

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

FORM 10-Q

(Mark One)

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

For the Quarterly Period ended 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 \_\_\_\_\_.

Commission File Number **001-35750**  
**First Internet Bancorp**

(Exact Name of Registrant as Specified in Its Charter)

Indiana

(State or Other Jurisdiction of  
Incorporation or Organization)

20-3489991

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

8701 East 116th Street  
Fishers, IN

(Address of Principal Executive Offices)

46038

(Zip Code)

(317) 532-7900

(Registrant's Telephone Number, Including Area Code)

| Securities registered pursuant to Section 12(b) of the Act: |                 |   |
|---|-----------------|---|
| Title of each class   | Trading Symbols | Name of each exchange on which registered |
| Common Stock, without par value                             | INBK            | The Nasdaq Stock Market LLC               |
| 6.0% Fixed to Floating Subordinated Notes due 2029          | INBKZ           | 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 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 ☐

Non-accelerated Filer ☐

Emerging growth company ☐

Accelerated Filer ☒

Smaller Reporting Company ☐

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

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

As of May 3, 2024, the registrant had 8,655,854 shares of common stock issued and outstanding.

#### Cautionary Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of the federal securities laws. These statements are not historical facts, but rather statements based on the current expectations of First Internet Bancorp and its consolidated subsidiaries (the "Company," "we," "our," or "us") regarding our business strategies, intended results and future performance, including without limitation statements concerning the financial condition, results of operations, trends in lending policies and loan programs, plans and prospective business partnerships, objectives, future performance and business of the Company. Forward-looking statements are generally preceded by terms such as "acquire", "anticipate," "attempt," "believe," "can," "change," "continue," "could," "decline," "decrease," "differentiate," "diversify," "driving," "effort," "emerging," "estimate," "expect," "grow," "increase," "intend," "likely," "may," "objective," "plan," "position," "potential," "preliminary," "pursue," "remain," "retain," "should," "slowest," "succeed," "will," "win," "would" or other similar expressions. Such statements are subject to certain risks and uncertainties, including without limitation: changes in market rates and prices that may adversely impact the value of securities, loans, deposits and other financial instruments and the interest rate sensitivity of our balance sheet; changing bank regulatory conditions, policies or programs, whether arising as a result of new legislation or regulatory initiatives, that could lead to restrictions on activities of banks generally or First Internet Bank (the "Bank") in particular; more restrictive regulatory capital requirements; increased costs, including deposit insurance premiums; other general economic conditions, whether national or regional, and conditions in the lending markets in which we participate that may have an adverse effect on the demand for our loans and other products; our credit quality and related levels of nonperforming assets and credit losses, and the value and salability of the real estate that is the collateral for our loans; failures or breaches of or interruptions in the communication and information systems on which we rely to conduct our business that could reduce our revenues, increase our costs or lead to disruptions in our business; our dependence on capital distributions from the Bank; results of examinations of us by our regulators, including the possibility that our regulators may, among other things, require us to increase our allowance for credit losses or to write-down assets; regulation or prohibition of certain income producing activities or changes in the secondary market for loans and other products; our liquidity requirements being adversely affected by changes in our assets and liabilities; the effect of legislative or regulatory developments, including changes in laws concerning taxes, banking, securities, insurance and other aspects of the financial services industry; competitive factors among financial services organizations, including product and pricing pressures and our ability to attract, develop and retain qualified banking professionals; the growth and profitability of noninterest or fee income being less than expected; the loss of any key members of senior management; the effect of changes in accounting policies and practices, as may be adopted by the Financial Accounting Standards Board, the Securities and Exchange Commission (the "SEC"), the Public Company Accounting Oversight Board and other regulatory agencies; and the effect of fiscal and governmental policies of the United States federal government. Additional factors that may affect our results include those discussed in this Quarterly Report on Form 10-Q and our most recent Annual Report on Form 10-K under the heading "Risk Factors" and in other reports filed with the SEC. We caution readers not to place undue reliance on any such forward-looking statements, which speak only as of the date made. The factors listed above could affect our financial performance and could cause our actual results for future periods to differ materially from any opinions or statements expressed with respect to future periods in any current statements.

Except as required by law, we do not undertake, and specifically disclaim any obligation, to publicly release the result of any revisions that may be made to any forward-looking statements to reflect events or circumstances after the date of such statements or to reflect the occurrence of anticipated or unanticipated events.

PART I

ITEM 1. FINANCIAL STATEMENTS

First Internet Bancorp  
Condensed Consolidated Balance Sheets  
(Amounts in thousands except share data)

|  | March 31, 2024 | December 31, 2023 |
|--|----------------|-------------------|
|  | (Unaudited)    |                   |
| <b>Assets</b>  |                |                   |
| Cash and due from banks  | \$ 6,638       | \$ 8,269          |
| Interest-bearing deposits  | 474,626        | 397,629           |
| Total cash and cash equivalents  | 481,264        | 405,898           |
| Securities available-for-sale, at fair value (amortized cost of \$522,965 and \$513,315 in 2024 and 2023, respectively)  | 482,431        | 474,855           |
| Securities held-to-maturity, at amortized cost, net of allowance for credit losses of \$0.2 million and \$0.3 million in 2024 and 2023, respectively, (fair value of \$214,220 and \$207,572 in 2024 and 2023, respectively) | 235,738        | 227,153           |
| Loans held-for-sale  | 22,589         | 22,052            |
| Loans  | 3,909,804      | 3,840,220         |
| Allowance for credit losses - loans  | (40,891)       | (38,774)          |
| Net loans  | 3,868,913      | 3,801,446         |
| Accrued interest receivable  | 26,809         | 26,746            |
| Federal Home Loan Bank of Indianapolis stock   | 28,350         | 28,350            |
| Cash surrender value of bank-owned life insurance  | 41,154         | 40,882            |
| Premises and equipment, net  | 73,231         | 73,463            |
| Goodwill   | 4,687          | 4,687             |
| Servicing asset, at fair value   | 11,760         | 10,567            |
| Other real estate owned  | 375            | 375               |
| Accrued income and other assets  | 63,366         | 51,098            |
| Total assets   | \$ 5,340,667   | \$ 5,167,572      |
| <b>Liabilities and Shareholders' Equity</b>  |                |                   |
| <b>Liabilities</b>   |                |                   |
| Noninterest-bearing deposits   | \$ 130,760     | \$ 123,464        |
| Interest-bearing deposits  | 4,143,008      | 3,943,509         |
| Total deposits   | 4,273,768      | 4,066,973         |
| Advances from Federal Home Loan Bank   | 574,936        | 614,934           |
| Subordinated debt, net of unamortized debt issuance costs of \$2,085 and \$2,162 in 2024 and 2023, respectively  | 104,915        | 104,838           |
| Accrued interest payable   | 3,382          | 3,848             |
| Accrued expenses and other liabilities   | 16,927         | 14,184            |
| Total liabilities  | 4,973,928      | 4,804,777         |
| <b>Commitments and Contingencies</b>   |                |                   |
| <b>Shareholders' Equity</b>  |                |                   |
| Preferred stock, no par value; 4,913,779 shares authorized; issued and outstanding - none  | —              | —                 |
| Voting common stock, no par value; 45,000,000 shares authorized; 8,655,854 and 8,644,451 shares issued and outstanding in 2024 and 2023, respectively  | 184,720        | 184,700           |
| Nonvoting common stock, no par value; 86,221 shares authorized; issued and outstanding - none  | —              | —                 |
| Retained earnings  | 212,121        | 207,470           |
| Accumulated other comprehensive loss   | (30,102)       | (29,375)          |
| Total shareholders' equity   | 366,739        | 362,795           |
| Total liabilities and shareholders' equity   | \$ 5,340,667   | \$ 5,167,572      |

See Notes to Condensed Consolidated Financial Statements

**First Internet Bancorp**  
**Condensed Consolidated Statements of Operations– Unaudited**  
(Amounts in thousands except share and per share data)

|   | Three Months Ended |                |
|---|--------------------|----------------|
|   | March 31, 2024     | March 31, 2023 |
| <b>Interest Income</b>  |                    |                |
| Loans   | \$ 55,435          | \$ 43,843      |
| Securities – taxable  | 5,694              | 3,606          |
| Securities – non-taxable  | 969                | 798            |
| Other earning assets  | 6,067              | 3,786          |
| Total interest income   | 68,165             | 52,033         |
| <b>Interest Expense</b>   |                    |                |
| Deposits  | 42,129             | 27,270         |
| Other borrowed funds  | 5,302              | 5,189          |
| Total interest expense  | 47,431             | 32,459         |
| <b>Net Interest Income</b>  | 20,734             | 19,574         |
| Provision for credit losses - loans                                   | 2,582              | 9,373          |
| Benefit for credit losses - debt securities held to maturity          | (62)               | —              |
| (Benefit) provision for credit losses - off-balance sheet commitments | (72)               | 42             |
| <b>Net Interest Income After Provision for Credit Losses</b>          | 18,286             | 10,159         |
| <b>Noninterest Income</b>   |                    |                |
| Service charges and fees  | 220                | 209            |
| Loan servicing revenue  | 1,323              | 785            |
| Loan servicing asset revaluation                                      | (434)              | (55)           |
| Mortgage banking activities   | —                  | 76             |
| Gain on sale of loans   | 6,536              | 4,061          |
| Other   | 702                | 370            |
| Total noninterest income  | 8,347              | 5,446          |
| <b>Noninterest Expense</b>  |                    |                |
| Salaries and employee benefits  | 11,796             | 11,794         |
| Marketing, advertising and promotion                                  | 736                | 844            |
| Consulting and professional services                                  | 853                | 926            |
| Data processing   | 564                | 659            |
| Loan expenses   | 1,445              | 1,977          |
| Premises and equipment  | 2,826              | 2,777          |
| Deposit insurance premium   | 1,145              | 543            |
| Other   | 1,658              | 1,434          |
| Total noninterest expense   | 21,023             | 20,954         |
| <b>Income (Loss) Before Income Taxes</b>                              | 5,610              | (5,349)        |
| <b>Income Tax Provision (Benefit)</b>                                 | 429                | (2,332)        |
| <b>Net Income (Loss)</b>  | \$ 5,181           | \$ (3,017)     |
| <b>Income (Loss) Per Share of Common Stock</b>                        |                    |                |
| Basic   | \$ 0.60            | \$ (0.33)      |
| Diluted   | \$ 0.59            | \$ (0.33)      |
| <b>Weighted-Average Number of Common Shares Outstanding</b>           |                    |                |
| Basic   | 8,679,429          | 9,024,072      |
| Diluted   | 8,750,297          | 9,024,072      |
| <b>Dividends Declared Per Share</b>                                   | \$ 0.06            | \$ 0.06        |

See Notes to Condensed Consolidated Financial Statements

**First Internet Bancorp**  
**Condensed Consolidated Statements of Comprehensive Income (Loss)– Unaudited**  
(Amounts in thousands)

|  | Three Months Ended March 31, |            |
|--|------------------------------|------------|
|  | 2024                         | 2023       |
| Net income (loss)  | \$ 5,181                     | \$ (3,017) |
| Other comprehensive (loss) income  |                              |            |
| Securities available-for-sale  |                              |            |
| Net unrealized holding (losses) gains recorded within other comprehensive (loss) income before income tax                                  | (2,074)                      | 5,112      |
| Income tax (benefit) provision   | (475)                        | 1,170      |
| Net effect on other comprehensive (loss) income  | (1,599)                      | 3,942      |
| Securities held-to-maturity  |                              |            |
| Amortization of net unrealized holding losses on securities transferred from available-for-sale to held-to-maturity                        | 234                          | 158        |
| Income tax provision   | 57                           | 46         |
| Net effect on other comprehensive (loss) income  | 177                          | 112        |
| Cash flow hedges   |                              |            |
| Net unrealized holding gains (losses) on cash flow hedging derivatives recorded within other comprehensive (loss) income before income tax | 902                          | (2,170)    |
| Income tax provision (benefit)   | 207                          | (499)      |
| Net effect on other comprehensive (loss) income  | 695                          | (1,671)    |
| Total other comprehensive (loss) income  | (727)                        | 2,383      |
| Comprehensive income (loss)  | \$ 4,454                     | \$ (634)   |

*See Notes to Condensed Consolidated Financial Statements*

**First Internet Bancorp**  
**Condensed Consolidated Statements of Changes in Shareholders' Equity - Unaudited**  
**Three Months Ended March 31, 2024 and 2023**  
(Amounts in thousands except share and per share data)

|   | Voting and<br>Nonvoting<br>Common<br>Stock | Retained<br>Earnings | Accumulated<br>Other<br>Comprehensive<br>Loss | Total<br>Shareholders'<br>Equity |
|---|--|----------------------|---|----------------------------------|
| <b>Balance, January 1, 2024</b>   | \$ 184,700                                 | \$ 207,470           | \$ (29,375)                                   | \$ 362,795                       |
| Net income  | —  | 5,181                | —   | 5,181                            |
| Other comprehensive loss  | —  | —                    | (727)   | (727)                            |
| Dividends declared (\$0.06 per share)   | —  | (530)                | —   | (530)                            |
| Recognition of the fair value of share-based compensation   | 443  | —                    | —   | 443                              |
| Repurchased shares of common stock (10,500)   | (283)                                      | —                    | —   | (283)                            |
| Deferred stock rights and restricted stock units issued in lieu of cash dividends payable on outstanding deferred stock rights and restricted stock units | 2  | —                    | —   | 2                                |
| Common stock redeemed for the net settlement of share-based awards  | (142)                                      | —                    | —   | (142)                            |
| <b>Balance, March 31, 2024</b>  | <u>\$ 184,720</u>                          | <u>\$ 212,121</u>    | <u>\$ (30,102)</u>                            | <u>\$ 366,739</u>                |
| <b>Balance, January 1, 2023</b>   | \$ 192,935                                 | \$ 205,675           | \$ (33,636)                                   | \$ 364,974                       |
| Impact of adoption of new accounting standards <sup>1</sup>   | —  | (4,491)              | —   | (4,491)                          |
| Net income  | —  | (3,017)              | —   | (3,017)                          |
| Other comprehensive income  | —  | —                    | 2,383   | 2,383                            |
| Dividends declared (\$0.06 per share)   | —  | (544)                | —   | (544)                            |
| Recognition of the fair value of share-based compensation   | 372  | —                    | —   | 372                              |
| Repurchased shares of common stock (161,691)  | (4,002)                                    | —                    | —   | (4,002)                          |
| Deferred stock rights and restricted stock units issued in lieu of cash dividends payable on outstanding deferred stock rights and restricted stock units | 3  | —                    | —   | 3                                |
| Common stock redeemed for the net settlement of share-based awards  | (106)                                      | —                    | —   | (106)                            |
| <b>Balance, March 31, 2023</b>  | <u>\$ 189,202</u>                          | <u>\$ 197,623</u>    | <u>\$ (31,253)</u>                            | <u>\$ 355,572</u>                |

<sup>1</sup> Reflects the impact of adopting Accounting Standards Update ("ASU") 2016-13

See Notes to Condensed Consolidated Financial Statements

**First Internet Bancorp**  
**Condensed Consolidated Statements of Cash Flows – Unaudited**  
(Amounts in thousands)

|   | Three Months Ended March 31, |            |
|---|------------------------------|------------|
|   | 2024                         | 2023       |
| <b>Operating Activities</b>   |                              |            |
| Net income (loss)   | \$ 5,181                     | \$ (3,017) |
| Adjustments to reconcile net income to net cash used in operating activities: |                              |            |
| Depreciation and amortization   | 1,866                        | 1,058      |
| Increase in cash surrender value of bank-owned life insurance                 | (272)                        | (246)      |
| Provision for credit losses   | 2,448                        | 9,415      |
| Share-based compensation expense  | 443                          | 372        |
| Loans originated for sale   | (80,454)                     | (91,789)   |
| Proceeds from sale of loans   | 84,826                       | 98,433     |
| Gain on loans sold  | (6,536)                      | (4,525)    |
| Decrease in fair value of loans held-for-sale                                 | —                            | 136        |
| Gain on derivatives   | 1,224                        | 536        |
| Loan servicing asset revaluation  | 434                          | 55         |
| Net change in accrued income and other assets                                 | (4,872)                      | (2,444)    |
| Net change in accrued expenses and other liabilities                          | (1,497)                      | (2,086)    |
| Net cash provided by operating activities                                     | 2,791                        | 5,898      |
| <b>Investing Activities</b>   |                              |            |
| Net loan activity, excluding purchases  | (39,598)                     | (25,111)   |
| Maturities and calls of securities available-for-sale                         | 15,891                       | 9,448      |
| Purchase of securities available-for-sale                                     | (22,689)                     | (1,411)    |
| Maturities and calls of securities held-to-maturity                           | 6,981                        | 5,129      |
| Purchase of securities held-to-maturity                                       | (15,221)                     | (26,572)   |
| Purchase of premises and equipment  | (940)                        | (2,704)    |
| Loans purchased   | (30,451)                     | (90,029)   |
| Other investing activities  | (7,240)                      | (1,315)    |
| Net cash used in investing activities   | (93,267)                     | (132,565)  |
| <b>Financing Activities</b>   |                              |            |
| Net increase in deposits  | 206,795                      | 178,743    |
| Cash dividends paid   | (519)                        | (548)      |
| Repurchase of common stock  | (283)                        | (4,002)    |
| Proceeds from advances from Federal Home Loan Bank                            | 110,000                      | 110,000    |
| Repayment of advances from Federal Home Loan Bank                             | (150,000)                    | (110,000)  |
| Other, net  | (151)                        | (106)      |
| Net cash provided by financing activities                                     | 165,842                      | 174,087    |
| <b>Net Increase in Cash and Cash Equivalents</b>                              | 75,366                       | 47,420     |
| <b>Cash and Cash Equivalents, Beginning of Period</b>                         | 405,898                      | 256,552    |
| <b>Cash and Cash Equivalents, End of Period</b>                               | \$ 481,264                   | \$ 303,972 |
| <b>Supplemental Disclosures</b>   |                              |            |
| Cash paid during the period for interest                                      | 47,897                       | 32,782     |
| Cash paid during the period for taxes   | 86                           | 285        |
| Loans transferred to other real estate owned                                  | —                            | 106        |
| Cash dividends declared, paid in subsequent period                            | 519                          | 537        |
| Securities purchased during the period, settled in subsequent period          | 3,327                        | 8,344      |

See Notes to Condensed Consolidated Financial Statements

**First Internet Bancorp**  
**Notes to Condensed Consolidated Financial Statements – Unaudited**  
(Table amounts in thousands except share and per share data)

**Note 1: Basis of Presentation**

The accompanying unaudited condensed consolidated financial statements have been prepared in conformity with U.S. generally accepted accounting principles ("GAAP") for interim financial information and pursuant to the rules and regulations of the U.S. Securities and Exchange Commission ("SEC"). Accordingly, they do not include all of the information or footnotes necessary for a complete presentation of financial condition, results of operations, changes in shareholders' equity, or cash flows in accordance with GAAP. In our opinion, all adjustments (consisting only of normal recurring adjustments) necessary for a fair presentation have been included. The results of operations for the three months ended March 31, 2024 are not necessarily indicative of the results expected for the year ending December 31, 2024 or any other period. The March 31, 2024 condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes included in the First Internet Bancorp Annual Report on Form 10-K for the year ended December 31, 2023.

The preparation of the condensed consolidated financial statements in conformity with GAAP requires management to make estimates, judgments, or assumptions that could have a material effect on the carrying value of certain assets and liabilities. These estimates, judgments, and assumptions affect the amounts reported in the condensed consolidated financial statements and the disclosures provided. The determination of the allowance for credit losses, income taxes, valuations and impairments of investment securities and goodwill, as well as fair value measurements of derivatives and loans held-for-sale are highly dependent upon management's estimates, judgments, and assumptions, and changes in any of these could have a significant impact on the condensed consolidated financial statements.

