were recognized for the three and nine months ended September 30, 2023. There were two large commercial March 31, 2024, and industrial loan charge-offs of \$13.7 million and \$5.4 million in the third quarter of 2023, the largest of which was due to the charge-off of a previously reported nonaccrual loan to a syndicated specialty finance company resulting from alleged fraud that impacted our borrower's ability to repay. The effect of the third quarter charge-offs on the ACL- loans was offset by provision expense on loans of \$5.0 million in the third quarter of 2023. Reserves for unfunded commitments were reduced by \$3.0 million due to a decline in unfunded commitment balances, which resulted in a net provision expense of \$2.0 million in the third quarter of 2023, as compared to no provision expense in the same period of 2022. There was \$16.8 million in provision for credit losses of \$2.0 million was recorded for the nine months ended September 30, 2022 which related to the acquisition of Level One Bank. same period in 2024. Net recoveries charge-offs totaling \$427,000 and \$751,000, respectively, \$225,000 were recognized for the three and nine months ended September 30, 2022. March 31, 2023, with no provision for credit losses recorded in the same period in 2023.

For the three and nine months ended September 30, 2023, there were the two aforementioned individual charge-offs greater than \$500,000, that totaled \$19.1 million. For the three March 31, 2024 and nine months ended September 30, 2023, there were no individual recoveries greater than \$500,000. For the three and nine months ended September 30, 2022, 2023, there were no individual charge-offs greater than \$500,000. For the three months ended September 30, 2022, there was one individual recovery greater than \$500,000, that totaled \$515,000. For the nine months ended September 30, 2022, there were two individual or recoveries greater than \$500,000, that totaled \$1.2 million. \$500,000. The distribution of the net charge-offs (recoveries) for the three and nine months ended September 30, 2023 March 31, 2024 and 2022 2023 are reflected in the following table.

		Three Months Ended September 30,		Nine Months Ended September 30,	
		Three Months Ended March 31,		Three Months Ended March 31,	
		Three Months Ended March 31,		Three Months Ended March 31,	
(Dollars in Thousands)					
(Dollars in Thousands)					
(Dollars in Thousands)	(Dollars in Thousands)	2023	2022	2023	2022
Net charge-offs (recoveries):	Net charge-offs (recoveries):				
Net charge-offs (recoveries):					
Net charge-offs (recoveries):					
Commercial and industrial loans	Commercial and industrial loans	\$ 19,654	\$ 225	\$ 19,937	\$ 239
Agricultural land, production and other loans to farmers		—	—	—	(4)
Commercial and industrial loans					
Commercial and industrial loans					
Real estate loans:	Real estate loans:				
Construction		—	(824)	—	(824)
Real estate loans:					
Real estate loans:					
Commercial real estate, non-owner occupied					
Commercial real estate, non-owner occupied					
Commercial real estate, non-owner occupied	Commercial real estate, non-owner occupied	—	(171)	(44)	(68)
Commercial real estate, owner occupied	Commercial real estate, owner occupied	—	(16)	(8)	(905)
Commercial real estate, owner occupied					
Commercial real estate, owner occupied					
Residential					
Residential					
Residential	Residential	(14)	(77)	67	(55)
Home equity	Home equity	437	264	1,749	235
Home equity					
Home equity					
Individuals' loans for household and other personal expenditures					

Individuals' loans for household and other personal expenditures				
Individuals' loans for household and other personal expenditures	Individuals' loans for household and other personal expenditures			
		288	172	794
				631
Total net charge-offs (recoveries)	Total net charge-offs (recoveries)	\$ 20,365	\$ (427)	\$ 22,495
				(751)
Total net charge-offs (recoveries)				
Total net charge-offs (recoveries)				

Management continually evaluates the commercial loan portfolio by including consideration of specific borrower cash flow analysis and estimated collateral values, types and amounts on nonperforming loans, past and anticipated credit loss experience, changes in the composition of the loan portfolio, and the current condition and amount of loans outstanding. The determination of the provision for credit losses in any period is based on management's continuing review and evaluation of the loan portfolio, and its judgment as to the impact of current economic conditions on the portfolio. The allowance for credit losses remains robust, along with **\$24.9 million \$21.8 million** of fair value accretion remaining on the acquired portfolio. The Corporation continues to monitor economic forecast changes, loan growth and credit quality to determine provision needs in the future.