The condensed consolidated financial statements include the accounts of First Internet Bancorp (the "Company"), its wholly owned subsidiary, First Internet Bank of Indiana (the "Bank"), and the Bank's three wholly owned subsidiaries, First Internet Public Finance Corp., JKH Realty Services, LLC and SPF15, Inc. All significant intercompany accounts and transactions have been eliminated in consolidation.

The Company is subject to claims and lawsuits that arise primarily in the ordinary course of business. It is the opinion of management that the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the consolidated financial position, results of operations, and cash flows of the Company.



**Note 2: Earnings (Loss) Per Share**

|  |                              |           |            |
|--|------------------------------|-----------|------------|
| Earnings (loss) per share of common stock are based on the weighted-average number of basic shares and dilutive shares outstanding during the period.  |                              |           |            |
| The following is a reconciliation of the weighted-average common shares for the basic and diluted earnings (loss) per share computations for the three months ended March 31, 2024 and 2023.   |                              |           |            |
| (dollars in thousands, except share and per share data)  |                              |           |            |
|  | Three Months Ended March 31, |           |            |
|  | 2024                         |           | 2023       |
| Basic earnings (loss) per share  |                              |           |            |
| Net income (loss)  | \$                           | 5,181     | \$ (3,017) |
| Weighted-average common shares   |                              | 8,679,429 | 9,024,072  |
| Basic earnings (loss) per common share   | \$                           | 0.60      | \$ (0.33)  |
| Diluted earnings per share   |                              |           |            |
| Net income (loss)  | \$                           | 5,181     | \$ (3,017) |
| Weighted-average common shares   |                              | 8,679,429 | 9,024,072  |
| Dilutive effect of equity compensation   |                              | 70,868    | —          |
| Weighted-average common and incremental shares   |                              | 8,750,297 | 9,024,072  |
| Diluted earnings (loss) per common share <sup>1</sup>  | \$                           | 0.59      | \$ (0.33)  |
| <sup>1</sup> Potential dilutive common shares are excluded from the computation of diluted EPS in the periods where the effect would be antidilutive. There were no antidilutive shares for the three months ended March 31, 2024. Since the Company was in a loss position for the three months ended March 31, 2023, basic net loss is the same as diluted net loss per share, as the inclusion of all potential shares of common stock outstanding would have been anti-dilutive. |                              |           |            |

Note 3: Securities

The following tables summarize securities AFS and securities HTM as of March 31, 2024 and December 31, 2023.

| (in thousands)   | March 31, 2024    |                  |             |               |
|--|-------------------|------------------|-------------|---------------|
|  | Amortized<br>Cost | Gross Unrealized |             | Fair<br>Value |
|  |                   | Gains            | Losses      |               |
| Securities available-for-sale                                |                   |                  |             |               |
| U.S. Government-sponsored agencies                           | \$ 93,323         | \$ 380           | \$ (1,602)  | \$ 92,101     |
| Municipal securities   | 69,289            | 120              | (1,994)     | 67,415        |
| Agency mortgage-backed securities - residential <sup>1</sup> | 253,181           | 133              | (32,830)    | 220,484       |
| Agency mortgage-backed securities - commercial               | 39,367            | 8                | (1,294)     | 38,081        |
| Private label mortgage-backed securities - residential       | 23,307            | 110              | (1,151)     | 22,266        |
| Asset-backed securities                                      | 7,417             | 43               | (1)         | 7,459         |
| Corporate securities   | 37,081            | 111              | (2,567)     | 34,625        |
| Total available-for-sale                                     | \$ 522,965        | \$ 905           | \$ (41,439) | \$ 482,431    |

| (in thousands)                           | March 31, 2024 |                  |             |            |                                |
|--|----------------|------------------|-------------|------------|--------------------------------|
|  | Amortized Cost | Gross Unrealized |             | Fair Value | Allowance for Credit<br>Losses |
|  |                | Gains            | Losses      |            |                                |
| Securities held-to-maturity              |                |                  |             |            | Net Carrying Value             |
| Municipal securities                     | \$ 13,384      | \$ —             | \$ (934)    | \$ 12,450  | \$ (3)                         |
| Mortgage-backed securities - residential | 178,800        | —                | (16,885)    | 161,915    | —                              |
| Mortgage-backed securities - commercial  | 5,752          | —                | (1,192)     | 4,560      | —                              |
| Corporate securities                     | 38,033         | —                | (2,738)     | 35,295     | (228)                          |
| Total held-to-maturity                   | \$ 235,969     | \$ —             | \$ (21,749) | \$ 214,220 | \$ (231)                       |

<sup>1</sup> Includes \$0.3 million of additional premium related to terminated interest rate swaps associated with agency mortgage-backed securities - residential as of March 31, 2024.

| (in thousands)   | December 31, 2023 |                  |             |               |
|--|-------------------|------------------|-------------|---------------|
|  | Amortized<br>Cost | Gross Unrealized |             | Fair<br>Value |
|  |                   | Gains            | Losses      |               |
| Securities available-for-sale                                |                   |                  |             |               |
| U.S. Government-sponsored agencies                           | \$ 96,404         | \$ 402           | \$ (1,629)  | \$ 95,177     |
| Municipal securities   | 69,494            | 356              | (1,404)     | 68,446        |
| Agency mortgage-backed securities - residential <sup>1</sup> | 237,798           | 101              | (31,250)    | 206,649       |
| Agency mortgage-backed securities - commercial               | 40,215            | 9                | (1,339)     | 38,885        |
| Private label mortgage-backed securities - residential       | 21,742            | 144              | (1,107)     | 20,779        |
| Asset-backed securities                                      | 8,071             | 17               | (7)         | 8,081         |
| Corporate securities   | 39,591            | 25               | (2,778)     | 36,838        |
| Total available-for-sale                                     | \$ 513,315        | \$ 1,054         | \$ (39,514) | \$ 474,855    |

| (in thousands)                                  | December 31, 2023 |                  |                    |                   |                                |                    |
|---|-------------------|------------------|--------------------|-------------------|--------------------------------|--------------------|
|   | Amortized<br>Cost | Gross Unrealized |                    | Fair<br>Value     | Allowance for Credit<br>Losses | Net Carrying Value |
|   |                   | Gains            | Losses             |                   |                                |                    |
| Securities held-to-maturity                     |                   |                  |                    |                   |                                |                    |
| Municipal securities                            | \$ 13,892         | \$ 1             | \$ (853)           | \$ 13,040         | \$ (3)                         | \$ 13,889          |
| Agency mortgage-backed securities - residential | 166,750           | 4                | (14,112)           | 152,642           | —                              | 166,750            |
| Agency mortgage-backed securities - commercial  | 5,767             | —                | (1,246)            | 4,521             | —                              | 5,767              |
| Corporate securities                            | 41,037            | —                | (3,668)            | 37,369            | (290)                          | 40,747             |
| Total held-to-maturity                          | <u>\$ 227,446</u> | <u>\$ 5</u>      | <u>\$ (19,879)</u> | <u>\$ 207,572</u> | <u>\$ (293)</u>                | <u>\$ 227,153</u>  |

<sup>1</sup> Includes \$0.4 million of additional premium related to terminated interest rate swaps associated with agency mortgage-backed securities - residential as of December 31, 2023.

Accrued interest receivable on AFS and HTM securities at March 31, 2024 was \$ 2.7 million and \$1.1 million, respectively, compared to \$2.9 million and \$1.2 million, respectively, at December 31, 2023, and is included in accrued interest receivable on the condensed consolidated balance sheet. The Company elected to exclude all accrued interest receivable from securities when estimating credit losses.

At both March 31, 2024 and December 31, 2023, over 95% of mortgage-backed securities (including both AFS and HTM) held by the Company are issued by U.S. government-sponsored entities and agencies. These securities are either explicitly or implicitly guaranteed by the U.S. government and have a long history of no credit losses; therefore, the Company did not record an ACL on these securities.

Additionally, the Company evaluated credit impairment for individual AFS securities that are in an unrealized loss position and determined that the unrealized losses are unrelated to credit quality and are primarily attributable to changes in interest rates and volatility in the financial markets. As the Company does not intend to sell the AFS securities that are in an unrealized loss position, and it is unlikely that it will be required to sell these securities before recovery of their amortized cost basis, the Company did not record an ACL on these securities.

In accordance with the adoption of ASC 326, the Company also evaluated its HTM securities that are in an unrealized loss position and considered issuer bond ratings, historical loss rates for bond ratings and economic forecasts. As a result, the Company recorded in an initial ACL in retained earnings of \$0.3 million on January 1, 2023. The Company reevaluated these securities at March 31, 2024 and determined no additional ACL was necessary.

The carrying value of securities at March 31, 2024 is shown below by their contractual maturity date. Actual maturities will differ because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

| (in thousands)   | Available-for-Sale |                   |
|--|--------------------|-------------------|
|  | Amortized<br>Cost  | Fair<br>Value     |
| Within one year  | \$ 301             | \$ 300            |
| One to five years                                      | 29,713             | 30,124            |
| Five to ten years                                      | 73,206             | 70,593            |
| After ten years  | 96,473             | 93,124            |
|  | <u>199,693</u>     | <u>194,141</u>    |
| Agency mortgage-backed securities - residential        | 253,181            | 220,484           |
| Agency mortgage-backed securities - commercial         | 39,367             | 38,081            |
| Private label mortgage-backed securities - residential | 23,307             | 22,266            |
| Asset-backed securities                                | <u>7,417</u>       | <u>7,459</u>      |
| Total  | <u>\$ 522,965</u>  | <u>\$ 482,431</u> |

|   | Held-to-Maturity |            |
|---|------------------|------------|
|   | Amortized Cost   | Fair Value |
| (in thousands)                                  |                  |            |
| Within one year                                 | \$ 1,006         | \$ 989     |
| One to five years                               | 11,117           | 10,870     |
| Five to ten years                               | 35,350           | 32,435     |
| After ten years                                 | 3,944            | 3,451      |
|   | 51,417           | 47,745     |
| Agency mortgage-backed securities - residential | 178,800          | 161,915    |
| Agency mortgage-backed securities - commercial  | 5,752            | 4,560      |
| Total   | \$ 235,969       | \$ 214,220 |

There were no gross gains or losses resulting from the sale of available-for-sale securities during the three months ended March 31, 2024 and March 31, 2023, respectively.

Certain investments in debt securities are reported in the condensed consolidated financial statements at an amount less than their historical cost. The total fair value of these investments at March 31, 2024 and December 31, 2023 was \$587.6 million and \$578.9 million, which was approximately 84% and 85%, respectively, of the Company's AFS and HTM securities portfolios. As of March 31, 2024, the Company's security portfolio consisted of 530 securities, of which 469 were in an unrealized loss position. As of December 31, 2023, the Company's security portfolio consisted of 512 securities, of which 434 were in an unrealized loss position. The unrealized losses are related to the categories noted below.

#### ***U. S. Government-Sponsored Agencies, Municipal Securities and Corporate Securities***

The unrealized losses on the Company's investments in securities issued by U.S. Government-sponsored agencies, municipal organizations and corporate entities were caused primarily by interest rate changes. The contractual terms of those investments do not permit the issuer to settle the securities at a price less than the amortized cost basis of the investments. The Company does not intend to sell the investments and it is not likely that the Company will be required to sell the investments before recovery of their amortized cost basis, which may be upon maturity.

#### ***Agency Mortgage-Backed and Private Label Mortgage-Backed Securities***

The unrealized losses on the Company's investments in agency mortgage-backed and private label mortgage-backed securities were caused primarily by interest rate changes. The Company expects to recover the amortized cost basis over the terms of the securities. The Company does not intend to sell the investments and it is not likely that the Company will be required to sell the investments before recovery of their amortized cost basis, which may be upon maturity.

The following tables show the securities portfolio's gross unrealized losses and fair value, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position at March 31, 2024 and December 31, 2023.

| (in thousands)   | March 31, 2024      |                   |                     |                   |            |                   |
|--|---------------------|-------------------|---------------------|-------------------|------------|-------------------|
|  | Less Than 12 Months |                   | 12 Months or Longer |                   | Total      |                   |
|  | Fair Value          | Unrealized Losses | Fair Value          | Unrealized Losses | Fair Value | Unrealized Losses |
| Securities available-for-sale                          |                     |                   |                     |                   |            |                   |
| U.S. Government-sponsored agencies                     | \$ 41,680           | \$ (174)          | \$ 22,167           | \$ (1,428)        | \$ 63,847  | \$ (1,602)        |
| Municipal securities                                   | 4,438               | (217)             | 44,268              | (1,777)           | 48,706     | (1,994)           |
| Agency mortgage-backed securities- residential         | 11,793              | (105)             | 187,884             | (32,725)          | 199,677    | (32,830)          |
| Agency mortgage-backed securities- commercial          | 3,076               | (13)              | 13,384              | (1,281)           | 16,460     | (1,294)           |
| Private label mortgage-backed securities - residential | 5,095               | (74)              | 11,623              | (1,077)           | 16,718     | (1,151)           |
| Asset-backed securities                                | 1,523               | (1)               | —                   | —                 | 1,523      | (1)               |
| Corporate securities                                   | 4,350               | (650)             | 22,122              | (1,917)           | 26,472     | (2,567)           |
| Total  | \$ 71,955           | \$ (1,234)        | \$ 301,448          | \$ (40,205)       | \$ 373,403 | \$ (41,439)       |

| (in thousands)   | December 31, 2023   |                   |                     |                   |            |                   |
|--|---------------------|-------------------|---------------------|-------------------|------------|-------------------|
|  | Less Than 12 Months |                   | 12 Months or Longer |                   | Total      |                   |
|  | Fair Value          | Unrealized Losses | Fair Value          | Unrealized Losses | Fair Value | Unrealized Losses |
| Securities available-for-sale                          |                     |                   |                     |                   |            |                   |
| U.S. Government-sponsored agencies                     | \$ 41,934           | \$ (161)          | \$ 24,579           | \$ (1,468)        | \$ 66,513  | \$ (1,629)        |
| Municipal securities                                   | 2,399               | (103)             | 36,193              | (1,301)           | 38,592     | (1,404)           |
| Agency mortgage-backed securities - residential        | 1,089               | (5)               | 194,095             | (31,245)          | 195,184    | (31,250)          |
| Agency mortgage-backed securities - commercial         | 21,561              | (50)              | 14,217              | (1,289)           | 35,778     | (1,339)           |
| Private label mortgage-backed securities - residential | 3,567               | (29)              | 9,114               | (1,078)           | 12,681     | (1,107)           |
| Asset-backed securities                                | 1,654               | (7)               | —                   | —                 | 1,654      | (7)               |
| Corporate securities                                   | 1,680               | (365)             | 24,587              | (2,413)           | 26,267     | (2,778)           |
| Total  | \$ 73,884           | \$ (720)          | \$ 302,785          | \$ (38,794)       | \$ 376,669 | \$ (39,514)       |

The following table summarizes ratings for the Company's HTM portfolio issued by state and political subdivisions and other securities as of March 31, 2024.

| (in thousands)         | Held-to-Maturity    |            |            |
|------------------------|---------------------|------------|------------|
|                        | State and Municipal | Other      | Total      |
| Aa1/AA+                | \$ 9,411            | \$ —       | \$ 9,411   |
| Aa2/AA                 | 2,179               | —          | 2,179      |
| A1/A+                  | 1,794               | —          | 1,794      |
| A3/A-                  | —                   | 9,507      | 9,507      |
| Baa1/BBB+              | —                   | 8,500      | 8,500      |
| Baa2/BBB               | —                   | 8,500      | 8,500      |
| Baa3/BBB-              | —                   | 9,526      | 9,526      |
| Ba1/BB+                | —                   | 2,000      | 2,000      |
| Not Rated <sup>1</sup> | —                   | 184,552    | 184,552    |
| Total                  | \$ 13,384           | \$ 222,585 | \$ 235,969 |

<sup>1</sup>HTM agency mortgage-backed securities - commercial and residential are listed under Other securities as not rated and have the explicit or implicit guarantee of the United States government.

**Note 4: Loans**

Loan balances as of March 31, 2024 and December 31, 2023 are summarized in the table below. Categories of loans include:

| <i>(in thousands)</i>   | March 31, 2024 | December 31, 2023 |
|---|----------------|-------------------|
| <b>Commercial loans</b>   |                |                   |
| Commercial and industrial   | \$ 133,897     | \$ 129,349        |
| Owner-occupied commercial real estate   | 57,787         | 57,286            |
| Investor commercial real estate   | 128,276        | 132,077           |
| Construction  | 325,597        | 261,750           |
| Single tenant lease financing   | 941,597        | 936,616           |
| Public finance  | 498,262        | 521,764           |
| Healthcare finance  | 213,332        | 222,793           |
| Small business lending  | 239,263        | 218,506           |
| Franchise finance   | 543,122        | 525,783           |
| Total commercial loans  | 3,081,133      | 3,005,924         |
| <b>Consumer loans</b>   |                |                   |
| Residential mortgage  | 390,009        | 395,648           |
| Home equity   | 22,753         | 23,669            |
| Other consumer loans  | 380,675        | 377,614           |
| Total consumer loans  | 793,437        | 796,931           |
| Total commercial and consumer loans   | 3,874,570      | 3,802,855         |
| Net deferred loan origination fees/costs and premiums/discounts on purchased loans and other <sup>‡</sup> | 35,234         | 37,365            |
| Total loans   | 3,909,804      | 3,840,220         |
| Allowance for credit losses   | (40,891)       | (38,774)          |
| Net loans   | \$ 3,868,913   | \$ 3,801,446      |

<sup>‡</sup> Includes carrying value adjustments of \$26.9 million and \$27.8 million related to terminated interest rate swaps associated with public finance loans as of March 31, 2024 and December 31, 2023, respectively.

Risk characteristics of each loan portfolio segment are as follows:

**Commercial and Industrial:** Commercial and industrial loans' sources of repayment are 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. Loans are made for working capital, equipment purchases, or other purposes. Most commercial and industrial loans are secured by the assets being financed and may incorporate a personal guarantee. This portfolio segment is generally concentrated in the Midwest and Southwest regions of the United States.

**Owner-Occupied Commercial Real Estate:** The primary source of repayment is the cash flow from the ongoing operations and activities conducted by the borrower, or an affiliate of the borrower, who owns the property. This portfolio segment is generally concentrated in the Midwest and Southwest regions of the United States and its loans are often secured by manufacturing and service facilities.

**Investor Commercial Real Estate:** These loans are made on a nationwide basis and are underwritten primarily based on the cash flow expected to be generated from the property and are secondarily supported by the value of the real estate. These loans typically incorporate a personal guarantee from the primary sponsor or sponsors. This portfolio segment generally involves larger loan amounts with repayment primarily dependent on the successful leasing and operation of the property securing the loan or the business conducted on the property securing the loan. Investor commercial real estate loans may be more adversely affected by changing economic conditions in the real estate markets, industry dynamics or the overall health of the local economy where the property is located. The properties securing the Company's investor commercial real estate portfolio tend to be diverse in terms of property type. Management monitors and evaluates commercial real estate loans based on property financial performance, collateral value, guarantor strength, economic and industry conditions together with other risk grade criteria. As a general rule, the Company avoids financing special use projects unless other underwriting factors are present to mitigate these additional risks.

**Construction:** Construction loans are made on a nationwide basis and are secured by land and related improvements and are made to assist in the construction of new structures, which may include commercial (retail, industrial, office, and multi-family) properties, land development for residential properties or single family residential properties offered for sale by the builder. These loans generally finance a variety of project costs, including land, site preparation, architectural services, construction, closing and soft costs and interim financing needs. The cash flows of builders, while initially predictable, may fluctuate with market conditions, and the value of the collateral securing these loans may be subject to fluctuations based on general economic changes.

**Single Tenant Lease Financing:** These loans are made on a nationwide basis to owners of real estate subject to long-term lease arrangements with single tenant operators. The real estate is typically operated by regionally, nationally or globally branded businesses. The loans are underwritten based on the financial strength of the borrower, characteristics of the real estate, cash flows generated from the lease arrangements and the financial strength of the tenant. Similar to the other loan portfolio segments, management monitors and evaluates these loans based on borrower and tenant financial performance, collateral value, industry trends and other risk grade criteria.

**Public Finance:** These loans are made on a nationwide basis to governmental and not-for-profit entities to provide both tax-exempt and taxable loans for a variety of purposes including: short-term cash-flow needs; debt refinancing; economic development; quality of life projects; infrastructure improvements; renewable energy projects; and equipment financing. The primary sources of repayment for public finance loans include pledged revenue sources including but not limited to: general obligations; property taxes; income taxes; tax increment revenue; utility revenue; gaming revenues; sales tax; and pledged general revenue. Certain loans may also include an additional collateral pledge of mortgaged property or a security interest in financed equipment.

**Healthcare Finance:** These loans are made on a nationwide basis to healthcare providers, primarily dentists, for practice acquisition financing or refinancing that occasionally includes owner-occupied commercial real estate and equipment purchases. The sources of repayment are primarily based on the identified cash flows from operations of the borrower and related entities and secondarily on the underlying collateral provided by the borrower.

**Small Business Lending:** These loans are made on a nationwide basis to small businesses and generally carry a partial guaranty from the U.S. Small Business Administration ("SBA") under its 7(a) loan program. We generally sell the government guaranteed portion of SBA loans into the secondary market while retaining the non-guaranteed portion of the loan and the servicing rights. Loans in the small business lending portfolio have sources of repayment that are primarily based on the identified cash flows of the borrower and secondarily on any underlying collateral provided by the borrower. Loans may, but do not always, have a collateral shortfall. For SBA loans where the guaranteed portion is retained, the SBA guaranty provides a tertiary source of repayment to the Bank in event of borrower default. Cash flows of borrowers, however, may not be as expected and collateral securing these loans may fluctuate in value. Loans are made for a broad array of purposes including, but not limited to, providing operating cash flow, funding ownership changes, and facilitating equipment and commercial real estate purchases.

**Franchise Finance:** These loans are made on a nationwide basis through our partnership with ApplePie Capital, which through their deep relationships with franchise brands provides franchisees with financing options for new franchise units, recapitalization, expansion, equipment and working capital. The sources of repayment are either based on identified cash flows from existing operations of the borrower or pro forma cash flow for new franchise locations.



**Residential Mortgage:** With respect to residential loans that are secured by 1-to-4 family residences and are generally owner occupied, the Company typically establishes a maximum loan-to-value ratio and requires private mortgage insurance if that ratio is exceeded. Repayment of these loans is primarily dependent on the financial circumstances of the borrowers, which can be impacted by economic conditions in their market areas such as unemployment levels. Repayment can also be impacted by changes in residential property values. Risk is mitigated by the fact that the loans are of smaller individual amounts and spread over a large number of borrowers in geographically diverse locations throughout the country.

**Home Equity:** Home equity loans and lines of credit are typically secured by a subordinate interest in 1-to-4 family residences. The properties securing the home equity portfolio segment are generally geographically diverse as the Company offers these products on a nationwide basis. Repayment of these loans and lines of credit is primarily dependent on the financial circumstances of the borrowers and may be impacted by changes in unemployment levels and property values on residential properties, among other economic conditions in the market.

**Other Consumer:** These loans primarily consist of consumer loans and credit cards. Consumer loans may be secured by consumer assets such as horse trailers or recreational vehicles. Some consumer loans are unsecured, such as small installment loans, home improvement loans and certain lines of credit. Repayment of consumer loans is primarily dependent upon the personal income of the borrowers, which can be impacted by economic conditions in their market areas such as unemployment levels. Risk is mitigated by the fact that the loans are of smaller individual amounts and spread over a large number of borrowers in geographically diverse locations throughout the country.

#### ***Allowance for Credit Losses ("ACL") Methodology***

The ACL for loans represents management's estimate of all expected credit losses over the expected life of the Company's existing loan portfolio. Management estimates the ACL balance using relevant available information about the collectability of cash flows, from internal and external sources, including historical information relating to past events, current conditions, and reasonable and supportable forecasts of future economic conditions. When the Company is unable to forecast future economic events, management may revert to historical information.

The Company's methodologies incorporate a one-year reasonable and supportable forecast period with a one-year straight line reversion to the long-term historical average.

The ACL methodology may also consider other adjustments to address changes in conditions, trends, and circumstances such as local industry changes that could have a significant impact on the risk profile of the loan portfolio and provide for adjustments that may not be reflected and/or captured in the historical loss data. These factors include: lending policies, imprecision in forecasting future economic conditions, loan profile, lending staff, problem loan trends, loan review, collateral, credit concentration, or other internal and external factors.

The Company also includes qualitative adjustments to the allowance based on factors and considerations that have not otherwise been fully accounted for. Qualitative adjustments include, but are not limited to:

- Changes in lending policies and procedures, including changes in underwriting standards and collections, charge-offs and recovery practices
- Changes in international, national, regional and local conditions
- Changes in the nature and volume of the portfolio and terms of loans
- Changes in the experience, depth and ability of lending management
- Changes in the volume and severity of past due loans and other similar conditions
- Changes in the quality of the organization's loan review system
- Changes in the value of underlying collateral for collateral dependent loans
- The existence and effect of any concentrations of credit and changes in the levels of such concentrations
- The effect of other external factors (i.e. competition, legal and regulatory requirements) on the level of estimated credit losses

The ACL is measured on a collective or pool basis when similar risk characteristics exist. The Company segments its portfolio generally by Federal Financial Institutions Examination Council ("FFIEC") Call Report codes that align with its lines of business. Additional sub-segmentation may be utilized to identify groups of loans with unique risk characteristics relative to the rest of the portfolio.

Loans that do not share similar risk characteristics are evaluated on an individual basis. These evaluations are typically performed on loans with a deteriorated internal risk rating. The allowance for credit loss is determined based on several methods, including estimating the fair value of the underlying collateral or the present value of expected cash flows.

The Company relies on a third-party platform that offers multiple methodologies to measure historical life-of-loan losses.

***Modified Loans to Borrowers Experiencing Financial Difficulty***

The Company may make modifications to certain loans in order to alleviate temporary difficulties in the borrower's financial condition and/or constraints on the borrower's ability to repay the loan, and to minimize potential losses to the Company. Modifications may include changes in the amortization terms of the loan, reductions in interest rates, acceptance of interest only payments, and/or reductions to the outstanding loan balance. Such loans are typically placed on nonaccrual status when there is doubt concerning the full repayment of principal and interest or the loan has been delinquent for a period of 90 days or more. These loans may be returned to accrual status when all contractual amounts past due have been brought current, and the borrower's performance under the modified terms of the loan agreement and the ultimate collectability of all contractual amounts due under the modified terms is no longer in doubt. The Company typically measures the ACL on modified loans to borrowers experiencing financial difficulty on an individual basis when the loans are deemed to no longer share risk characteristics that are similar with other loans in the portfolio. The determination of the ACL for these loans is based on a discounted cash flow approach for both those measured collectively and individually, unless the loan is deemed collateral dependent, which requires measurement of the ACL based on the estimated expected fair value of the underlying collateral, less costs to sell. GAAP requires the Company to make certain disclosures related to these loans, including certain types of modifications, as well as how such loans have performed since their modifications.

***Provision for Credit Losses***

A provision for estimated losses on loans is charged to income based upon management's evaluation of the potential losses. Such an evaluation, which includes a review of all loans for which full repayment may not be reasonably assured, considers, among other matters, the estimated net realizable value of the underlying collateral, as applicable, economic conditions, loan loss experience, and other factors that are particularly susceptible to changes that could result in a material adjustment in the near term. While management attempts to use the best information available in making its evaluations, future allowance adjustments may be necessary if economic conditions change substantially from the assumptions used in making the evaluations.

***Policy for Charging Off Loans***

The Company's policy is to charge off a loan at any point in time when it no longer can be considered a bankable asset, meaning collectible within the parameters of policy. A secured loan is generally charged down to the estimated fair value of the collateral, less costs to sell, no later than when it is 120 days past due as to principal or interest. An unsecured loan generally is charged off no later than when it is 180 days past due as to principal or interest. A home improvement loan generally is charged off no later than when it is 90 days past due as to principal or interest.

The following tables present changes in the balance of the ACL during the three months ended March 31, 2024 and 2023.

ands)

| Three Months Ended March 31, 2024     |                              |                                       |                    |            |                        |  |
|---------------------------------------|------------------------------|---------------------------------------|--------------------|------------|------------------------|--|
| Allowance for credit losses:          | Balance, Beginning of Period | (Credit) Provision Charged to Expense | Losses Charged Off | Recoveries | Balance, End of Period |  |
| Commercial and industrial             | \$ 2,185                     | (387)                                 | \$—                | \$ 2       | 1,800                  |  |
| Owner-occupied commercial real estate | 825                          | (56)                                  | —                  | —          | 769                    |  |
| Investor commercial real estate       | 1,311                        | (513)                                 | —                  | —          | 798                    |  |
| Construction                          | 2,167                        | 775                                   | —                  | —          | 2,942                  |  |
| Single tenant lease financing         | 8,129                        | 342                                   | —                  | —          | 8,471                  |  |
| Public finance                        | 1,372                        | (36)                                  | —                  | —          | 1,336                  |  |
| Healthcare finance                    | 1,976                        | (59)                                  | —                  | —          | 1,917                  |  |
| Small business lending                | 6,532                        | 2,585                                 | (289)              | 40         | 8,868                  |  |
| Franchise finance                     | 6,363                        | (197)                                 | —                  | —          | 6,166                  |  |
| Residential mortgage                  | 2,054                        | (41)                                  | (69)               | 1          | 1,945                  |  |
| Home equity                           | 171                          | (48)                                  | —                  | 2          | 125                    |  |
| Other consumer loans                  | 5,689                        | 217                                   | (175)              | 23         | 5,754                  |  |
|                                       | \$ 38,784                    | 2,582                                 | (583)              | \$ 68      | 40,891                 |  |

(in thousands)

| Three Months Ended March 31, 2023     |                              |                  |                                       |                    |            |                        |  |  |
|---------------------------------------|------------------------------|------------------|---------------------------------------|--------------------|------------|------------------------|--|--|
| Allowance for credit losses:          | Balance, Beginning of Period | Adoption of CECL | (Credit) Provision Charged to Expense | Losses Charged Off | Recoveries | Balance, End of Period |  |  |
| Commercial and industrial             | \$ 1,711                     | \$ (120)         | \$ 6,810                              | \$ (6,965)         | \$ 1       | \$ 1,437               |  |  |
| Owner-occupied commercial real estate | 651                          | 62               | (1)                                   | —                  | —          | 712                    |  |  |
| Investor commercial real estate       | 1,099                        | (191)            | 368                                   | —                  | —          | 1,276                  |  |  |
| Construction                          | 2,074                        | (435)            | (88)                                  | —                  | —          | 1,551                  |  |  |
| Single tenant lease financing         | 10,519                       | (346)            | 100                                   | —                  | —          | 10,273                 |  |  |
| Public finance                        | 1,753                        | (135)            | (48)                                  | —                  | —          | 1,570                  |  |  |
| Healthcare finance                    | 2,997                        | 1,034            | (336)                                 | —                  | —          | 3,695                  |  |  |
| Small business lending                | 2,168                        | 334              | (105)                                 | (60)               | 3          | 2,340                  |  |  |
| Franchise finance                     | 3,988                        | (313)            | 997                                   | —                  | —          | 4,672                  |  |  |
| Residential mortgage                  | 1,559                        | 406              | 594                                   | —                  | 2          | 2,561                  |  |  |
| Home equity                           | 69                           | 133              | 51                                    | —                  | 1          | 254                    |  |  |
| Other consumer loans                  | 3,149                        | 2,533            | 1,031                                 | (232)              | 57         | 6,538                  |  |  |
| Total                                 | \$ 31,737                    | \$ 2,962         | \$ 9,373                              | \$ (7,257)         | \$ 64      | \$ 36,879              |  |  |

Accrued interest receivable on loans totaled \$ 20.5 million and \$20.9 million at March 31, 2024 and December 31, 2023, respectively, and is excluded from the estimate of credit losses. The Company made the accounting policy election to not measure an ACL for accrued interest receivable. Accrued interest deemed uncollectible will be written off through interest income.

In addition to the ACL, the Company established a reserve for off-balance sheet commitments, classified in other liabilities, as required by the adoption of the CECL methodology for measuring credit losses. This reserve is maintained at a level management believes to be sufficient to absorb losses arising from unfunded loan commitments. The day one entry for off-balance sheet commitments resulted in a reserve of \$2.5 million. The adequacy of the reserve for unfunded commitments is determined quarterly based on methodology similar to the methodology for determining the ACL. The following tables detail activity in the provision (benefit) for credit losses on off-balance sheet commitments for the three months ended March 31, 2024 and 2023.

| (in thousands)                                    | Balance           |       | Provision (Benefit) for credit losses | Balance        |    |       |
|---|-------------------|-------|---------------------------------------|----------------|----|-------|
|   | December 31, 2023 |       |                                       | March 31, 2024 |    |       |
| Off-balance sheet commitments                     |                   |       |                                       |                |    |       |
| Commercial loans                                  |                   |       |                                       |                |    |       |
| Commercial and industrial                         | \$                | 233   | \$                                    | (40)           | \$ | 193   |
| Owner-occupied commercial real estate             |                   | 9     |                                       | (9)            |    | —     |
| Investor commercial real estate                   |                   | 6     |                                       | (6)            |    | —     |
| Construction                                      |                   | 2,889 |                                       | 381            |    | 3,270 |
| Small business lending                            |                   | 541   |                                       | (382)          |    | 159   |
| Total commercial loans                            |                   | 3,678 |                                       | (56)           |    | 3,622 |
| Consumer loans                                    |                   |       |                                       |                |    |       |
| Residential mortgage                              |                   | 11    |                                       | (6)            |    | 5     |
| Home equity                                       |                   | 45    |                                       | (10)           |    | 35    |
| Other consumer                                    |                   | 11    |                                       | —              |    | 11    |
| Total consumer loans                              |                   | 67    |                                       | (16)           |    | 51    |
| Total allowance for off-balance sheet commitments | \$                | 3,745 | \$                                    | (72)           | \$ | 3,673 |

| (in thousands)                                    | Pre-ASC 326 Adoption |   | Impact of ASC 326 Adoption |       | Provision (Benefit) for credit losses |      | Balance, March 31, 2023 |       |
|---|----------------------|---|----------------------------|-------|---------------------------------------|------|-------------------------|-------|
| Off-balance sheet commitments                     |                      |   |                            |       |                                       |      |                         |       |
| Commercial loans                                  |                      |   |                            |       |                                       |      |                         |       |
| Commercial and industrial                         | \$                   | — | \$                         | 110   | \$                                    | 39   | \$                      | 149   |
| Owner-occupied commercial real estate             |                      | — |                            | —     |                                       | 8    |                         | 8     |
| Investor commercial real estate                   |                      | — |                            | 9     |                                       | 39   |                         | 48    |
| Construction                                      |                      | — |                            | 2,193 |                                       | (39) |                         | 2,154 |
| Healthcare finance                                |                      | — |                            | 2     |                                       | —    |                         | 2     |
| Total commercial loans                            |                      | — |                            | 2,314 |                                       | 47   |                         | 2,361 |
| Consumer loans                                    |                      |   |                            |       |                                       |      |                         |       |
| Residential mortgage                              |                      | — |                            | 127   |                                       | (14) |                         | 113   |
| Home equity                                       |                      | — |                            | 52    |                                       | 10   |                         | 62    |
| Other consumer                                    |                      | — |                            | 11    |                                       | (1)  |                         | 10    |
| Total consumer loans                              |                      | — |                            | 190   |                                       | (5)  |                         | 185   |
| Total allowance for off-balance sheet commitments | \$                   | — | \$                         | 2,504 | \$                                    | 42   | \$                      | 2,546 |

The Company utilizes a risk grading matrix to assign a risk grade to each of its commercial loans. A description of the general characteristics of the risk grades is as follows:

- "Pass" - Higher quality loans that do not fit any of the other categories described below.
- "Special Mention" - Loans that possess some credit deficiency or potential weakness, which deserve close attention.
- "Substandard" - Loans that possess a defined weakness or weaknesses that jeopardize the liquidation of the debt. Loans characterized by the distinct possibility that the institution will sustain some loss if the deficiencies are not corrected. Loans that are inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any.
- "Doubtful" - Such loans have been placed on nonaccrual status and may be heavily dependent upon collateral possessing a value that is difficult to determine or based upon some near-term event that lacks clear certainty. These loans have all of the weaknesses of those classified as Substandard; however, based on existing conditions, these weaknesses make full collection of the principal balance highly improbable.
- "Loss" - Loans that are considered uncollectible and of such little value that continuing to carry them as assets is not warranted.

The Company does not risk grade its consumer loans. It classifies them as either performing or nonperforming. Below is a description of those classifications:

- "Performing" - Loans that are accruing and full collection of principal and interest is expected.
- "Nonperforming" - Loans that are 90 days delinquent or for which the full collection of principal and interest may be in doubt.