### LIQUIDITY

Liquidity management is the process by which the Corporation ensures that adequate liquid funds are available for the holding company and its subsidiaries. These funds are necessary in order to meet financial commitments on a timely basis. These commitments include withdrawals by depositors, funding credit obligations to borrowers, paying dividends to stockholders, paying operating expenses, funding capital expenditures, and maintaining deposit reserve requirements. Liquidity is monitored and closely managed by the asset/liability committee.

The Corporation's liquidity is dependent upon the receipt of dividends from the Bank, which is subject to certain regulatory limitations and access to other funding sources. Liquidity of the Bank is derived primarily from core deposit growth, principal payments received on loans, the sale and maturity of investment securities, net cash provided by operating activities, and access to other funding sources.

The principal source of asset-funded liquidity is investment securities classified as available for sale, the market values of which totaled **\$1.5 billion \$1.6 billion** at **September 30, 2023 March 31, 2024**, a decrease of **\$476.5 million \$6.9 million**, or **24.1 0.4** percent, from **December 31, 2022 December 31, 2023**. Securities classified as held to maturity that are maturing within a short period of time can also be a source of liquidity. Securities classified as held to maturity and that are maturing in one year or less totaled **\$9.4 million \$13.0 million** at **September 30, 2023 March 31, 2024**. In addition, other types of assets such as cash and interest-bearing deposits with other banks, federal funds sold and loans maturing within one year are sources of liquidity.

The most stable source of liability-funded liquidity for both the long-term and short-term is deposit growth and retention in the core deposit base. Federal funds purchased and securities sold under agreements to repurchase are also considered a source of liquidity. In addition, FHLB advances **are** and Federal Reserve Discount Window borrowings utilized as a funding source. At **September 30, 2023 March 31, 2024**, total borrowings from the FHLB were **\$713.4 million, \$612.8 million** and there were no outstanding borrowings from the Federal Reserve Discount Window. The Bank has pledged certain mortgage loans and investments to the **FHLB, FHLB and Federal Reserve**. The total available remaining borrowing capacity from the FHLB and Federal Reserve at **September 30, 2023 March 31, 2024** was **\$702.7 million, \$721.2 million** and **\$1.1 billion**, respectively.

## PART I: FINANCIAL INFORMATION

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

In March 2023, the Federal Reserve created the Bank Term Funding Program ("BTFP"). The BTFP **is was** a new facility established in response to recent liquidity concerns within the banking industry in part due to recent deposit runs that resulted in a few large bank failures. The BTFP was designed to provide available additional funding to eligible depository institutions in order to help assure that banks have the ability to meet the needs of all their depositors. Under the program, eligible depository institutions **can could** obtain loans of up to one year in length by pledging U.S. Treasuries, agency debt and mortgage-backed securities, and other qualifying assets as collateral. These assets **will be were** valued at par. The BTFP **is was** intended to eliminate the need for depository institutions to quickly sell their securities **when** if they **are were** experiencing stress on their liquidity. As of **September 30, 2023 March 11, 2024**, the program was discontinued and the Bank **has had** no outstanding balance **from the BTFP facility, as of March 31, 2024**.

The Corporation and the Bank receive outside credit ratings from Moody's. Both the Corporation and the Bank currently have Issuer Ratings of Baa1. Additionally, the Bank has a Baseline Credit Assessment Rating of a3. Management considers these ratings to be indications of a sound capital base and strong liquidity and believes that these ratings would help ensure the ready marketability of its commercial paper. Because of the Corporation's and Bank's current levels of long-term debt, management believes it could generate additional liquidity from various sources should the need arise.

The following table presents the Corporation's material cash requirements from known contractual and other obligations at **September 30, 2023 March 31, 2024**:

Payments Due In					Payments Due In			
Payments Due In					Payments Due In			
(Dollars in Thousands)	(Dollars in Thousands)	One Year or Less	Over One Year	Total	(Dollars in Thousands)	One Year or Less	Over One Year	Total
Deposits without stated maturity	Deposits without stated maturity	\$12,524,202	\$ —	\$12,524,202				
Certificates and other time deposits	Certificates and other time deposits	1,940,694	181,680	2,122,374				
Securities sold under repurchase agreements	Securities sold under repurchase agreements	152,537	—	152,537				

Federal Home	Federal Home			
Loan Bank	Loan Bank			
advances	advances	125,096	588,288	713,384
Federal Funds Purchased		—	—	—
Subordinated debentures and term				
loans		1,325	157,340	158,665
Subordinated debentures and other				
borrowings				
Subordinated debentures and other				
borrowings				
Subordinated debentures and other				
borrowings				
Total	Total	\$14,743,854	\$927,308	\$15,671,162

Also, in the normal course of business, the Bank is a party to a number of other off-balance sheet activities that contain credit, market and operational risk that are not reflected in whole or in part in our consolidated financial statements. These activities primarily consist of traditional off-balance sheet credit-related financial instruments such as loan commitments and standby letters of credit.