The following tables present the credit risk profile of the Company's commercial and consumer loan portfolios by loan class and by year of origination for the years indicated based on rating category and payment activity as of March 31, 2024 and December 31, 2023.

| (in thousands)                              | March 31, 2024  |           |           |           |          |           |  |                                      |            |  |
|---|---|-----------|-----------|-----------|----------|-----------|--|--------------------------------------|------------|--|
|   | Term Loans (amortized cost basis by origination year) |           |           |           |          |           | Revolving loans<br>amortized cost<br>basis | Revolving loans<br>converted to term | Total      |  |
|   | 2024  | 2023      | 2022      | 2021      | 2020     | Prior     |  |                                      |            |  |
| Commercial and industrial                   |   |           |           |           |          |           |  |                                      |            |  |
| Pass  | \$ 7,904  | \$ 26,273 | \$ 18,942 | \$ 15,382 | \$ 2,464 | \$ 20,586 | \$ 37,884                                  | \$ —                                 | \$ 129,435 |  |
| Special Mention                             | —   | —         | 4,462     | —         | —        | —         | —  | —                                    | 4,462      |  |
| Substandard                                 | —   | —         | —         | —         | —        | —         | —  | —                                    | —          |  |
| Doubtful                                    | —   | —         | —         | —         | —        | —         | —  | —                                    | —          |  |
| Total commercial and industrial             | 7,904   | 26,273    | 23,404    | 15,382    | 2,464    | 20,586    | 37,884                                     | —                                    | 133,897    |  |
| Year-to-date gross charge-offs              | —   | —         | —         | —         | —        | —         | —  | —                                    | —          |  |
| Owner-occupied commercial real estate       |   |           |           |           |          |           |  |                                      |            |  |
| Pass  | 2,275   | 1,484     | 10,668    | 7,882     | 5,861    | 16,958    | —  | —                                    | 45,128     |  |
| Special Mention                             | —   | —         | 580       | 913       | 8,331    | 1,180     | —  | —                                    | 11,004     |  |
| Substandard                                 | —   | —         | —         | —         | —        | 1,655     | —  | —                                    | 1,655      |  |
| Doubtful                                    | —   | —         | —         | —         | —        | —         | —  | —                                    | —          |  |
| Total owner-occupied commercial real estate | 2,275   | 1,484     | 11,248    | 8,795     | 14,192   | 19,793    | —  | —                                    | 57,787     |  |
| Year-to-date gross charge-offs              | —   | —         | —         | —         | —        | —         | —  | —                                    | —          |  |
| Investor commercial real estate             |   |           |           |           |          |           |  |                                      |            |  |
| Pass  | —   | 2,852     | 35,232    | 27,142    | 9,800    | 53,250    | —  | —                                    | 128,276    |  |
| Special Mention                             | —   | —         | —         | —         | —        | —         | —  | —                                    | —          |  |
| Substandard                                 | —   | —         | —         | —         | —        | —         | —  | —                                    | —          |  |
| Doubtful                                    | —   | —         | —         | —         | —        | —         | —  | —                                    | —          |  |
| Total investor commercial real estate       | —   | 2,852     | 35,232    | 27,142    | 9,800    | 53,250    | —  | —                                    | 128,276    |  |
| Year-to-date gross charge-offs              | —   | —         | —         | —         | —        | —         | —  | —                                    | —          |  |
| Construction                                |   |           |           |           |          |           |  |                                      |            |  |
| Pass  | 2,195   | 63,557    | 174,215   | 77,364    | 2,426    | —         | 5,840                                      | —                                    | 325,597    |  |
| Special Mention                             | —   | —         | —         | —         | —        | —         | —  | —                                    | —          |  |
| Substandard                                 | —   | —         | —         | —         | —        | —         | —  | —                                    | —          |  |
| Doubtful                                    | —   | —         | —         | —         | —        | —         | —  | —                                    | —          |  |
| Total construction                          | 2,195   | 63,557    | 174,215   | 77,364    | 2,426    | —         | 5,840                                      | —                                    | 325,597    |  |
| Year-to-date gross charge-offs              | —   | —         | —         | —         | —        | —         | —  | —                                    | —          |  |
| Single tenant lease financing               |   |           |           |           |          |           |  |                                      |            |  |
| Pass  | 16,533  | 52,217    | 222,230   | 89,441    | 65,372   | 479,092   | —  | —                                    | 924,885    |  |
| Special Mention                             | —   | —         | 2,604     | 5,272     | 1,174    | 7,662     | —  | —                                    | 16,712     |  |
| Substandard                                 | —   | —         | —         | —         | —        | —         | —  | —                                    | —          |  |
| Doubtful                                    | —   | —         | —         | —         | —        | —         | —  | —                                    | —          |  |
| Total single tenant lease financing         | 16,533  | 52,217    | 224,834   | 94,713    | 66,546   | 486,754   | —  | —                                    | 941,597    |  |
| Year-to-date gross charge-offs              | —   | —         | —         | —         | —        | —         | —  | —                                    | —          |  |
| Public finance                              |   |           |           |           |          |           |  |                                      |            |  |
| Pass  | 1,272   | 3,323     | 17,740    | 28,790    | 719      | 444,298   | —  | —                                    | 496,142    |  |
| Special Mention                             | —   | —         | —         | —         | —        | 2,120     | —  | —                                    | 2,120      |  |
| Substandard                                 | —   | —         | —         | —         | —        | —         | —  | —                                    | —          |  |
| Doubtful                                    | —   | —         | —         | —         | —        | —         | —  | —                                    | —          |  |
| Total public finance                        | 1,272   | 3,323     | 17,740    | 28,790    | 719      | 446,418   | —  | —                                    | 498,262    |  |
| Year-to-date gross charge-offs              | —   | —         | —         | —         | —        | —         | —  | —                                    | —          |  |

March 31, 2024

|                                      | Term Loans (amortized cost basis by origination year) |            |              |            |            |              | Revolving loans      |                                   |              |
|--------------------------------------|---|------------|--------------|------------|------------|--------------|----------------------|-----------------------------------|--------------|
| (in thousands)                       | 2024  | 2023       | 2022         | 2021       | 2020       | Prior        | amortized cost basis | Revolving loans converted to term | Total        |
| Healthcare finance                   |   |            |              |            |            |              |                      |                                   |              |
| Pass                                 | —   | —          | —            | 9,719      | 119,549    | 83,354       | —                    | —                                 | 212,622      |
| Special Mention                      | —   | —          | —            | —          | —          | 710          | —                    | —                                 | 710          |
| Substandard                          | —   | —          | —            | —          | —          | —            | —                    | —                                 | —            |
| Doubtful                             | —   | —          | —            | —          | —          | —            | —                    | —                                 | —            |
| Total healthcare finance             | —   | —          | —            | 9,719      | 119,549    | 84,064       | —                    | —                                 | 213,332      |
| Year-to-date gross charge-offs       | —   | —          | —            | —          | —          | —            | —                    | —                                 | —            |
| Small business lending <sup>1</sup>  |   |            |              |            |            |              |                      |                                   |              |
| Pass                                 | 23,351  | 118,895    | 36,277       | 13,994     | 12,070     | 13,420       | 7,481                | —                                 | 225,488      |
| Special Mention                      | —   | 2,422      | 287          | 204        | 383        | 946          | —                    | —                                 | 4,242        |
| Substandard                          | —   | 2,736      | 3,143        | 52         | 1,585      | 1,551        | 466                  | —                                 | 9,533        |
| Doubtful                             | —   | —          | —            | —          | —          | —            | —                    | —                                 | —            |
| Total small business lending         | 23,351  | 124,053    | 39,707       | 14,250     | 14,038     | 15,917       | 7,947                | —                                 | 239,263      |
| Year-to-date gross charge-offs       | —   | 46         | 235          | —          | 8          | —            | —                    | —                                 | 289          |
| Franchise finance                    |   |            |              |            |            |              |                      |                                   |              |
| Pass                                 | 25,091  | 256,701    | 203,240      | 56,290     | —          | —            | —                    | —                                 | 541,322      |
| Special Mention                      | —   | 281        | 669          | —          | —          | —            | —                    | —                                 | 950          |
| Substandard                          | —   | —          | 555          | 295        | —          | —            | —                    | —                                 | 850          |
| Doubtful                             | —   | —          | —            | —          | —          | —            | —                    | —                                 | —            |
| Total franchise finance              | 25,091  | 256,982    | 204,464      | 56,585     | —          | —            | —                    | —                                 | 543,122      |
| Year-to-date gross charge-offs       | —   | —          | —            | —          | —          | —            | —                    | —                                 | —            |
| Consumer loans                       |   |            |              |            |            |              |                      |                                   |              |
| Residential mortgage                 |   |            |              |            |            |              |                      |                                   |              |
| Performing                           | —   | 13,983     | 193,699      | 90,365     | 29,784     | 59,638       | —                    | —                                 | 387,469      |
| Nonperforming                        | —   | —          | 1,189        | 448        | 170        | 733          | —                    | —                                 | 2,540        |
| Total residential mortgage           | —   | 13,983     | 194,888      | 90,813     | 29,954     | 60,371       | —                    | —                                 | 390,009      |
| Year-to-date gross charge-offs       | —   | —          | 13           | 56         | —          | —            | —                    | —                                 | 69           |
| Home equity                          |   |            |              |            |            |              |                      |                                   |              |
| Performing                           | —   | 1,307      | 1,942        | 429        | 454        | 680          | 16,180               | 1,761                             | 22,753       |
| Nonperforming                        | —   | —          | —            | —          | —          | —            | —                    | —                                 | —            |
| Total home equity                    | —   | 1,307      | 1,942        | 429        | 454        | 680          | 16,180               | 1,761                             | 22,753       |
| Year-to-date gross charge-offs       | —   | —          | —            | —          | —          | —            | —                    | —                                 | —            |
| Other consumer                       |   |            |              |            |            |              |                      |                                   |              |
| Performing                           | 20,534  | 112,174    | 102,027      | 39,591     | 25,131     | 80,260       | 829                  | —                                 | 380,546      |
| Nonperforming                        | —   | 69         | —            | 16         | 4          | 40           | —                    | —                                 | 129          |
| Total other consumer                 | 20,534  | 112,243    | 102,027      | 39,607     | 25,135     | 80,300       | 829                  | —                                 | 380,675      |
| Gross charge-offs                    | —   | 39         | 64           | 24         | 1          | 47           | —                    | —                                 | 175          |
| Total Loans                          | \$ 99,155   | \$ 658,274 | \$ 1,029,701 | \$ 463,589 | \$ 285,277 | \$ 1,268,133 | \$ 68,680            | \$ 1,761                          | \$ 3,874,570 |
| Total year-to-date gross charge-offs | \$ —  | \$ 85      | \$ 312       | \$ 80      | \$ 9       | \$ 47        | \$ —                 | \$ —                              | \$ 533       |

<sup>1</sup> Balance in "Substandard" is partially guaranteed by the U.S. government.

December 31, 2023

| (in thousands)                              | Term Loans (amortized cost basis by origination year) |           |           |          |           |          | Revolving loans      | Revolving loans   | Total      |
|---|---|-----------|-----------|----------|-----------|----------|----------------------|-------------------|------------|
|   | 2023  | 2022      | 2021      | 2020     | 2019      | Prior    | amortized cost basis | converted to term |            |
| Commercial and industrial                   |   |           |           |          |           |          |                      |                   |            |
| Pass  | \$ 24,329   | \$ 19,382 | \$ 15,464 | \$ 2,502 | \$ 12,365 | \$ 8,703 | \$ 41,967            | \$ —              | \$ 124,712 |
| Special Mention                             | —   | 4,637     | —         | —        | —         | —        | —                    | —                 | 4,637      |
| Substandard                                 | —   | —         | —         | —        | —         | —        | —                    | —                 | —          |
| Doubtful                                    | —   | —         | —         | —        | —         | —        | —                    | —                 | —          |
| Total commercial and industrial             | 24,329  | 24,019    | 15,464    | 2,502    | 12,365    | 8,703    | 41,967               | —                 | 129,349    |
| Year-to-date gross charge-offs              | —   | —         | 6,914     | 5        | 130       | —        | —                    | —                 | 7,049      |
| Owner-occupied commercial real estate       |   |           |           |          |           |          |                      |                   |            |
| Pass  | 1,492   | 10,731    | 7,990     | 6,591    | 5,255     | 12,485   | —                    | —                 | 44,544     |
| Special Mention                             | —   | 584       | 922       | 8,392    | —         | 1,189    | —                    | —                 | 11,087     |
| Substandard                                 | —   | —         | —         | —        | —         | 1,655    | —                    | —                 | 1,655      |
| Doubtful                                    | —   | —         | —         | —        | —         | —        | —                    | —                 | —          |
| Total owner-occupied commercial real estate | 1,492   | 11,315    | 8,912     | 14,983   | 5,255     | 15,329   | —                    | —                 | 57,286     |
| Year-to-date gross charge-offs              | —   | —         | —         | —        | —         | —        | —                    | —                 | —          |
| Investor commercial real estate             |   |           |           |          |           |          |                      |                   |            |
| Pass  | 6,571   | 35,209    | 26,841    | 9,864    | 47,827    | 5,765    | —                    | —                 | 132,077    |
| Special Mention                             | —   | —         | —         | —        | —         | —        | —                    | —                 | —          |
| Substandard                                 | —   | —         | —         | —        | —         | —        | —                    | —                 | —          |
| Doubtful                                    | —   | —         | —         | —        | —         | —        | —                    | —                 | —          |
| Total investor commercial real estate       | 6,571   | 35,209    | 26,841    | 9,864    | 47,827    | 5,765    | —                    | —                 | 132,077    |
| Year-to-date gross charge-offs              | —   | —         | —         | —        | —         | 591      | —                    | —                 | 591        |
| Construction                                |   |           |           |          |           |          |                      |                   |            |
| Pass  | 26,539  | 153,066   | 70,175    | 6,121    | —         | —        | 5,849                | —                 | 261,750    |
| Special Mention                             | —   | —         | —         | —        | —         | —        | —                    | —                 | —          |
| Substandard                                 | —   | —         | —         | —        | —         | —        | —                    | —                 | —          |
| Doubtful                                    | —   | —         | —         | —        | —         | —        | —                    | —                 | —          |
| Total construction                          | 26,539  | 153,066   | 70,175    | 6,121    | —         | —        | 5,849                | —                 | 261,750    |
| Year-to-date gross charge-offs              | —   | —         | —         | —        | —         | —        | —                    | —                 | —          |
| Single tenant lease financing               |   |           |           |          |           |          |                      |                   |            |
| Pass  | 52,360  | 221,964   | 89,075    | 65,863   | 142,023   | 346,695  | —                    | —                 | 917,980    |
| Special Mention                             | —   | 4,362     | 6,698     | 3,032    | —         | 4,544    | —                    | —                 | 18,636     |
| Substandard                                 | —   | —         | —         | —        | —         | —        | —                    | —                 | —          |
| Doubtful                                    | —   | —         | —         | —        | —         | —        | —                    | —                 | —          |
| Total single tenant lease financing         | 52,360  | 226,326   | 95,773    | 68,895   | 142,023   | 351,239  | —                    | —                 | 936,616    |
| Year-to-date gross charge-offs              | —   | —         | —         | —        | —         | —        | —                    | —                 | —          |
| Public finance                              |   |           |           |          |           |          |                      |                   |            |
| Pass  | 3,805   | 30,583    | 29,750    | 719      | 43,611    | 411,176  | —                    | —                 | 519,644    |
| Special Mention                             | —   | —         | —         | —        | —         | 2,120    | —                    | —                 | 2,120      |
| Substandard                                 | —   | —         | —         | —        | —         | —        | —                    | —                 | —          |
| Doubtful                                    | —   | —         | —         | —        | —         | —        | —                    | —                 | —          |
| Total public finance                        | 3,805   | 30,583    | 29,750    | 719      | 43,611    | 413,296  | —                    | —                 | 521,764    |
| Year-to-date gross charge-offs              | —   | —         | —         | —        | —         | —        | —                    | —                 | —          |



December 31, 2023

| (in thousands)                       | Term Loans (amortized cost basis by origination year) |              |            |            |            |            | Revolving loans<br>amortized cost basis | Revolving loans<br>converted to term | Total        |
|--------------------------------------|---|--------------|------------|------------|------------|------------|---|--------------------------------------|--------------|
|                                      | 2023  | 2022         | 2021       | 2020       | 2019       | Prior      |   |                                      |              |
| Healthcare finance                   |   |              |            |            |            |            |   |                                      |              |
| Pass                                 | —   | —            | 9,955      | 124,654    | 63,486     | 23,484     | —                                       | —                                    | 221,579      |
| Special Mention                      | —   | —            | —          | —          | 1,214      | —          | —                                       | —                                    | 1,214        |
| Substandard                          | —   | —            | —          | —          | —          | —          | —                                       | —                                    | —            |
| Doubtful                             | —   | —            | —          | —          | —          | —          | —                                       | —                                    | —            |
| Total healthcare finance             | —   | —            | 9,955      | 124,654    | 64,700     | 23,484     | —                                       | —                                    | 222,793      |
| Year-to-date gross charge-offs       | —   | —            | —          | —          | 605        | —          | —                                       | —                                    | 605          |
| Small business lending <sup>1</sup>  |   |              |            |            |            |            |   |                                      |              |
| Pass                                 | 119,149   | 42,077       | 15,180     | 13,948     | 4,582      | 9,215      | 5,388                                   | —                                    | 209,539      |
| Special Mention                      | 343   | 496          | —          | 341        | 265        | 698        | —                                       | —                                    | 2,143        |
| Substandard                          | 1,095   | 1,854        | 52         | 1,777      | 1,155      | 417        | 474                                     | —                                    | 6,824        |
| Doubtful                             | —   | —            | —          | —          | —          | —          | —                                       | —                                    | —            |
| Total small business lending         | 120,587   | 44,427       | 15,232     | 16,066     | 6,002      | 10,330     | 5,862                                   | —                                    | 218,506      |
| Year-to-date gross charge-offs       | 67  | 739          | 416        | 1,364      | —          | —          | —                                       | —                                    | 2,586        |
| Franchise finance                    |   |              |            |            |            |            |   |                                      |              |
| Pass                                 | 256,944   | 210,617      | 57,919     | —          | —          | —          | —                                       | —                                    | 525,480      |
| Special Mention                      | —   | —            | —          | —          | —          | —          | —                                       | —                                    | —            |
| Substandard                          | —   | —            | 303        | —          | —          | —          | —                                       | —                                    | 303          |
| Doubtful                             | —   | —            | —          | —          | —          | —          | —                                       | —                                    | —            |
| Total franchise finance              | 256,944   | 210,617      | 58,222     | —          | —          | —          | —                                       | —                                    | 525,783      |
| Year-to-date gross charge-offs       | —   | 331          | —          | —          | —          | —          | —                                       | —                                    | 331          |
| Consumer loans                       |   |              |            |            |            |            |   |                                      |              |
| Residential mortgage                 |   |              |            |            |            |            |   |                                      |              |
| Performing                           | 14,942  | 195,453      | 91,010     | 30,092     | 13,072     | 48,330     | —                                       | —                                    | 392,899      |
| Nonperforming                        | —   | 738          | 456        | 73         | —          | 1,482      | —                                       | —                                    | 2,749        |
| Total residential mortgage           | 14,942  | 196,191      | 91,466     | 30,165     | 13,072     | 49,812     | —                                       | —                                    | 395,648      |
| Year-to-date gross charge-offs       | —   | 53           | 70         | —          | 17         | —          | —                                       | —                                    | 140          |
| Home equity                          |   |              |            |            |            |            |   |                                      |              |
| Performing                           | 1,369   | 1,997        | 436        | 467        | 141        | 585        | 16,896                                  | 1,778                                | 23,669       |
| Nonperforming                        | —   | —            | —          | —          | —          | —          | —                                       | —                                    | —            |
| Total home equity                    | 1,369   | 1,997        | 436        | 467        | 141        | 585        | 16,896                                  | 1,778                                | 23,669       |
| Year-to-date gross charge-offs       | —   | —            | —          | —          | —          | —          | —                                       | —                                    | —            |
| Other consumer                       |   |              |            |            |            |            |   |                                      |              |
| Performing                           | 115,736   | 106,883      | 41,598     | 26,527     | 27,087     | 58,902     | 795                                     | —                                    | 377,528      |
| Nonperforming                        | —   | 53           | —          | 5          | 15         | 13         | —                                       | —                                    | 86           |
| Total other consumer                 | 115,736   | 106,936      | 41,598     | 26,532     | 27,102     | 58,915     | 795                                     | —                                    | 377,614      |
| Year-to-date gross charge-offs       | 97  | 115          | 20         | 51         | 56         | 243        | —                                       | —                                    | 582          |
| Total Loans                          | \$ 624,674  | \$ 1,040,686 | \$ 463,824 | \$ 300,968 | \$ 362,098 | \$ 937,458 | \$ 71,369                               | \$ 1,778                             | \$ 3,802,855 |
| Total year-to-date gross charge-offs | \$ 164  | \$ 1,238     | \$ 7,420   | \$ 1,420   | \$ 808     | \$ 834     | \$ —                                    | \$ —                                 | \$ 11,884    |

<sup>1</sup> Balance in "Substandard" is partially guaranteed by the U.S. government.

The following tables present the Company's loan portfolio delinquency analysis as of March 31, 2024 and December 31, 2023.

| March 31, 2024                        |                           |                           |                                |                   |                     |                     |
|---------------------------------------|---------------------------|---------------------------|--------------------------------|-------------------|---------------------|---------------------|
| (in thousands)                        | 30-59<br>Days<br>Past Due | 60-89<br>Days<br>Past Due | 90 Days<br>or More<br>Past Due | Total<br>Past Due | Current             | Total<br>Loans      |
| Commercial and industrial             | \$ 8                      | \$ —                      | \$ —                           | \$ 8              | \$ 133,889          | \$ 133,897          |
| Owner-occupied commercial real estate | —                         | —                         | —                              | —                 | 57,787              | 57,787              |
| Investor commercial real estate       | —                         | —                         | —                              | —                 | 128,276             | 128,276             |
| Construction                          | —                         | —                         | —                              | —                 | 325,597             | 325,597             |
| Single tenant lease financing         | —                         | —                         | —                              | —                 | 941,597             | 941,597             |
| Public finance                        | —                         | —                         | —                              | —                 | 498,262             | 498,262             |
| Healthcare finance                    | —                         | —                         | —                              | —                 | 213,332             | 213,332             |
| Small business lending <sup>1</sup>   | 7,674                     | 824                       | 3,032                          | 11,530            | 227,733             | 239,263             |
| Franchise finance                     | 3,772                     | 1,168                     | 850                            | 5,790             | 537,332             | 543,122             |
| Residential mortgage                  | —                         | 1,345                     | 1,473                          | 2,818             | 387,191             | 390,009             |
| Home equity                           | —                         | —                         | —                              | —                 | 22,753              | 22,753              |
| Other consumer                        | 202                       | 48                        | 48                             | 298               | 380,377             | 380,675             |
| <b>Total</b>                          | <b>\$ 11,656</b>          | <b>\$ 3,385</b>           | <b>\$ 5,403</b>                | <b>\$ 20,444</b>  | <b>\$ 3,854,126</b> | <b>\$ 3,874,570</b> |

<sup>1</sup> Balance is partially guaranteed by the U.S. government.

| December 31, 2023                     |                           |                           |                                |                   |                     |                     |
|---------------------------------------|---------------------------|---------------------------|--------------------------------|-------------------|---------------------|---------------------|
| (in thousands)                        | 30-59<br>Days<br>Past Due | 60-89<br>Days<br>Past Due | 90 Days<br>or More<br>Past Due | Total<br>Past Due | Current             | Total<br>Loans      |
| Commercial and industrial             | \$ 40                     | \$ 21                     | \$ —                           | \$ 61             | \$ 129,288          | \$ 129,349          |
| Owner-occupied commercial real estate | —                         | —                         | —                              | —                 | 57,286              | 57,286              |
| Investor commercial real estate       | —                         | —                         | —                              | —                 | 132,077             | 132,077             |
| Construction                          | —                         | —                         | —                              | —                 | 261,750             | 261,750             |
| Single tenant lease financing         | —                         | —                         | —                              | —                 | 936,616             | 936,616             |
| Public finance                        | —                         | —                         | —                              | —                 | 521,764             | 521,764             |
| Healthcare finance                    | —                         | —                         | —                              | —                 | 222,793             | 222,793             |
| Small business lending <sup>1</sup>   | 2,680                     | 57                        | 2,794                          | 5,531             | 212,975             | 218,506             |
| Franchise finance                     | —                         | 2,923                     | 303                            | 3,226             | 522,557             | 525,783             |
| Residential mortgage                  | 70                        | 709                       | 1,663                          | 2,442             | 393,206             | 395,648             |
| Home equity                           | —                         | —                         | —                              | —                 | 23,669              | 23,669              |
| Other consumer                        | 223                       | 68                        | 53                             | 344               | 377,270             | 377,614             |
| <b>Total</b>                          | <b>\$ 3,013</b>           | <b>\$ 3,778</b>           | <b>\$ 4,813</b>                | <b>\$ 11,604</b>  | <b>\$ 3,791,251</b> | <b>\$ 3,802,855</b> |

<sup>1</sup> Balance is partially guaranteed by the U.S. government.

Loans are reclassified to a non-accruing 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 nine consecutive months of performance. There was no interest income recognized on nonaccrual loans for the three months ended March 31, 2024 and 2023.

The following table summarizes the Company's nonaccrual loans and loans past due 90 days or more and still accruing by loan class for the periods indicated:

|                                     | March 31, 2024   |   |   | December 31, 2023 |  |   |
|-------------------------------------|------------------|---|---|-------------------|--|---|
|                                     |                  |   | Total Loans<br>90 Days or<br>More Past<br>Due and<br>Accruing |                   | Nonaccrual Loans with no<br>Allowance for Credit<br>Losses | Total Loans<br>90 Days or<br>More Past<br>Due and<br>Accruing |
| (in thousands)                      | Nonaccrual Loans | Nonaccrual Loans with no<br>Allowance for Credit Losses |   | Nonaccrual Loans  |  |   |
| Commercial and industrial           | \$ —             | \$ —  | \$ —  | \$ —              | \$ —   | \$ —  |
| Small business lending <sup>1</sup> | 9,532            | 654   | —   | 6,824             | 904  | —   |
| Franchise finance                   | 295              | —   | 555   | 303               | —  | —   |
| Residential mortgage                | 2,309            | 2,309   | 230   | 1,911             | 1,911  | 838   |
| Other consumer                      | 129              | 129   | —   | 86                | 86   | —   |
| Total loans                         | \$ 12,265        | \$ 3,092  | \$ 785  | \$ 9,124          | \$ 2,901   | \$ 838  |

<sup>1</sup> Balance is partially guaranteed by the U.S. government.

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 following tables present the amortized cost basis of collateral dependent loans, which are individually evaluated to determine expected credit losses as of March 31, 2024 and December 31, 2023.

|                                       | March 31, 2024         |                         |          |          | Allowance on Collateral<br>Dependent Loans |
|---------------------------------------|------------------------|-------------------------|----------|----------|--|
| (in thousands)                        | Commercial Real Estate | Residential Real Estate | Other    | Total    |  |
| Commercial and industrial             | \$ —                   | \$ —                    | \$ —     | \$ —     | \$ —                                       |
| Owner-occupied commercial real estate | —                      | —                       | 1,654    | 1,654    | —  |
| Small business lending <sup>1</sup>   | 1,284                  | —                       | 4,527    | 5,811    | 2,671                                      |
| Residential mortgage                  | —                      | 2,309                   | —        | 2,309    | —  |
| Other consumer loans                  | —                      | —                       | 129      | 129      | —  |
| Total loans                           | \$ 1,284               | \$ 2,309                | \$ 6,310 | \$ 9,903 | \$ 2,671                                   |

<sup>1</sup> Balance is partially guaranteed by the U.S. government.

|                                       | December 31, 2023      |                         |          |          | Allowance on Collateral<br>Dependent Loans |
|---------------------------------------|------------------------|-------------------------|----------|----------|--|
| (in thousands)                        | Commercial Real Estate | Residential Real Estate | Other    | Total    |  |
| Commercial and industrial             | \$ —                   | \$ —                    | \$ —     | \$ —     | \$ —                                       |
| Owner-occupied commercial real estate | —                      | —                       | 1,654    | 1,654    | —  |
| Small business lending <sup>1</sup>   | 2,875                  | 1,210                   | 2,226    | 6,311    | 2,391                                      |
| Residential mortgage                  | —                      | 1,911                   | —        | 1,911    | —  |
| Other consumer loans                  | —                      | —                       | 86       | 86       | —  |
| Total loans                           | \$ 2,875               | \$ 3,121                | \$ 3,966 | \$ 9,962 | \$ 2,391                                   |

<sup>1</sup> Balance is partially guaranteed by the U.S. government.

#### ***Loan Modifications to Borrowers Experiencing Financial Difficulty***

In January 2023, the Company adopted ASU 2022-02, "Financial Instruments - Credit Losses (Topic 326): Troubled Debt restructurings and Vintage Disclosures" ("ASU 2022-02"), which eliminated the accounting guidance for troubled debt restructurings ("TDRs") while enhancing disclosure requirements for certain loan refinancing and restructurings by creditors when a borrower is experiencing financial difficulty. This guidance was applied on a prospective basis. Upon adoption of this guidance, the Company no longer establishes a specific reserve for modifications to borrowers experiencing financial difficulty. Instead, these modifications are included in their respective loan pool and a historical loss rate is applied to the current loan balance to arrive at the quantitative baseline portion of the ACL.

Modifications to borrowers experiencing financial difficulty may include interest rate reductions, principal or interest forgiveness, forbearances, term extensions and other actions intended to minimize loss and to avoid foreclosure or repossession of collateral. The Company did not have any loan modifications made to borrowers experiencing financial difficulty during the three months ended March 31, 2024 and 2023.

#### ***Other Real Estate Owned***

The Company had \$0.4 million in other real estate owned ("OREO") as of March 31, 2024 and December 31, 2023, which consisted of two residential mortgage properties. There were two loans totaling \$0.5 million and one loan totaling \$0.8 million, in the process of foreclosure at March 31, 2024 and December 31, 2023, respectively.

**Note 5: Premises and Equipment**

The following table summarizes premises and equipment at March 31, 2024 and December 31, 2023.

| (in thousands)                 |    | March 31, 2024 | December 31, 2023 |
|--------------------------------|----|----------------|-------------------|
| Land                           | \$ | 5,598          | \$ 5              |
| Construction in process        |    | 1,599          | 1                 |
| Right of use leased asset      |    | 41             |                   |
| Building and improvements      |    | 60,854         | 60                |
| Furniture and equipment        |    | 21,127         | 20                |
| Less: accumulated depreciation |    | (15,988)       | (14               |
| Total                          | \$ | 73,231         | \$ 73             |

**Note 6: Goodwill**

As of March 31, 2024 and December 31, 2023, the carrying amount of goodwill was \$ 4.7 million. There have been no changes in the carrying amount of goodwill for the three months ended March 31, 2024 or March 31, 2023. Goodwill is assessed for impairment annually as of August 31, or more frequently if events occur or circumstances change that indicate an impairment may exist. When assessing goodwill for impairment, first, a qualitative assessment can be made to determine whether it is more likely than not that the estimated fair value of a reporting unit is less than its estimated carrying value. If the results of the qualitative assessment are not conclusive, a quantitative goodwill test is performed. Alternatively, a quantitative goodwill test can be performed without performing a qualitative assessment.

Goodwill was assessed for impairment using a quantitative test performed as of August 31, 2023. The estimated fair value of the reporting unit exceeded the net carrying value, and therefore no goodwill impairment existed as of that date.

**Note 7: Servicing Asset**

Activity for the servicing asset and the related changes in fair value for the three months ended March 2024 and 2023 are shown in the table below.

| (in thousands)  | Three Months Ended |                |
|---|--------------------|----------------|
|   | March 31, 2024     | March 31, 2023 |
| Balance, beginning of period  | \$ 10,567          | \$ 6,255       |
| Additions:  |                    |                |
| Originated  | 1,627              | 1,112          |
| Subtractions:   |                    |                |
| Paydowns:   | (612)              | (339)          |
| Changes in fair value due to changes in valuation inputs or assumptions used in the valuation model | 178                | 284            |
| Loan servicing asset revaluation  | \$ (434)           | \$ (55)        |
| Balance, end of period  | \$ 11,760          | \$ 7,312       |

Loans serviced for others are not included in the condensed consolidated balance sheets. The unpaid principal balances of these loans serviced for others as of March 31, 2024 and December 31, 2023 are shown in the table below.

(in thousands)

|                               | March 31, 2024 | December 31, 2023 |
|-------------------------------|----------------|-------------------|
| Loan portfolios serviced for: |                |                   |
| SBA guaranteed loans          | \$ 599,396     | \$ 531,927        |
| Total                         | \$ 599,396     | \$ 531,927        |

Loan servicing revenue totaled \$1.3 million and \$0.8 million for the three months ended March 31, 2024 and March 31, 2023, respectively. Loan servicing asset revaluation, which represents the change in fair value of the servicing asset, resulted in a \$0.4 million and \$0.1 million downward valuation for the three months ended March 31, 2024 and March 31, 2023, respectively.

The fair value of servicing rights is highly sensitive to changes in underlying assumptions. Though fluctuations in prepayment speeds and changes in secondary market premiums generally have the most substantial impact on the fair value of servicing rights, other influencing factors include changing economic conditions, changes to the discount rate assumption and the weighted average life of the servicing portfolio. Measurement of fair value is limited to the conditions existing and the assumptions used as of a particular point in time; however, those assumptions may change over time. Refer to Note 11 - Fair Value of Financial Instruments for further details.

#### Note 8: Subordinated Debt

In June 2019, the Company issued \$37.0 million aggregate principal amount of 6.0% Fixed-to-Floating Rate Subordinated Notes due 2029 (the "2029 Notes") in a public offering. The 2029 Notes initially bear a fixed interest rate of 6.0% per year to, but excluding, June 30, 2024, and thereafter a floating rate equal to three-month Term SOFR plus 4.376%. All interest on the 2029 Notes is payable quarterly. The 2029 Notes are scheduled to mature on June 30, 2029. The 2029 Notes are unsecured subordinated obligations of the Company and may be repaid, without penalty, on any interest payment date on or after June 30, 2024. The 2029 Notes are intended to qualify as Tier 2 capital under regulatory guidelines.

In October 2020, the Company entered into a term loan in the principal amount of \$ 10.0 million, evidenced by a term note due 2030 (the "2030 Note"). The 2030 Note initially bears a fixed interest rate of 6.0% per year to, but excluding, November 1, 2025 and thereafter at a floating rate equal to the then-current benchmark rate (initially three-month Term SOFR plus 5.795%). The 2030 Note is scheduled to mature on November 1, 2030. The 2030 Note is an unsecured subordinated obligation of the Company and may be repaid, without penalty, on any interest payment date on or after November 1, 2025. The 2030 Note is intended to qualify as Tier 2 capital under regulatory guidelines. The Company used the net proceeds from the issuance of the 2030 Note to redeem a subordinated term note that had been entered into in October 2015.

In August 2021, the Company issued \$ 60.0 million aggregate principal amount of 3.75% Fixed-to-Floating Rate Subordinated Notes due 2031 (the "2031 Notes") in a private placement. The 2031 Notes initially bear a fixed interest rate of 3.75% per year to, but excluding, September 1, 2026, and thereafter a floating rate equal to the then-current benchmark rate (initially three-month Term SOFR plus 3.11%). The 2031 Notes are scheduled to mature on September 1, 2031. The 2031 Notes are unsecured subordinated obligations of the Company and may be repaid, without penalty, on any interest payment date on or after September 1, 2026. The 2031 Notes are intended to qualify as Tier 2 capital under regulatory guidelines. The Company used a portion of the net proceeds from the issuance of the 2031 Notes to redeem subordinated notes issued by the Company in 2016. Pursuant to the terms of a Registration Rights Agreement between the Company and the initial purchasers of the 2031 Notes, the Company offered to exchange the 2031 Notes for subordinated notes that are registered under the Securities Act of 1933, as amended, and have substantially the same terms as the 2031 Notes. On December 30, 2021, we completed an exchange of \$59.3 million principal amount of the unregistered 2031 Notes for registered 2031 Notes in satisfaction of our obligations under the registration rights agreement. Holders of \$0.7 million of unregistered 2031 Notes did not participate in the exchange.

The following table presents the principal balance and unamortized discount and debt issuance costs for the 2029 Notes, the 2030 Note, and the 2031 Notes as of March 31, 2024 and December 31, 2023.

| (in thousands) | March 31, 2024                         |            | December 31, 2023                      |            |
|----------------|--|------------|--|------------|
|                | Unamortized Discount and Debt Issuance |            | Unamortized Discount and Debt Issuance |            |
|                | Principal                              | Costs      | Principal                              | Costs      |
| 2029 Notes     | \$ 37,000                              | \$ (822)   | \$ 37,000                              | \$ (862)   |
| 2030 Notes     | 10,000                                 | (155)      | 10,000                                 | (160)      |
| 2031 Notes     | 60,000                                 | (1,108)    | 60,000                                 | (1,140)    |
| Total          | \$ 107,000                             | \$ (2,085) | \$ 107,000                             | \$ (2,162) |

**Note 9: Benefit Plans**

**Employment Agreements**

The Company is party to certain employment agreements with each of its Chief Executive Officer, President and Chief Operating Officer and Executive Vice President and Chief Financial Officer. The employment agreements each provide for annual base salaries and annual bonuses, if any, as determined from time to time by the Compensation Committee of our Board of Directors. The annual bonuses are to be determined with reference to the achievement of annual performance objectives established by the Compensation Committee. The agreements also provide that each of the Chief Executive Officer, President and Chief Operating Officer and Executive Vice President and Chief Financial Officer, may be awarded additional compensation, benefits, or consideration as the Compensation Committee may determine.

The agreements also provide for the continuation of salary and certain other benefits for a specified period of time upon termination of employment under certain circumstances, including resignation for "good reason," termination by the Company without "cause" at any time or any termination of employment within twelve months following a "change in control," along with other specific conditions.

**2022 Equity Incentive Plan**

The First Internet Bancorp 2022 Equity Incentive Plan (the "2022 Plan") was approved by our Board of Directors and ratified by our shareholders on May 16, 2022. The plan permits awards of incentive and non-statutory stock options, stock appreciation rights, restricted stock awards, stock unit awards, performance awards and other stock-based awards. All employees, consultants and advisors of the Company or any subsidiary, as well as all non-employee directors of the Company, are eligible to receive awards under the 2022 Plan. The 2022 Plan initially authorized the issuance of 400,000 new shares of the Company's common stock plus all shares of common stock that remained available for future grants under the First Internet Bancorp 2013 Equity Incentive Plan (the "2013 Plan").

**Award Activity Under 2022 Plan**

The Company recorded \$0.4 million and \$0.1 million of share-based compensation expense for the three months ended March 31, 2024, and 2023, respectively, related to stock-based awards under the 2022 Plan.

The following table summarizes the stock-based award activity under the 2022 Plan for the three months ended March 31, 2024.

|                               | Restricted Stock Units | Weighted-Average Grant |                      | Restricted Stock Awards | Weighted-Average Grant |                      | Deferred Stock Units | Weighted-Average Grant Date |   |
|-------------------------------|------------------------|------------------------|----------------------|-------------------------|------------------------|----------------------|----------------------|-----------------------------|---|
|                               |                        | Date                   | Fair Value Per Share |                         | Date                   | Fair Value Per Share |                      | Fair Value Per Share        |   |
| Unvested at December 31, 2023 | 72,354                 | \$                     | 24.61                | 30,030                  | \$                     | 11.18                | —                    | \$                          | — |
| Granted                       | 75,222                 |                        | 24.13                | —                       |                        | —                    | —                    |                             | — |
| Vested                        | (14,294)               |                        | 24.52                | —                       |                        | —                    | —                    |                             | — |
| Unvested at March 31, 2024    | 133,282                | \$                     | 24.35                | 30,030                  | \$                     | 11.18                | —                    | \$                          | — |

At March 31, 2024, the total unrecognized compensation cost related to unvested stock-based awards under the 2022 Plan was \$2.8 million with a weighted-average expense recognition period of 2.4 years.

#### 2013 Equity Incentive Plan

The 2013 Plan authorized the issuance of 750,000 shares of the Company's common stock in the form of stock-based awards to employees, directors, and other eligible persons. Although outstanding stock-based awards under the 2013 Plan remain in place according to their terms, our authority to grant new awards under the 2013 Plan terminated upon shareholder approval of the 2022 Plan.

#### Award Activity Under 2013 Plan

The Company recorded \$0.1 million and \$0.4 million of share-based compensation expense for the three months ended March 31, 2024 and 2023, respectively, related to stock-based awards under the 2013 Plan.

The following table summarizes the stock-based award activity under the 2013 Plan for the three months ended March 31, 2024.

|                               | Restricted Stock Units | Weighted-Average Grant<br>Date Fair Value Per Share | Restricted Stock Awards | Weighted-Average Grant<br>Date Fair Value Per Share | Deferred Stock Units | Weighted-Average Grant<br>Date Fair Value Per Share |
|-------------------------------|------------------------|---|-------------------------|---|----------------------|---|
| Unvested at December 31, 2023 | 53,985                 | \$ 39.86  | —                       | \$ —  | —                    | \$ —  |
| Cancelled/Forfeited           | (22,685)               | 30.45   | —                       | —   | —                    | —   |
| Vested                        | (8,089)                | 46.64   | —                       | —   | —                    | —   |
| Unvested at March 31, 2024    | 23,211                 | \$ 46.69  | —                       | \$ —  | —                    | \$ —  |

At March 31, 2024, the total unrecognized compensation cost related to unvested stock-based awards under the 2013 Plan was \$ 0.3 million with a weighted-average expense recognition period of 0.8 years.