Summarized credit-related financial instruments at **September 30, 2023** **March 31, 2024** are as follows:

	<b>September 30, 2023</b>	<b>March 31, 2024</b>
(Dollars in Thousands)		
Amounts of commitments:		
Loan commitments to extend credit	\$ 5,074,572	4,993,077
Standby and commercial letters of credit	89,812	72,956
	\$ 5,114,384	5,066,033

Since many of the commitments are expected to expire unused or be only partially used, the total amount of unused commitments in the preceding table does not necessarily represent future cash requirements.

#### INTEREST SENSITIVITY AND DISCLOSURE ABOUT MARKET RISK

Asset/Liability management has been an important factor in the Corporation's ability to record consistent earnings growth through periods of interest rate volatility and product deregulation. Management and the Board of Directors monitor the Corporation's liquidity and interest sensitivity positions at regular meetings to review how changes in interest rates may affect earnings. Decisions regarding investment and the pricing of loan and deposit products are made after analysis of reports designed to measure liquidity, rate sensitivity, the Corporation's exposure to changes in net interest income given various rate scenarios and the economic and competitive environments.

It is the objective of the Corporation to monitor and manage risk exposure to net interest income caused by changes in interest rates. It is the goal of the Corporation's Asset/Liability management function to provide optimum and stable net interest income. To accomplish this, management uses two asset liability tools. GAP/Interest Rate Sensitivity Reports and Net Interest Income Simulation Modeling are constructed, presented and monitored quarterly. Management believes that the Corporation's liquidity and interest sensitivity position at **September 30, 2023** **March 31, 2024**, remained adequate to meet the Corporation's primary goal of achieving optimum interest margins while avoiding undue interest rate risk.

Net interest income simulation modeling, or earnings-at-risk, measures the sensitivity of net interest income to various interest rate movements. The Corporation's asset liability process monitors simulated net interest income under three separate interest rate scenarios; base, rising and falling. Estimated net interest income for each scenario is calculated over a twelve-month horizon. The immediate and parallel changes to the base case scenario used in the model are presented below. The interest rate scenarios are used for analytical purposes and do not necessarily represent management's view of future market movements. Rather, these are intended to provide a measure of the degree of volatility interest rate movements may introduce into the earnings of the Corporation.

## PART I: FINANCIAL INFORMATION

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

The base scenario is highly dependent on numerous assumptions embedded in the model, including assumptions related to future interest rates. While the base sensitivity analysis incorporates management's best estimate of interest rate and balance sheet dynamics under various market rate movements, the actual behavior and resulting earnings impact will likely differ from that projected. For certain assets, the base simulation model captures the expected prepayment behavior under changing interest rate environments. Assumptions and methodologies regarding the interest rate or balance behavior of indeterminate maturity products, such as savings, money market, interest-bearing and demand deposits, reflect management's best estimate of expected future behavior. Historical retention rate assumptions are applied to non-maturity deposits for modeling purposes.

The comparative rising 200 basis points and falling 100 basis points scenarios below, as of **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**, assume further interest rate changes in addition to the base simulation discussed above. These changes are immediate and parallel changes to the base case scenario.

Results for the rising 200 basis points and falling 100 basis points interest rate scenarios are listed below based upon the Corporation's rate sensitive assets and liabilities at **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**. The change from the base scenario represents cumulative net interest income over a twelve-month time horizon. Balance sheet assumptions used for the base scenario are the same for the rising and falling simulations.

<b>September</b>	<b>December</b>
<b>30, 2023</b>	<b>31, 2022</b>

March 31, 2024					March 31, 2024					December 31, 2023				
Rising	Rising													
200	200													
basis	basis													
points	points													
from	from													
base	base													
case	case	1.5	%	2.8	%	Rising 200 basis points from base case	2.6	%		4.0	%			
Falling	Falling													
100	100													
basis	basis													
points	points													
from	from													
base	base													
case	case	(1.1)	%	(2.3)	%	Falling 100 basis points from base case	(4.2)	%		(5.0)	%			

OTHER

The Securities and Exchange Commission maintains a web site that contains reports, proxy and information statements and other information regarding registrants that file electronically with the Commission, including the Corporation, and that address is (<http://www.sec.gov>).