#### Directors Deferred Stock Plan

Until January 2014, the Company had a practice of granting awards under a stock compensation plan for members of the Board of Directors ("Directors Deferred Stock Plan"). The Company reserved 180,000 shares of common stock that could have been issued pursuant to the Directors Deferred Stock Plan. The plan provided directors the option to elect to receive up to 100% of their annual retainer in either common stock or deferred stock rights. Deferred stock rights were to be settled in common stock following the end of the deferral period payable on the basis of one share of common stock for each deferred stock right.

The following table summarizes the status of deferred stock rights related to the Directors Deferred Stock Plan for the three months ended March 31, 2024.

|                                  | Deferred Stock Rights |
|----------------------------------|-----------------------|
| Outstanding, beginning of period | 28,538                |
| Granted                          | 72                    |
| Outstanding, end of period       | 28,610                |

All deferred stock rights granted during the 2024 period were additional rights issued in lieu of cash dividends payable on outstanding deferred stock rights.



**Note 10: Commitments and Credit Risk**

In the normal course of business, the Company makes various commitments to extend credit which are not reflected in the accompanying condensed consolidated financial statements. At March 31, 2024 and December 31, 2023, the Company had outstanding loan commitments totaling approximately \$726.5 million and \$755.4 million, respectively.

**Note 11: Fair Value of Financial Instruments**

ASC Topic 820, *Fair Value Measurement*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC Topic 820 also specifies a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

**Level 1** Quoted prices in active markets for identical assets or liabilities

**Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

**Level 3** Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities

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

**Available-for-Sale Securities**

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics or discounted cash flows. The Company did not own any securities classified within Level 1 of the hierarchy as of March 31, 2024 or December 31, 2023.

Level 2 securities include U.S. Government-sponsored agencies, municipal securities, mortgage and asset-backed securities and corporate securities. Matrix pricing is a mathematical technique widely used in the banking industry to value investment securities.

In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. Fair values are calculated using discounted cash flows. Discounted cash flows are calculated based off of the anticipated future cash flows updated to incorporate loss severities. Rating agency and industry research reports as well as default and deferral activity are reviewed and incorporated into the calculation. The Company did not own any securities classified within Level 3 of the hierarchy as of March 31, 2024 or December 31, 2023.

**Loans Held-for-Sale (mandatory pricing agreements)**

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

**Servicing Asset**

Fair value is based on a loan-by-loan basis taking into consideration the origination to maturity dates of the loans, the current age of the loans and the remaining term to maturity. The valuation methodology utilized for the servicing asset begins with generating estimated future cash flows for each servicing asset based on their unique characteristics and market-based assumptions for prepayment speeds and costs to service. The present value of the future cash flows is then calculated utilizing market-based discount rate assumptions (Level 3).

**Interest Rate Swap Agreements**

The fair values of interest rate swap agreements are estimated using current market interest rates as of the balance sheet date and calculated using discounted cash flows that are observable or that can be corroborated by observable market data (Level 2).

#### Back-to-Back Swap Agreements

The Company offers interest rate swaps to certain loan customers to allow them to hedge the risk of rising interest rates on their variable rate loans. The Company originates a variable rate loan and enters into a variable-to-fixed interest rate contract with the customer. The Company also enters into an offsetting interest rate swap with a correspondent bank. These back-to-back swap agreements are intended to offset each other and allow the Company to originate a variable rate loan, while providing a contract for fixed interest payments for the customer. The net cash flow for the Company is equal to the interest income received from a variable rate loan originated with the customer. The fair value of these derivatives is based on a discounted cash flow approach. The fair value assets and liabilities of centrally cleared interest rate swaps are net of variation margin settled-to-market (Level 2).

#### Interest Rate Lock Commitments

The fair values of IRLCs are determined using the projected sale price of individual loans based on changes in market interest rates, projected pull-through rates (the probability that an IRLC will ultimately result in an originated loan), the reduction in the value of the applicant's option due to the passage of time, and the remaining origination costs to be incurred based on management's estimate of market costs (Level 3).

The following tables present the fair value measurements of assets and liabilities recognized in the accompanying condensed consolidated balance sheets measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at March 31, 2024 and December 31, 2023.

|  | Fair Value | March 31, 2024  |   |  |  |
|--|------------|---|---|--|--|
|  |            | Fair Value Measurements Using   |   |  |  |
|  |            | Quoted Prices<br>in Active Markets for Identical<br>Assets<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |  |
| <i>(in thousands)</i>                                      |            |   |   |  |  |
| U.S. Government-sponsored agencies                         | \$ 92,101  | \$ —  | \$ 92,101   | \$ —   |  |
| Municipal securities                                       | 67,415     | —   | 67,415  | —  |  |
| Agency mortgage-backed securities - residential            | 220,484    | —   | 220,484   | —  |  |
| Agency mortgage-backed securities - commercial             | 38,081     | —   | 38,081  | —  |  |
| Private label mortgage-backed securities - residential     | 22,266     | —   | 22,266  | —  |  |
| Asset-backed securities                                    | 7,459      | —   | 7,459   | —  |  |
| Corporate securities                                       | 34,625     | —   | 34,625  | —  |  |
| Total available-for-sale securities                        | \$ 482,431 | \$ —  | \$ 482,431  | \$ —   |  |
| Servicing asset  | 11,760     | —   | —   | 11,760   |  |
| Interest rate swap agreements                              | 5,807      | —   | 5,807   | —  |  |
| Interest rate swap agreements - assets (back-to-back)      | 158        | —   | 158   | —  |  |
| Interest rate swap agreements - liabilities (back-to-back) | (158)      | —   | (158)   | —  |  |

| December 31, 2023  |            |   |   |  |  |
|--|------------|---|---|--|--|
| Fair Value Measurements Using                              |            |   |   |  |  |
|  | Fair Value | Quoted Prices<br>in Active Markets for Identical<br>Assets<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |  |
| <i>(in thousands)</i>                                      |            |   |   |  |  |
| U.S. Government-sponsored agencies                         | \$ 95,177  | \$ —  | \$ 95,177   | \$ —   |  |
| Municipal securities                                       | 68,446     | —   | 68,446  | —  |  |
| Agency mortgage-backed securities - residential            | 206,649    | —   | 206,649   | —  |  |
| Agency mortgage-backed securities - commercial             | 38,885     | —   | 38,885  | —  |  |
| Private label mortgage-backed securities - residential     | 20,779     | —   | 20,779  | —  |  |
| Asset-backed securities                                    | 8,081      | —   | 8,081   | —  |  |
| Corporate securities                                       | 36,838     | —   | 36,838  | —  |  |
| Total available-for-sale securities                        | \$ 474,855 | \$ —  | \$ 474,855  | \$ —   |  |
| Servicing asset  | 10,567     | —   | —   | 10,567   |  |
| Interest rate swap agreements                              | 5,139      | —   | 5,139   | —  |  |
| Interest rate swap agreements - assets (back-to-back)      | 677        | —   | 677   | —  |  |
| Interest rate swap agreements - liabilities (back-to-back) | (677)      | —   | (677)   | —  |  |

The following tables reconcile the beginning and ending balances of recurring fair value measurements recognized in the accompanying condensed consolidated balance sheets using significant unobservable (Level 3) inputs for the three months ended March 31, 2024 and 2023.

| Three Months Ended            |                 |                                |  |
|-------------------------------|-----------------|--------------------------------|--|
|                               | Servicing Asset | Interest Rate Lock Commitments |  |
| <i>(in thousands)</i>         |                 |                                |  |
| Balance as of January 1, 2024 | \$ 10,567       | \$ —                           |  |
| Total realized gains          |                 |                                |  |
| Additions:                    |                 |                                |  |
| Originated                    | 1,627           | —                              |  |
| Subtractions:                 |                 |                                |  |
| Paydowns                      | (612)           | —                              |  |
| Change in fair value          | 178             | —                              |  |
| Balance, March 31, 2024       | \$ 11,760       | \$ —                           |  |
| Balance as of January 1, 2023 | \$ 6,255        | \$ 133                         |  |
| Total realized gains          |                 |                                |  |
| Additions:                    |                 |                                |  |
| Originated                    | 1,112           | —                              |  |
| Subtractions:                 |                 |                                |  |
| Paydowns                      | (339)           | —                              |  |
| Change in fair value          | 284             | (133)                          |  |
| Balance, March 31, 2023       | \$ 7,312        | \$ —                           |  |

The following describes the valuation methodologies and inputs used for assets measured at fair value on a nonrecurring basis, as well as the general classification of such assets pursuant to the valuation hierarchy.

**Individually Analyzed Collateral Dependent Loans**

Loans for which it is probable that the Company will not collect all principal and interest due according to contractual terms are measured for impairment. The amount of impairment may be determined based on the fair value of the underlying collateral, less costs to sell, the estimated present value of future cash flows or the loan's observable market price.

If the individually analyzed loan is identified as collateral dependent, the fair value of the underlying collateral, less costs to sell, is used to measure impairment. This method requires obtaining a current independent appraisal of the collateral and applying a discount factor to the value. If the individually analyzed loan is not collateral dependent, the Company utilizes a discounted cash flow analysis to measure impairment.

Individually analyzed loans with a specific valuation allowance based on the value of the underlying collateral or a discounted cash flow analysis are classified as Level 3 assets.

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying condensed consolidated balance sheets measured at fair value on a nonrecurring basis and the level within the fair value hierarchy in which the fair value measurement falls at March 31, 2024 and December 31, 2023.

|                            |            | March 31, 2024   |   |   |          |
|----------------------------|------------|--|---|---|----------|
|                            |            | Fair Value Measurements Using                                  |   |   |          |
|                            | Fair Value | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |          |
| Collateral dependent loans | \$ 2,724   | \$ —   | \$ —  |   | \$ 2,724 |

|                            |            | December 31, 2023  |   |   |          |
|----------------------------|------------|--|---|---|----------|
|                            |            | Fair Value Measurements Using                                  |   |   |          |
|                            | Fair Value | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |          |
| Collateral dependent loans | \$ 2,799   | \$ —   | \$ —  |   | \$ 2,799 |

**Significant Unobservable (Level 3) Inputs**

The following tables present quantitative information about unobservable inputs used in recurring and nonrecurring Level 3 fair value measurements.

| (dollars in thousands)     | Fair Value at March 31, 2024 | Valuation Technique      | Significant Unobservable Inputs                             | Range    | Weighted-Average Range |
|----------------------------|------------------------------|--------------------------|---|----------|------------------------|
| Collateral dependent loans | \$ 2,724                     | Fair value of collateral | Discount for type of property and current market conditions | 0%- 90%  | 26%                    |
|                            |                              |                          | Prepayment speeds   | 0% - 25% | 11.6%                  |
| Servicing asset            | 11,760                       | Discounted cash flow     | Discount rate   | 15%      | 15%                    |

| <i>(dollars in thousands)</i> | Fair Value at<br>December 31, 2023 | Valuation<br>Technique   | Significant Unobservable<br>Inputs                          | Range    | Weighted-Average Range |
|-------------------------------|------------------------------------|--------------------------|---|----------|------------------------|
| Collateral dependent loans    | \$ 2,799                           | Fair value of collateral | Discount for type of property and current market conditions | 0% - 90% | 28%                    |
|                               |                                    |                          | Prepayment speeds   | 0% - 25% | 11.3%                  |
| Servicing asset               | 10,567                             | Discounted cash flow     | Discount rate   | 15%      | 15%                    |

The following methods were used to estimate the fair value of all other financial instruments recognized in the accompanying condensed consolidated balance sheets at amounts other than fair value.

#### *Cash and Cash Equivalents*

For these instruments, the carrying amount is a reasonable estimate of fair value.

#### *Securities Held-to-Maturity*

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include highly liquid mutual funds. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics or discounted cash flows.

Level 2 securities include agency mortgage-backed securities - residential, municipal securities and corporate securities. Matrix pricing is a mathematical technique widely used in the banking industry to value investment securities.

In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. Fair values are calculated using discounted cash flows. Discounted cash flows are calculated based off of the anticipated future cash flows updated to incorporate loss severities. Rating agency and industry research reports as well as default and deferral activity are reviewed and incorporated into the calculation. The Company did not own any securities classified within Level 3 of the hierarchy as of March 31, 2024 or December 31, 2023.

#### *Loans Held-for-Sale (best efforts pricing agreements)*

The fair value of these loans approximates carrying value.

#### *Loans*

The fair value of loans is estimated on an exit price basis incorporating discounts for credit, liquidity and marketability factors.

#### *Accrued Interest Receivable*

The fair value of these financial instruments approximates carrying value.

#### *Federal Home Loan Bank of Indianapolis Stock*

The fair value of this financial instrument approximates carrying value.

#### *Deposits*

The fair value of noninterest-bearing and interest-bearing demand deposits, savings and money market accounts approximates carrying value. The fair value of fixed maturity certificates of deposit and brokered deposits are estimated using rates currently offered for deposits of similar remaining maturities.

#### Advances from Federal Home Loan Bank

The fair value of fixed rate advances is estimated using rates currently available for advances with similar remaining maturities. The carrying value of variable rate advances approximates fair value.

#### Subordinated Debt

The fair value of the Company's publicly traded subordinated debt is obtained from quoted market prices. The fair value of the Company's remaining subordinated debt is estimated using discounted cash flow analysis, based on current borrowing rates for similar types of debt instruments.

#### Accrued Interest Payable

The fair value of these financial instruments approximates carrying value.

#### Commitments

The fair value of commitments to extend credit are based on fees currently charged to enter into similar agreements with similar maturities and interest rates. The Company determined that the fair value of commitments was zero based on the contractual value of outstanding commitments at each of March 31, 2024 and December 31, 2023.

The following tables present the carrying value and estimated fair value of all financial assets and liabilities that are not measured at fair value on a recurring basis at March 31, 2024 and December 31, 2023.

| (in thousands)  | March 31, 2024                |            |   |   |   |   |
|---|-------------------------------|------------|---|---|---|---|
|   | Fair Value Measurements Using |            |   |   |   |   |
|   | Carrying Amount               | Fair Value | Quoted Prices In Active Market for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |   |
| Cash and cash equivalents                             | \$ 481,264                    | \$ 481,264 | \$ 481,264  | \$ —  | \$ —                                      | — |
| Securities held-to-maturity, net                      | 235,738                       | 214,220    | —   | 214,220                                       | —   | — |
| Loans held-for-sale (best efforts pricing agreements) | 22,589                        | 22,589     | —   | 22,589  | —   | — |
| Net loans   | 3,868,913                     | 3,685,416  | —   | —   | 3,685,416                                 | — |
| Accrued interest receivable                           | 26,809                        | 26,809     | 26,809  | —   | —   | — |
| Federal Home Loan Bank of Indianapolis stock          | 28,350                        | 28,350     | —   | 28,350  | —   | — |
| Deposits  | 4,273,768                     | 4,253,825  | 1,829,073   | —   | 2,424,752                                 | — |
| Advances from Federal Home Loan Bank                  | 574,936                       | 564,384    | —   | 564,384                                       | —   | — |
| Subordinated debt                                     | 104,915                       | 104,576    | 34,514  | 70,062  | —   | — |
| Accrued interest payable                              | 3,382                         | 3,382      | 3,382   | —   | —   | — |

December 31, 2023  
Fair Value Measurements Using

|   |                    |            | Quoted Prices<br>In Active<br>Market for<br>Identical<br>Assets<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |
|---|--------------------|------------|--|---|--|
| (in thousands)  | Carrying<br>Amount | Fair Value |  |   |  |
| Cash and cash equivalents                             | \$ 405,898         | \$ 405,898 | \$ 405,898   | \$ —  | \$ —   |
| Securities held-to-maturity                           | 227,153            | 207,572    | —  | 207,572   | —  |
| Loans held-for-sale (best efforts pricing agreements) | 22,052             | 22,052     | —  | 22,052  | —  |
| Net loans   | 3,801,446          | 3,611,909  | —  | —   | 3,611,909  |
| Accrued interest receivable                           | 26,746             | 26,746     | 26,746   | —   | —  |
| Federal Home Loan Bank of Indianapolis stock          | 28,350             | 28,350     | —  | 28,350  | —  |
| Deposits  | 4,066,973          | 4,059,447  | 1,796,123  | —   | 2,263,324  |
| Advances from Federal Home Loan Bank                  | 614,934            | 605,366    | —  | 605,366   | —  |
| Subordinated debt                                     | 104,838            | 102,632    | 32,560   | 70,072  | —  |
| Accrued interest payable                              | 3,848              | 3,848      | 3,848  | —   | —  |

**Note 12: Mortgage Banking Activities**

The Bank's residential real estate lending business originated mortgage loans for customers and typically sold a majority of the originated loans into the secondary market. For most of the mortgages sold in the secondary market, the Bank hedged its mortgage banking pipeline by entering into forward contracts for the future delivery of mortgage loans to third party investors and entering into IRLCs with potential borrowers to fund specific mortgage loans that would be sold into the secondary market. To facilitate the hedging of the loans, the Bank elected the fair value option for loans originated and intended for sale in the secondary market under mandatory pricing agreements. Changes in the fair value of loans held-for-sale, IRLCs and forward contracts are recorded in the mortgage banking activities line item within noninterest income. Refer to Note 13 for further information on derivative financial instruments.

During the three months ended March 31, 2024, the Company had no mortgage loans held-for-sale or sold mortgage loans into the secondary market. During the three months ended March 31, 2023, the Company originated \$ 36.3 million of mortgage loans held-for-sale and sold \$43.5 million of mortgage loans, respectively, into the secondary market. During the first quarter 2023, the Company made the decision to exit the residential mortgage business.

The following table presents the components of income from mortgage banking activities for the three months ended March 31, 2024 and 2023.

|   | Three Months Ended March 31, |        |
|---|------------------------------|--------|
| (in thousands)  | 2024                         | 2023   |
| Gain on loans sold  | \$ —                         | \$ 464 |
| Loss resulting from the change in fair value of loans held-for-sale | —                            | (136)  |
| Loss resulting from the change in fair value of derivatives         | —                            | (252)  |
| Net revenue from mortgage banking activities                        | \$ —                         | \$ 76  |

Fluctuations in interest rates and changes in IRLC and loan volume within the mortgage banking pipeline may cause volatility in the fair value of loans held-for-sale and the fair value of derivatives used to hedge the mortgage banking pipeline.

**Note 13: Derivative Financial Instruments**

The Company uses derivative financial instruments to help manage exposure to interest rate risk and the effects that changes in interest rates may have on net income and the fair value of assets and liabilities. The Company enters into interest rate swap agreements as part of its asset/liability management strategy to help manage its interest rate risk position. Additionally, the Company entered into forward contracts for the future delivery of mortgage loans to third-party investors and entered into IRLCs with potential borrowers to fund specific mortgage loans that were sold into the secondary market. The forward contracts were entered into in order to economically hedge the effect of changes in interest rates resulting from the Company's commitment to fund the loans.

The Company had various interest rate swap agreements designated and qualifying as accounting hedges during the reported periods. Designating an interest rate swap as an accounting hedge allows the Company to recognize gains and losses in the condensed consolidated statements of income within the same period that the hedged item affects earnings. The Company includes the gain or loss on the hedged items in the same line item as the offsetting loss or gain on the related interest rate swaps. For derivative instruments that are designated and qualify as cash flow hedges, any gains or losses related to changes in fair value are recorded in accumulated other comprehensive loss, net of tax. The fair value of interest rate swaps with a positive fair value are reported in accrued income and other assets in the condensed consolidated balance sheets, while interest rate swaps with a negative fair value are reported in accrued expenses and other liabilities in the condensed consolidated balance sheets.

The Company offers interest rate swaps to certain loan customers to allow them to hedge the risk of rising interest rates on their variable rate loans. The Company originates a variable rate loan and enters into a variable-to-fixed interest rate contract with the customer. The Company also enters into an offsetting interest rate swap with a correspondent bank. These back-to-back swap agreements are intended to offset each other and allow the Company to originate a variable rate loan, while providing a contract for fixed interest payments for the customer. The net cash flow for the Company is equal to the interest income received from a variable rate loan originated with the customer. The fair value of these derivatives is based on a discounted cash flow approach. The fair value assets and liabilities of centrally cleared interest rate swaps are net of variation margin settled-to-market.