PART I: FINANCIAL INFORMATION  
ITEM 3. QUANTITATIVE AND QUALITATIVE  
DISCLOSURES ABOUT MARKET RISK

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information required under this item is included as part of Management's Discussion and Analysis of Financial Condition and Results of Operations, under the headings "LIQUIDITY" and "INTEREST SENSITIVITY AND DISCLOSURE ABOUT MARKET RISK".

PART I: FINANCIAL INFORMATION  
ITEM 4. CONTROLS AND PROCEDURES

ITEM 4. CONTROLS AND PROCEDURES

At the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective. Disclosure controls and procedures are controls and procedures that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Securities Exchange Act of 1934 are recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.

There have been no changes in the Corporation's internal control over financial reporting identified in connection with the evaluation discussed above that occurred during the Corporation's last fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Corporation's internal control over financial reporting.

PART II: OTHER INFORMATION  
ITEM 1., ITEM 1A., ITEM 2., ITEM 3., ITEM 4. AND ITEM 5.  
(table dollar amounts in thousands, except share data)

ITEM 1. LEGAL PROCEEDINGS

There are no pending legal proceedings, other than litigation incidental to the ordinary business of the Corporation or its subsidiaries, of a material nature to which the Corporation or its subsidiaries is a party or of which any of their properties is subject. Further, there are no material legal proceedings in which any director, officer, principal shareholder, or affiliate of the Corporation, or any associate of any such director, officer or principal shareholder, is a party, or has a material interest, adverse to the Corporation or any of its subsidiaries.

None of the routine legal proceedings, individually or in the aggregate, in which the Corporation or its affiliates are involved are expected to have a material adverse impact on the financial position or the results of operations of the Corporation.

ITEM 1A. RISK FACTORS

Except for the additional risk factors set forth below, there **There** have been no material changes to the risk factors previously disclosed in the Corporation's Annual Report on Form 10-K for the year ended **December 31, 2022** **December 31, 2023**.

▪ **Adverse developments affecting the financial services industry, such as recent bank failures or concerns involving liquidity, may have a material effect on our operations.**

Recent events relating to the failures of Silicon Valley Bank and Signature Bank in March 2023 has caused general uncertainty and concerns regarding the adequacy of liquidity in the banking sector as a whole. A financial institution's liquidity reflects its ability to meet customer demand for loans, accommodating possible outflows in deposits and accessing alternative sources of funds when needed, while at the same time taking advantage of interest rate market opportunities. The ability to manage liquidity is fundamental to a financial institution's business and success. The bank failures in March 2023 highlight the potential results of an insured depository institution unexpectedly having to obtain needed liquidity to satisfy deposit withdrawal requests, including how quickly such requests can accelerate once uninsured depositors lose confidence in an institutions ability to satisfy its obligations to depositors. Current market uncertainties and other external factors may impact the competitive landscape for deposits in the banking industry in an unpredictable manner. In addition, the rising interest rate environment has continued to increase competition for liquidity and the premium at which liquidity is available to meet funding needs. These possible impacts may adversely affect our future operating results, including net income, and negatively impact capital.

▪ **Regulatory requirements arising from recent events in the financial services industry, or the application of current regulations, could increase our expenses and affect our operations.**

We anticipate the potential of new regulations for banks of similar size to the Bank, designed to address the recent developments in the financial services industry, which may increase our costs of doing business and reduce our profitability. Among other things, there may be an increased focus by both regulators and investors on deposit composition and the level of uninsured deposits. We also expect that another result of the recent bank failures, as well as any future bank failures, will be an increase to our FDIC insurance premiums in future years, further increasing our cost of doing business.

**ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

- a. None
- b. None
- c. Issuer Purchases of Equity Securities

The following table presents information relating to our purchases of equity securities during the three months ended **September 30, 2023** **March 31, 2024**.

Period	Total Number of Shares Purchased <sup>(1)</sup>	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 <sup>(2)</sup>
	Purchased <sup>(1)</sup>	per Share	Plans or Programs <sup>(2)</sup>	Under the Plans or Programs <sup>(2)</sup>
July, 2023	—	\$ —	—	2,686,898
August, 2023	39,767	\$ 31.93	—	2,686,898
September, 2023	544	\$ 30.42	—	2,686,898
Total	40,311		—	

Period	Total Number of Shares Purchased <sup>(1)</sup>	Average Price Paid per Share	Total Number of Shares Purchased as part of Publicly announced Plans or Programs <sup>(2)</sup>	Maximum Number of Shares that may yet be Purchased Under the Plans or Programs <sup>(2)</sup>
	Purchased <sup>(1)</sup>	per Share	Plans or Programs <sup>(2)</sup>	Under the Plans or Programs <sup>(2)</sup>
January, 2024	48,777	\$ 34.55	48,396	2,638,502
February, 2024	543,942	\$ 33.66	543,942	2,094,560
March, 2024	296,471	\$ 33.74	296,104	1,798,456
Total	889,190		888,442	

<sup>(1)</sup> During the three months ended **September 30, 2023** **March 31, 2024**, there were **no 888,442** shares repurchased pursuant to the Corporation's share repurchase program described in note (2) below. The **share repurchases amounts** in **August** **January 2024** and **September 2023** represent **March 2024** also include **381** and **367** shares, respectively, repurchased pursuant to net settlement by employees in satisfaction of income tax withholding obligations incurred through the vesting of the Corporation's restricted stock awards and are not a part of the Corporation's share repurchase program described in note (2) below.

<sup>(2)</sup> On January 27, 2021, the Board of Directors of the Corporation approved a stock repurchase program of up to 3,333,000 shares of the Corporation's outstanding common stock; provided, however, that the total aggregate investment in shares repurchased under the program may not exceed \$100,000,000. The program does not have an expiration date. However, it may be discontinued by the Board at any time. Since commencing the program, the Corporation has repurchased a total of **646,102** **1,534,544** shares of common stock for a total aggregate investment of **\$25,443,391** **\$55,416,721**.

**ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

None

**PART II: OTHER INFORMATION**

**ITEM 1., ITEM 1A., ITEM 2., ITEM 3., ITEM 4. AND ITEM 5.**  
**(table dollar amounts in thousands, except share data)**



#### ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable

#### ITEM 5. OTHER INFORMATION

a. None

b. None

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

## PART II: OTHER INFORMATION

### ITEM 6. EXHIBITS

#### ITEM 6. EXHIBITS

Exhibit No:	Description of Exhibits:
3.1	<a href="#">First Merchants Corporation Articles of Incorporation, as amended (Incorporated by reference to Exhibit 3.1 of registrant's Form 8-K filed on March 24, 2022) (SEC No. 000-17071)</a>
3.2	<a href="#">Bylaws of First Merchants Corporation effective as of <b>June 22, 2022</b> <b>November 9, 2023</b> (Incorporated by reference to Exhibit <b>3.1</b> <b>3.2</b> of registrant's Form <b>8-K</b> <b>10-K</b> filed on <b>June 23, 2022</b> <b>February 29, 2024</b>) (SEC No. 001-41342)</a>
4.1	<a href="#">First Merchants Corporation Amended and Restated Declaration of Trust of First Merchants Capital Trust II dated as of July 2, 2007 (Incorporated by reference to Exhibit 4.1 of registrant's Form 8-K filed on July 3, 2007) (SEC No. 000-17071)</a>
4.2	<a href="#">Indenture dated as of July 2, 2007 (Incorporated by reference to Exhibit 4.2 of registrant's Form 8-K filed on July 3, 2007) (SEC No. 000-17071)</a>
4.3	<a href="#">Guarantee Agreement dated as of July 2, 2007 (Incorporated by reference to Exhibit 4.3 of registrant's Form 8-K filed on July 3, 2007) (SEC No. 000-17071)</a>
4.4	<a href="#">Form of Capital Securities Certification of First Merchants Capital Trust II (Incorporated by reference to Exhibit 4.4 of registrant's Form 8-K filed on July 3, 2007) (SEC No. 000-17071)</a>
4.5	<a href="#">First Merchants Corporation Dividend Reinvestment and Stock Purchase Plan (Incorporated by reference to registrant's Prospectus filed pursuant to Rule 424(b)(3) on July 17, 2020) (SEC No. 333-229527)</a>
4.6	<a href="#">Upon request, the registrant agrees to furnish supplementally to the Commission a copy of the instruments defining the rights of holders of its (a) 5.00% Fixed-to-Floating Rate Senior Notes due 2028 in the aggregate principal amount of \$5 million and (b) 6.75% Fixed-to-Floating Rate Subordinated Notes due 2028 in aggregate principal amount of \$65 million.</a>
4.7	<a href="#">Deposit Agreement by and among First Merchants Corporation, Broadridge Corporate Issuer Solutions, Inc., as depositary, and holders from time to time of the depositary receipts described therein, as amended on March 30, 2022 (Incorporated by reference to Exhibit 4.1 of registrant's Form 8-A filed on March 30, 2022) (SEC No. 001-41342)</a>
4.8	<a href="#">Form of Depositary Receipt (Incorporated by reference to Exhibit 4.2 of registrant's Form 8-A filed on March 30, 2022) (SEC No. 001-41342)</a>
4.9	<a href="#">Indenture, dated as of December 18, 2019, between First Merchants Corporation (as successor to Level One Bancorp, Inc.) and Wilmington Trust, National Association, as trustee (Incorporated by reference to Exhibit 4.1 of Level One Bancorp, Inc.'s Form 8-K filed on December 19, 2019) (SEC No. 001-38458)</a>
4.10	<a href="#">First Supplemental Indenture, dated as of March 31, 2022, among First Merchants Corporation, Level One Bancorp, Inc. and Wilmington Trust, National Association, as trustee (Incorporated by reference to Exhibit 4.11 of registrant's Form 10-K filed on March 1, 2023) (SEC No. 001-41342)</a>
4.11	<a href="#">Form of 4.75% Fixed-to-Floating Rate Subordinated Notes due 2029 (Incorporated by reference to Exhibit 4.2 of Level One Bancorp, Inc.'s Form 8-K filed on December 19, 2019) (SEC No. 001-38458)</a>
31.1	<a href="#">Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes - Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes - Oxley Act of 2002 (1)</a>
31.2	<a href="#">Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes - Oxley Act of 2002 (1)</a>
32	<a href="#">Certifications Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (2)</a>
101.INS	Inline 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 (1)
101.SCH	Inline XBRL Taxonomy Extension Schema Document (1)
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document (1)
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document (1)
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document (1)
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document (1)
104	Cover Page Interactive Data File (formatted as Inline XBRL and included in Exhibit 101)