The IRLCs and forward contracts are not designated as accounting hedges and are recorded at fair value with changes in fair value reflected in noninterest income on the condensed consolidated statements of income. The fair value of derivative instruments with a positive fair value are reported in accrued income and other assets in the condensed consolidated balance sheets, while derivative instruments with a negative fair value are reported in accrued expenses and other liabilities in the condensed consolidated balance sheets.

The following table presents amounts that were recorded on the condensed consolidated balance sheets related to cumulative basis adjustments for interest rate swap derivatives designated as fair value accounting hedges as of March 31, 2024 and December 31, 2023.

| (in thousands)                             | Carrying amount of the hedged asset   |                   | Cumulative amount of fair value hedging adjustment included in the carrying amount of the hedged assets |                   |
|--|---|-------------------|---|-------------------|
|  | Line item in the condensed consolidated balance sheets in which the hedged item is included |                   |   |                   |
|  | March 31, 2024  | December 31, 2023 | March 31, 2024  | December 31, 2023 |
| Securities available-for-sale <sup>1</sup> | \$ 69,298   | \$ 69,504         | \$ (910)  | \$ (1,143)        |

<sup>1</sup> These amounts include the amortized cost basis of closed portfolios used to designate hedging relationships in which the hedged item is the last layer expected to be remaining at the end of the hedging relationship. The designated hedged items were \$0.0 million at both March 31, 2024 and December 31, 2023.

The following tables present a summary of interest rate swap derivatives designated as fair value accounting hedges of fixed-rate receivables used in the Company's asset/liability management activities at March 31, 2024 and December 31, 2023, identified by the underlying interest rate-sensitive instruments.



(dollars in thousands)

March 31, 2024

| Instruments Associated With            | Notional Value | Weighted- Average          |        | Fair Value | Weighted-Average Ratio |        |
|--|----------------|----------------------------|--------|------------|------------------------|--------|
|  |                | Remaining Maturity (years) |        |            | Receive                | Pay    |
| Securities available-for-sale          | \$ 50,000      | 0.6                        | \$ 919 |            | 3-month SOFR           | 2.33 % |
| Total swap portfolio at March 31, 2024 | \$ 50,000      | 0.6                        | \$ 919 |            | 3-month SOFR           | 2.33 % |

(dollars in thousands)

December 31, 2023

| Instruments Associated With               | Notional Value | Weighted- Average          |          | Fair Value | Weighted-Average Ratio |        |
|---|----------------|----------------------------|----------|------------|------------------------|--------|
|   |                | Remaining Maturity (years) |          |            | Receive                | Pay    |
| Securities available-for-sale             | \$ 50,000      | 0.8                        | \$ 1,153 |            | 3-month SOFR           | 2.33 % |
| Total swap portfolio at December 31, 2023 | \$ 50,000      | 0.8                        | \$ 1,153 |            | 3-month SOFR           | 2.33 % |

In March 2021, the Company terminated the last layer of interest rate swaps associated with available-for-sale agency mortgage-backed securities - residential, which resulted in swap termination payments to counterparties totaling \$1.9 million. The corresponding fair value hedging adjustment was allocated pro-rata to the underlying hedged securities and is being amortized over the remaining lives of the designated securities. The Company had amortization expense totaling less than \$0.1 million for both the three months ended March 31, 2024 and 2023, was recognized as a reduction to interest income on securities.

In June 2020, the Company terminated all fair value hedging relationships associated with loans, which resulted in swap termination payments to counterparties totaling \$ 46.1 million. The corresponding loan fair value hedging adjustment as of the date of termination is being amortized over the remaining lives of the designated loans, which have a weighted average term to maturity of 10.2 years as of March 31, 2024. The Company had amortization expense totaling \$ 0.9 million and \$1.0 million for the three months ended March 31, 2024 and 2023, respectively, related to these previously terminated fair value hedges recognized as a reduction to interest income on loans.

The following tables present a summary of interest rate swap derivatives designated as cash flow accounting hedges of variable-rate liabilities used in the Company's asset/liability management activities at March 31, 2024 and December 31, 2023.

(dollars in thousands)

March 31, 2024

| Cash Flow Hedges    | Notional Value | Weighted- Average          |          | Fair Value | Weighted-Average Ratio |        |
|---------------------|----------------|----------------------------|----------|------------|------------------------|--------|
|                     |                | Remaining Maturity (years) |          |            | Receive                | Pay    |
| Interest rate swaps | \$ 110,000     | 2.8                        | \$ 4,715 |            | 3-month SOFR           | 2.88 % |
| Interest rate swaps | 40,000         | 0.2                        | 174      |            | Fed Funds Effective    | 2.78 % |

(dollars in thousands)

December 31, 2023

| Cash Flow Hedges    | Notional Value | Weighted- Average          |          | Fair Value | Weighted-Average Ratio |        |
|---------------------|----------------|----------------------------|----------|------------|------------------------|--------|
|                     |                | Remaining Maturity (years) |          |            | Receive                | Pay    |
| Interest rate swaps | \$ 110,000     | 3.1                        | \$ 3,596 |            | 3-month SOFR           | 2.88 % |
| Interest rate swaps | 40,000         | 0.4                        | 390      |            | Fed Funds Effective    | 2.78 % |

These derivative financial instruments were entered into for the purpose of managing the interest rate risk of certain assets and liabilities. The Company received \$ 6.1 million and \$5.2 million of cash collateral from counterparties as security for their obligations related to these swap transactions at March 31, 2024 and December 31, 2023. The Company had no pledged cash collateral as of March 31, 2024 and December 31, 2023 to counterparties on interest rate swap agreements as security for its obligations related to these agreements. Collateral posted and received is dependent on the market valuation of the underlying hedges.

The following table presents the notional amount and fair value of interest rate swaps utilized by the Company at March 31, 2024 and December 31, 2023.

|   | March 31, 2024    |                 | December 31, 2023 |                 |
|---|-------------------|-----------------|-------------------|-----------------|
|   | Notional Amount   | Fair Value      | Notional Amount   | Fair Value      |
| <i>(in thousands)</i>   |                   |                 |                   |                 |
| <b>Asset Derivatives</b>  |                   |                 |                   |                 |
| <u>Derivatives designated as hedging instruments</u>              |                   |                 |                   |                 |
| Interest rate swaps associated with securities available-for-sale | \$ 50,000         | \$ 919          | \$ 50,000         | \$ 1,153        |
| Interest rate swaps associated with liabilities                   | 150,000           | 4,889           | 150,000           | 3,986           |
| <u>Derivatives not designated as hedging instruments</u>          |                   |                 |                   |                 |
| Back-to-back swaps  | \$ 6,453          | \$ 158          | \$ 1,778          | \$ 677          |
| Total contracts   | <u>\$ 206,453</u> | <u>\$ 5,966</u> | <u>\$ 201,778</u> | <u>\$ 5,816</u> |
| <b>Liability Derivatives</b>                                      |                   |                 |                   |                 |
| <u>Derivatives not designated as hedging instruments</u>          |                   |                 |                   |                 |
| Back-to-back swaps  | \$ 6,453          | \$ (158)        | \$ 1,778          | \$ (677)        |
| Total contracts   | <u>\$ 6,453</u>   | <u>\$ (158)</u> | <u>\$ 1,778</u>   | <u>\$ (677)</u> |

The fair value of interest rate swaps was estimated using a discounted cash flow method that incorporates current market interest rates as of the balance sheet date.

Back-to-back swaps consist of two interest-rate swaps (a customer swap and an offsetting counterparty swap). As a result of this offsetting relationship, no net gains or losses are recognized in income.

The following table presents the effects of the Company's cash flow hedge relationships on the condensed consolidated statements of comprehensive income during the three months ended March 31, 2024 and 2023.

|                               | Amount of Gain (Loss) Recognized in Other Comprehensive (Loss) Income in The Three Months Ended |                |
|-------------------------------|---|----------------|
|                               | March 31, 2024  | March 31, 2023 |
| <i>(in thousands)</i>         |   |                |
| Interest rate swap agreements | \$ 902  | \$ (2,170)     |

The following table summarizes the periodic changes in the fair value of derivatives not designated as hedging instruments on the condensed consolidated statements of income for the three months ended March 31, 2024 and 2023.

|  | Amount of Gain / (Loss) Recognized in the Three Months Ended |                |
|--|--|----------------|
|  | March 31, 2024   | March 31, 2023 |
| <i>(in thousands)</i>                                    |  |                |
| <b>Liability Derivatives</b>                             |  |                |
| <u>Derivatives not designated as hedging instruments</u> |  |                |
| IRLCs  | \$ —   | \$ (133)       |
| Forward contracts  | —  | (119)          |

The following table presents the effects of the Company's interest rate swap agreements on the condensed consolidated statements of operations during the three months ended March 31, 2024 and 2023.

(in thousands)

| Line item in the condensed consolidated statements of operations | Three Months Ended |                |
|--|--------------------|----------------|
|  | March 31, 2024     | March 31, 2023 |
| <u>Interest income</u>   |                    |                |
| Securities - non-taxable   | 414                | 294            |
| Total interest income  | 414                | 294            |
| <u>Interest expense</u>  |                    |                |
| Deposits   | (255)              | (418)          |
| Other borrowed funds   | (762)              | (522)          |
| Total interest expense   | (1,017)            | (940)          |
| Net interest income  | \$ 1,431           | \$ 1,234       |

**Note 14: Accumulated Other Comprehensive Loss**

The components of accumulated other comprehensive loss, included in stockholders' equity, for the three months ended March 31, 2024 and 2023, respectively, are presented in the table below.

| (in thousands)  | Unrealized Losses On Debt Securities Transferred From |  |                  |                    |
|---|---|--|------------------|--------------------|
|   | Unrealized Losses On Debt Securities                  | Available-For-Sale To Held-To-Maturity | Cash Flow Hedges | Total              |
| <b>Balance, January 1, 2024</b>   | \$ (30,174)   | \$ (2,939)                             | \$ 3,738         | \$ (29,375)        |
| Other comprehensive (loss) income before reclassifications from accumulated other comprehensive loss before tax | (2,074)   | —                                      | 902              | (1,172)            |
| Reclassifications from accumulated other comprehensive loss to earnings before tax                              | —   | 234                                    | —                | 234                |
| Other comprehensive (loss) gain before tax  | (2,074)   | 234                                    | 902              | (938)              |
| Income tax (benefit) provision  | (475)   | 57                                     | 207              | (211)              |
| Other comprehensive (loss) income - net of tax  | (1,599)   | 177                                    | 695              | (727)              |
| <b>Balance, March 31, 2024</b>  | <u>\$ (31,773)</u>                                    | <u>\$ (2,762)</u>                      | <u>\$ 4,433</u>  | <u>\$ (30,102)</u> |
| <b>Balance, January 1, 2023</b>   | \$ (35,831)   | \$ (3,519)                             | \$ 5,714         | \$ (33,636)        |
| Other comprehensive income (loss) before reclassifications from accumulated other comprehensive loss before tax | 5,112   | —                                      | (2,170)          | 2,942              |
| Reclassifications from accumulated other comprehensive loss to earnings before tax                              | —   | 158                                    | —                | 158                |
| Other comprehensive gain (loss) before tax  | 5,112   | 158                                    | (2,170)          | 3,100              |
| Income tax provision (benefit)  | 1,170   | 46                                     | (499)            | 717                |
| Other comprehensive income (loss) - net of tax  | 3,942   | 112                                    | (1,671)          | 2,383              |
| <b>Balance, March 31, 2023</b>  | <u>\$ (31,889)</u>                                    | <u>\$ (3,407)</u>                      | <u>\$ 4,043</u>  | <u>\$ (31,253)</u> |

| Details About Accumulated Other Comprehensive Loss Components                      | Amounts Reclassified from Accumulated Other Comprehensive Loss for the |                                   | Affected Line Item in the Statements of Operations |
|--|--|-----------------------------------|--|
|  | Three Months Ended March 31, 2024                                      | Three Months Ended March 31, 2023 |  |
| Reclassifications from accumulated other comprehensive loss to earnings before tax | \$ (234)   | (158)                             | Interest income (loss)                             |
| Total amount reclassified before tax   | (234)  | (158)                             | Income (loss) before income taxes                  |
| Tax benefit  | (57)   | (46)                              | Income tax provision (benefit)                     |
| Total reclassifications from accumulated other comprehensive loss                  | <u>\$ (177)</u>  | <u>\$ (112)</u>                   | Net income (loss)                                  |

**Note 15: Recent Accounting Pronouncements**

ASU 2023-02 - *Investments - Equity Method and Joint Ventures (Topic 323): Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method (March 2023)*

In March 2023, the FASB issued ASU No. 2023-02, Investments - Equity Method and Joint Ventures (Topic 323): Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method. This ASU permits companies to account for tax equity investments, regardless of the tax credit program from which the income tax credits are received, using the proportional amortization method if certain conditions are met. The Company adopted this guidance on January 1, 2024 and it did not have a material impact on its consolidated financial statements.

ASU 2023-07 - *Segment Reporting (Topic 280): Improvements to Reportable Segments (November 2023)*

In November 2023, the FASB issued ASU No. 2023-07, Segment Reporting (Topic 280) - Improvements to Reportable Segments. This ASU enhances financial reporting by requiring disclosure of incremental segment information on an annual and interim basis. The guidance is effective for fiscal years beginning after December 15, 2023 and for interim periods within fiscal years beginning after December 15, 2024 with early adoption permitted. The Company is currently evaluating the impact of this ASU on its condensed consolidated financial statements.

ASU 2023-09 - *Income Taxes (Topic 740): Improvements to Income Tax Disclosures (December 2023)*

In December 2023, the FASB issued ASU No. 2023-09, Income Taxes (Topic 740) - Improvements to Income Tax Disclosures. This ASU enhances the transparency and usefulness of income tax disclosures, which addresses investor requests for more transparency about income tax disclosures related primarily to the rate reconciliation and income taxes paid information. The guidance is effective for annual periods beginning after December 15, 2024 with early adoption permitted. The Company is currently evaluating the impact of this ASU on its condensed consolidated financial statements.

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

*The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our condensed consolidated financial statements and related notes appearing elsewhere in this report. This discussion and analysis includes certain forward-looking statements that involve risks, uncertainties, and assumptions. You should review the "Risk Factors" sections of this report and our Annual Report on Form 10-K for the year ended December 31, 2023 for a discussion of important factors that could cause actual results to differ materially from the results described in or implied by such forward-looking statements. See also "Cautionary Note Regarding Forward-Looking Statements" at the beginning of this report.*

**Overview**

First Internet Bancorp is a financial holding company headquartered in Fishers, Indiana that conducts its primary business activities through its wholly-owned subsidiary, First Internet Bank of Indiana, an Indiana chartered bank. The Bank was the first state-chartered, Federal Deposit Insurance Corporation ("FDIC") insured Internet bank and commenced banking operations in 1999. First Internet Bancorp was incorporated under the laws of the State of Indiana on September 15, 2005. On March 21, 2006, we consummated a plan of exchange by which we acquired all of the outstanding shares of the Bank.

The Bank has three wholly-owned subsidiaries: First Internet Public Finance Corp., an Indiana corporation that provides a range of public and municipal finance lending and leasing products to governmental entities throughout the United States and acquires securities issued by state and local governments and other municipalities; JKH Realty Services, LLC, a Delaware limited liability company that manages other real estate owned properties as needed; and SPF15, Inc., an Indiana corporation that owns real estate used primarily for the Bank's principal office.

We offer a wide range of commercial, small business, consumer and municipal banking products and services. We conduct our consumer and small business deposit operations primarily through digital channels on a nationwide basis and have no traditional branch offices. Our consumer lending products are primarily originated on a nationwide basis through relationships with dealerships and financing partners.

Our commercial banking products and services are delivered through a relationship banking model or through strategic partnerships and include commercial and industrial ("C&I"), construction and investor commercial real estate, single tenant lease financing, public finance, healthcare finance, small business lending, franchise finance and commercial deposits and treasury management. Our C&I team provides credit solutions such as lines of credit, term loans, owner-occupied commercial real estate loans and corporate credit cards on a regional basis to commercial borrowers primarily in the Midwest and Southwest regions of the United States. We offer construction, investor commercial real estate loans, as well as single tenant lease financing on a nationwide basis. Our public finance team provides a range of public and municipal lending and leasing products to government entities on a nationwide basis. Our healthcare finance team was established in conjunction with our strategic partnership with Provide, Inc. (formerly known as Lendavor, Inc.), a San Francisco-based technology-enabled lender to healthcare practices, which provided lending on a nationwide basis for healthcare practice finance or acquisition, acquisition or refinancing of owner-occupied commercial real estate and equipment purchases. In the third quarter 2021, Provide was acquired by a super-regional financial institution. Subsequent to Provide being acquired, the acquiring institution has retained most, if not all, of Provide's loan origination activity and our healthcare finance loan balances have declined. Our franchise finance business was established in July 2021 in conjunction with our business relationship with ApplePie Capital, a company that specializes in providing financing to franchisees in various industry segments across the United States. Our commercial deposits and treasury management team works with the other commercial teams to provide deposit products and treasury management services to our commercial and municipal lending customers as well as pursues commercial deposit opportunities in business segments where we have no credit relationships.

We believe that we differentiate ourselves from larger financial institutions by providing a full suite of services to emerging small businesses and entrepreneurs on a nationwide basis. We are one of the fastest-growing lenders in the Small Business Administration ("SBA") 7(a) program, closing more than \$98.3 million in SBA 7(a) loans during the three months ended March 31, 2024, and currently rank as one of the top 10 largest SBA 7(a) lenders for the SBA's year-to-date 2024 fiscal year. We also offer a top-ranked small business checking account product to our country's entrepreneurs. We continue to scale up this business with the goal of driving increased earnings and profitability in future periods.

We also offer payment, deposit, card and lending products and services through partnerships with financial technology companies and platforms ("fintechs"). With the rapid evolution of technology that enables consumers and small businesses to manage their finances digitally, fintechs are addressing a significantly growing marketplace. Fintechs have created robust digital offerings, unburdened by legacy technology architecture, to address growing customer expectations. Through partnerships with selected fintechs, we believe our ability to win and retain consumer and small business relationships will be significantly enhanced. Furthermore, we believe partnering with select fintechs will allow us to further diversify our revenue sources, acquire lower-cost deposits and pursue additional asset generation capabilities.

As of March 31, 2024, the Company had consolidated assets of \$5.3 billion, consolidated deposits of \$4.3 billion and stockholders' equity of \$366.7 million.

**Results of Operations**

During the first quarter 2024, net income was \$5.2 million, or \$0.59 diluted earnings per share, compared to a net loss of \$3.0 million, or \$0.33 diluted loss per share, during the first quarter 2023, representing an increase in net income of \$8.2 million and an increase in diluted earnings per share of \$0.92.

The \$8.2 million increase in net income for the first quarter 2024 compared to the first quarter 2023 was due primarily to a \$7.0 million, or 74.0%, decrease in the provision for credit losses, an increase of \$2.9 million, or 53.3%, in noninterest income and a \$1.2 million, or 5.9%, increase in net interest income, partially offset by a \$2.8 million increase in income tax expense.

During the first quarter 2024, return on average assets ("ROAA"), return on average shareholders' equity ("ROAE"), and return on average tangible common equity ("ROATCE") were 0.40%, 5.64%, and 5.71%, respectively, compared to (0.26%), (3.37%), and (3.41%), respectively, for the first quarter 2023.

During the first quarter 2023, the Company had a partial charge-off of a C&I participation loan of \$6.9 million, \$3.1 million of mortgage operations and exit costs and \$0.1 million of mortgage revenue. Excluding these items, adjusted net income for the first quarter 2023 was \$4.8 million and adjusted diluted earnings per share was \$0.53. Additionally, for the first quarter 2023, adjusted ROAA, adjusted ROAE and adjusted ROATCE were 0.43%, 5.36% and 5.44%, respectively.