(1) Filed herewith.

(2) Furnished herewith.

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

First Merchants Corporation

(Registrant)

November May 1, 2023 2024

by /s/ Mark K. Hardwick

Mark K. Hardwick

Chief Executive Officer

(Principal Executive Officer)

November May 1, 2023 2024

by /s/ Michele M. Kawiecki

Michele M. Kawiecki

Executive Vice President, Chief Financial Officer

(Principal Financial and Accounting Officer)

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## PART II: OTHER INFORMATION

### ITEM 6. EXHIBITS

#### EXHIBIT-31.1

#### CERTIFICATIONS PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

#### CERTIFICATION

I, Mark K. Hardwick, Chief Executive Officer of First Merchants Corporation, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of First Merchants Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in the 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.

November May 1, 2023 2024

By: /s/ Mark K. Hardwick  
Mark K. Hardwick  
Chief Executive Officer  
(Principal Executive Officer)

## PART II: OTHER INFORMATION

### ITEM 6. EXHIBITS

#### EXHIBIT-31.2

#### CERTIFICATIONS PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

#### CERTIFICATION

I, Michele M. Kawiecki, Executive Vice President and Chief Financial Officer of First Merchants Corporation, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of First Merchants Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in the 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.

November May 1, 2023 2024

By: /s/ Michele M. Kawiecki  
Michele M. Kawiecki  
Executive Vice President,  
Chief Financial Officer  
(Principal Financial and Accounting Officer)

## PART II: OTHER INFORMATION

### ITEM 6. EXHIBITS

EXHIBIT-32

CERTIFICATIONS 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 First Merchants Corporation (the "Corporation") on Form 10-Q for the period ending September 30, 2023 March 31, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Mark K. Hardwick, Chief Executive Officer of the Corporation, do hereby certify, in accordance with 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o (d)); and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Corporation.

November May 1, 2023 2024

By: /s/ Mark K. Hardwick

Mark K. Hardwick

Chief Executive Officer

(Principal Executive Officer)

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

In connection with the Quarterly Report of First Merchants Corporation (the "Corporation") on Form 10-Q for the period ending September 30, 2023 March 31, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Michele M. Kawiecki, Executive Vice President, and Chief Financial Officer of the Corporation, do hereby certify, in accordance with 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o (d)); and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Corporation.

November May 1, 2023 2024

By: /s/ Michele M. Kawiecki

Michele M. Kawiecki

Executive Vice President,

Chief Financial Officer

(Principal Financial and Accounting Officer)

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

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