Refer to the "Reconciliation of Non-GAAP Financial Measures" section of Part I, Item 2 of this report, Management's Discussion and Analysis of Financial Condition and Results of Operations for additional information.

**Consolidated Average Balance Sheets and Net Interest Income Analyses**

For the periods presented, the following tables provide the average balances of interest-earning assets and interest-bearing liabilities and the related yields and cost of funds. The tables do not reflect any effect of income taxes except for net interest margin - FTE, as discussed below. Balances are based on the average of daily balances. Nonaccrual loans are included in average loan balances.

| (dollars in thousands)                     | Three Months Ended |                     |             |   |  |                   |                     |             |   |  |
|--|--------------------|---------------------|-------------|---|--|-------------------|---------------------|-------------|---|--|
|  | March 31, 2024     |                     |             |   |  | December 31, 2023 |                     |             |   |  |
|  | Average Balance    | Interest /Dividends | Yield /Cost |   |  | Average Balance   | Interest /Dividends | Yield /Cost |   |  |
| <b>Assets</b>                              |                    |                     |             |   |  |                   |                     |             |   |  |
| Interest-earning assets                    |                    |                     |             |   |  |                   |                     |             |   |  |
| Loans, including loans held-for-sale       | \$ 3,892,589       | \$ 55,435           | 5.73        | % |  | \$ 3,799,932      | \$ 52,690           | 5.50        | % |  |
| Securities - taxable                       | 627,216            | 5,694               | 3.65        | % |  | 611,664           | 5,447               | 3.53        | % |  |
| Securities - non-taxable                   | 76,293             | 969                 | 5.11        | % |  | 71,804            | 962                 | 5.32        | % |  |
| Other earning assets                       | 434,118            | 6,067               | 5.62        | % |  | 500,733           | 7,173               | 5.68        | % |  |
| Total interest-earning assets              | 5,030,216          | 68,165              | 5.45        | % |  | 4,984,133         | 66,272              | 5.28        | % |  |
| Allowance for credit losses - loans        | (38,611)           |                     |             |   |  | (36,792)          |                     |             |   |  |
| Noninterest-earning assets                 | 216,331            |                     |             |   |  | 206,944           |                     |             |   |  |
| Total assets                               | \$ 5,207,936       |                     |             |   |  | \$ 5,154,285      |                     |             |   |  |
| <b>Liabilities</b>                         |                    |                     |             |   |  |                   |                     |             |   |  |
| Interest-bearing liabilities               |                    |                     |             |   |  |                   |                     |             |   |  |
| Interest-bearing demand deposits           | \$ 415,106         | \$ 2,091            | 2.03        | % |  | \$ 382,427        | \$ 1,646            | 1.71        | % |  |
| Savings accounts                           | 22,521             | 48                  | 0.86        | % |  | 22,394            | 48                  | 0.85        | % |  |
| Money market accounts                      | 1,217,966          | 12,671              | 4.18        | % |  | 1,225,781         | 12,739              | 4.12        | % |  |
| BaaS - brokered deposits                   | 85,366             | 931                 | 4.39        | % |  | 62,098            | 685                 | 4.38        | % |  |
| Certificates and brokered deposits         | 2,246,050          | 26,388              | 4.73        | % |  | 2,242,819         | 25,960              | 4.59        | % |  |
| Total interest-bearing deposits            | 3,987,009          | 42,129              | 4.25        | % |  | 3,935,519         | 41,078              | 4.14        | % |  |
| Other borrowed funds                       | 716,735            | 5,302               | 2.98        | % |  | 719,733           | 5,387               | 2.97        | % |  |
| Total interest-bearing liabilities         | 4,703,744          | 47,431              | 4.06        | % |  | 4,655,252         | 46,465              | 3.96        | % |  |
| Noninterest-bearing deposits               | 113,341            |                     |             |   |  | 123,351           |                     |             |   |  |
| Other noninterest-bearing liabilities      | 21,480             |                     |             |   |  | 22,645            |                     |             |   |  |
| Total liabilities                          | 4,838,565          |                     |             |   |  | 4,801,248         |                     |             |   |  |
| <b>Shareholders' equity</b>                | 369,371            |                     |             |   |  | 353,037           |                     |             |   |  |
| Total liabilities and shareholders' equity | \$ 5,207,936       |                     |             |   |  | \$ 5,154,285      |                     |             |   |  |
| Net interest income                        |                    | \$ 20,734           |             |   |  |                   | \$ 19,807           |             |   |  |
| Interest rate spread <sup>1</sup>          |                    |                     | 1.39%       |   |  |                   |                     | 1.32%       |   |  |
| Net interest margin <sup>2</sup>           |                    |                     | 1.66%       |   |  |                   |                     | 1.58%       |   |  |
| Net interest margin - FTE <sup>3</sup>     |                    |                     | 1.75%       |   |  |                   |                     | 1.68%       |   |  |

<sup>1</sup> Yield on total interest-earning assets minus cost of total interest-bearing liabilities.

<sup>2</sup> Net interest income divided by total average interest-earning assets (annualized).

<sup>3</sup> On an FTE basis assuming a 21% tax rate. Net interest income is adjusted to reflect income from assets such as municipal loans and securities that are exempt from Federal income taxes. This is to recognize the income tax savings that facilitates a comparison between taxable and tax-exempt assets. The Company 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, as these measures provide useful information to make peer comparisons. Net interest margin - FTE represents a non-GAAP financial measure. See "Reconciliation of Non-GAAP Financial Measures" for a reconciliation of this measure to its most directly comparable GAAP measure.



## Rate/Volume Analysis

The following table illustrates the impact of changes in the volume of interest-earning assets and interest-bearing liabilities and interest rates on net interest income for the periods indicated. The change in interest not due solely to volume or rate has been allocated in proportion to the absolute dollar amounts of the change in each.

| (in thousands)                             | Three Months Ended March 31, 2024 vs. December 31, 2023 |          |          |   |          |      |
|--|---|----------|----------|---|----------|------|
|  | Due to Changes in                                       |          |          | Three Months Ended March 31, 2024 vs. March 31, 2023 Due to Change in |          |      |
|  | Volume  | Rate     | Net      | Volume  | Rate     | Net  |
| Interest income                            |   |          |          |   |          |      |
| Loans, including loans held-for-sale       | \$ 1,011  | \$ 1,734 | \$ 2,745 | \$ 4,143  | \$ 7,449 | \$ 1 |
| Securities – taxable                       | 106   | 141      | 247      | 938   | 1,150    |      |
| Securities – non-taxable                   | 189   | (182)    | 7        | 35  | 136      |      |
| Other earning assets                       | (1,025)   | (81)     | (1,106)  | 1,351   | 930      |      |
| Total                                      | 281   | 1,612    | 1,893    | 6,467   | 9,665    | 1    |
| Interest expense                           |   |          |          |   |          |      |
| Interest-bearing deposits                  | 347   | 704      | 1,051    | 5,214   | 9,645    | 1    |
| Other borrowed funds                       | (127)   | 42       | (85)     | (119)   | 232      |      |
| Total                                      | 220   | 746      | 966      | 5,095   | 9,877    | 1    |
| Increase (decrease) in net interest income | \$ 61   | \$ 866   | \$ 927   | \$ 1,372  | \$ (212) | \$   |

Net interest income for the first quarter 2024 was \$20.7 million, an increase of \$1.2 million, or 5.9%, compared to \$19.6 million for the first quarter 2023. The increase in net interest income was the result of a \$16.1 million, or 31.0%, increase in total interest income to \$68.2 million for the first quarter 2024 from \$52.0 million for the first quarter 2023, partially offset by a \$15.0 million, or 46.1%, increase in total interest expense to \$47.4 million for the first quarter 2024 from \$32.5 million for the first quarter 2023.

The increase in total interest income for the first quarter 2024 compared to first quarter 2023 was due primarily to an increase in interest earned on loans, resulting from an increase of 77 bps in the yield on loans, including loans held-for-sale, as well as an increase of \$309.4 million, or 8.6%, in the average balance of loans, including loans held-for-sale. The yield earned on other earning assets also increased 99 bps and the average balance of other earning assets increased \$102.8 million, or 31.0%. The increase in the average balance of other earning assets was due primarily to carrying higher cash balances. The average balance of securities increased \$118.2 million, or 20.2%, while the yield earned on the securities portfolio increased 76 bps for the first quarter 2024 compared to the first quarter 2023. The increase in the yields earned on loans, other earning assets and securities was due to the impact of the continued elevated interest rate environment on both existing and newly-originated interest-earnings assets. As a result of the higher interest rate environment, the yield on funded portfolio originations was 8.84% in the first quarter 2024, an increase of 108 bps compared to the first quarter 2023.

The increase in total interest expense for the first quarter 2024 compared to the first quarter 2023 was due primarily to increases of \$12.5 million, or 90.5%, in interest expense associated with certificates and brokered deposits. The increase in interest expense related to certificates and brokered deposits was driven by an increase of 132 bps in the cost of these deposits, as well as an increase of \$598.5 million, or 36.3%, in the average balance of these deposits. The increase in the average balance of these deposits was driven by strong consumer and small business demand for certificates of deposits, partially offset by lower brokered deposit balances as the Company used on-balance sheet liquidity to pay down balances throughout 2023 and the first quarter 2024. Overall, the cost of total interest-bearing liabilities for the first quarter 2024 increased 87 bps to 4.06% from 3.19% for the first quarter 2023. The increase in the cost of funds for the three months ended March 31, 2024 reflects the impact of the continued elevated interest rate environment throughout 2023 and into 2024.

Net interest margin ("NIM") was 1.66% for the first quarter 2024 compared to 1.76% for the first quarter 2023, a decrease of 10 bps. On a fully-taxable equivalent ("FTE") basis, NIM was 1.75% for the first quarter 2023 compared to 1.89% for the first quarter 2023, a decrease of 14 bps. The decrease in the first quarter 2024 NIM and FTE NIM compared to the first quarter 2023 reflects the increase in the cost of interest-bearing liabilities of 87 bps, partially offset by the increase in earning asset yields noted above.

## Noninterest Income

The following table presents noninterest income for the last five completed fiscal quarters.

| (in thousands)                   | Three Months Ended |                      |                       |                  |                   |
|----------------------------------|--------------------|----------------------|-----------------------|------------------|-------------------|
|                                  | March 31,<br>2024  | December 31,<br>2023 | September 30,<br>2023 | June 30,<br>2023 | March 31,<br>2023 |
| Service charges and fees         | \$ 220             | \$ 216               | \$ 208                | \$ 218           | \$ 209            |
| Loan servicing revenue           | 1,323              | 1,134                | 1,064                 | 850              | 785               |
| Loan servicing asset revaluation | (434)              | (793)                | (257)                 | (358)            | (55)              |
| Mortgage banking activities      | —                  | —                    | —                     | —                | 76                |
| Gain on sale of loans            | 6,536              | 6,028                | 5,569                 | 4,868            | 4,061             |
| Other                            | 702                | 816                  | 823                   | 293              | 370               |
| Total noninterest income         | <u>\$ 8,347</u>    | <u>\$ 7,401</u>      | <u>\$ 7,407</u>       | <u>\$ 5,871</u>  | <u>\$ 5,446</u>   |

During the first quarter 2024, noninterest income was \$8.3 million, representing an increase of \$2.9 million, or 53.3%, compared to \$5.4 million for the first quarter 2023. The increase in noninterest income was due primarily to increases in gain on sale of loans, other income and net loan servicing revenue, partially offset by a decrease in revenue from mortgage banking activities. The increase of \$2.5 million, or 60.9%, in gain on sale of loans was due to an increase in U.S. Small Business Administration ("SBA") 7(a) guaranteed loan sales, as well as an increase in gain on sale margins. The increase of \$0.3 million, or 89.7%, in other income is due primarily to income from fund investments. The increase in loan servicing revenue was due primarily to growth in the balance of the Company's SBA 7 (a) servicing portfolio. The decrease in mortgage banking revenue was due to the Company's exit from the mortgage business in the first quarter 2023.

## Noninterest Expense

The following table presents noninterest expense for the last five completed fiscal quarters.

| (in thousands)                       | Three Months Ended |                      |                       |                  |                   |
|--------------------------------------|--------------------|----------------------|-----------------------|------------------|-------------------|
|                                      | March 31,<br>2024  | December 31,<br>2023 | September 30,<br>2023 | June 30,<br>2023 | March 31,<br>2023 |
| Salaries and employee benefits       | \$ 11,796          | \$ 11,055            | \$ 11,767             | \$ 10,706        | \$ 11,794         |
| Marketing, advertising and promotion | 736                | 518                  | 500                   | 705              | 844               |
| Consulting and professional services | 853                | 893                  | 552                   | 711              | 926               |
| Data processing                      | 564                | 493                  | 701                   | 520              | 659               |
| Loan expenses                        | 1,445              | 1,371                | 1,336                 | 1,072            | 1,977             |
| Premises and equipment               | 2,826              | 2,846                | 2,315                 | 2,661            | 2,777             |
| Deposit insurance premium            | 1,145              | 1,334                | 1,067                 | 936              | 543               |
| Other                                | 1,658              | 1,546                | 1,518                 | 1,359            | 1,434             |
| Total noninterest expense            | <u>\$ 21,023</u>   | <u>\$ 20,056</u>     | <u>\$ 19,756</u>      | <u>\$ 18,670</u> | <u>\$ 20,954</u>  |

Noninterest expense for the first quarter 2024 and 2023 was \$21.0 million, comparable to the first quarter 2023. The increase of less than \$0.1 million, or 0.3%, was due primarily to a \$0.6 million increase in deposit insurance premium and a \$0.2 million increase in other, partially offset by a \$0.5 million decrease in loan expenses, \$0.1 million decrease in marketing, advertising and promotion expense and a \$0.1 million decrease in data processing. The increase in deposit insurance premium was due primarily to year-over-year asset growth and changes in the composition of the loans and deposit portfolios. The increase in other expense was due to various expenses, none of which were individually significant. The decrease in loan expenses was due primarily to expenses incurred in the first quarter 2023 as a result of the Company's exit from the mortgage business, partially offset by higher third-party loan servicing fees and other miscellaneous lending costs. The decrease in marketing, advertising and promotion expense was due primarily to cost savings from the Company's exit from the mortgage business in the first quarter 2023. The decrease in data processing was due primarily to variable deposit activity-based expenses.

In the first quarter 2023, the Company incurred \$2.2 million in severance costs as a result of its decision to exit the mortgage business. Excluding these costs, salaries and employee benefits increased \$2.2 million, or 22.4%, in the first quarter 2024, compared to the first quarter 2023. The increase was due primarily to continued staffing growth and higher incentive compensation in small business lending, as well as higher incentive compensation accruals based on the increase in net income in the first quarter 2024 compared to first quarter 2023.

The Company recorded an income provision tax provision of \$0.4 million and an effective tax rate of 7.6% for the first quarter 2024, compared to an income tax benefit of \$2.3 million for the first quarter 2023.

Financial Condition

The following table presents summary balance sheet data for the last five completed fiscal quarters.

|                                      | March 31,<br>2024 | December 31,<br>2023 | September 30,<br>2023 | June 30,<br>2023 | March 31,<br>2023 |
|--------------------------------------|-------------------|----------------------|-----------------------|------------------|-------------------|
| Balance Sheet Data:                  |                   |                      |                       |                  |                   |
| Total assets                         | \$ 5,340,667      | \$ 5,167,572         | \$ 5,169,023          | \$ 4,947,049     | \$ 4,721,319      |
| Loans                                | 3,909,804         | 3,840,220            | 3,735,068             | 3,646,832        | 3,607,242         |
| Total securities                     | 718,169           | 702,008              | 682,755               | 609,999          | 606,594           |
| Loans held-for-sale                  | 22,589            | 22,052               | 31,669                | 32,001           | 18,144            |
| Noninterest-bearing deposits         | 130,760           | 123,464              | 125,265               | 119,291          | 140,449           |
| Interest-bearing deposits            | 4,143,008         | 3,943,509            | 3,958,280             | 3,735,017        | 3,481,841         |
| Total deposits                       | 4,273,768         | 4,066,973            | 4,083,545             | 3,854,308        | 3,622,290         |
| Advances from Federal Home Loan Bank | 574,936           | 614,934              | 614,933               | 614,931          | 614,929           |
| Total shareholders' equity           | 366,739           | 362,795              | 347,744               | 354,332          | 355,572           |

Total assets increased \$173.1 million, or 3.3%, to \$5.3 billion at March 31, 2024 compared to \$5.2 billion at December 31, 2023. The increase was due primarily to increases in cash balances and loans, driven by growth in deposit balances of \$206.8 million, or 5.1%.

As of March 31, 2024, total shareholders' equity was \$366.7 million, an increase of \$3.9 million, or 1.1%, compared to December 31, 2023. The increase in shareholders' equity was due primarily to the net income earned during the quarter, partially offset by an increase in accumulated other comprehensive loss. Tangible common equity totaled \$362.1 million as of March 31, 2024, representing an increase of \$3.9 million, or 1.1%, compared to December 31, 2023. The ratio of total shareholders' equity to total assets decreased to 6.87% as of March 31, 2024 from 7.02% as of December 31, 2023, and the ratio of tangible common equity to tangible assets decreased to 6.79% as of March 31, 2024 from 6.94% as of December 31, 2023.

Book value per common share increased 1.0% to \$42.37 as of March 31, 2024 from \$41.97 as of December 31, 2023. Tangible book value per share increased 1.0% to \$41.83 as of March 31, 2024 from \$41.43 as of December 31, 2023. The increase in both book value per common share and tangible book value per share was driven primarily by the increase in total shareholders' equity and tangible common equity. Refer to the "Reconciliation of Non-GAAP Financial Measures" section of Part I, Item 2 of this report, Management's Discussion and Analysis of Financial Condition and Results of Operations for additional information.

## Loan Portfolio Analysis

The following table presents a summary of the Company's loan portfolio for the last five completed fiscal quarters.

| (dollars in thousands)  | March 31,<br>2024 |           | December 31,<br>2023 |    | September 30,<br>2023 |         | June 30,<br>2023 |           | March 31,<br>2023 |    |           |         |
|---|-------------------|-----------|----------------------|----|-----------------------|---------|------------------|-----------|-------------------|----|-----------|---------|
| Commercial loans  |                   |           |                      |    |                       |         |                  |           |                   |    |           |         |
| Commercial and industrial   | \$                | 133,897   | 3.4 %                | \$ | 129,349               | 3.4 %   | \$               | 114,265   | 3.1 %             | \$ | 113,198   | 3.1 %   |
| Owner-occupied commercial real estate   |                   | 57,787    | 1.5 %                |    | 57,286                | 1.5 %   |                  | 58,486    | 1.6 %             |    | 59,643    | 1.7 %   |
| Investor commercial real estate   |                   | 128,276   | 3.3 %                |    | 132,077               | 3.4 %   |                  | 129,831   | 3.5 %             |    | 137,504   | 3.8 %   |
| Construction  |                   | 325,597   | 8.3 %                |    | 261,750               | 6.8 %   |                  | 252,105   | 6.7 %             |    | 192,453   | 5.3 %   |
| Single tenant lease financing   |                   | 941,597   | 24.1 %               |    | 936,616               | 24.4 %  |                  | 933,873   | 25.0 %            |    | 947,466   | 25.9 %  |
| Public finance  |                   | 498,262   | 12.7 %               |    | 521,764               | 13.6 %  |                  | 535,960   | 14.3 %            |    | 575,541   | 15.8 %  |
| Healthcare finance  |                   | 213,332   | 5.5 %                |    | 222,793               | 5.8 %   |                  | 235,622   | 6.3 %             |    | 245,072   | 6.7 %   |
| Small business lending  |                   | 239,263   | 6.1 %                |    | 218,506               | 5.7 %   |                  | 192,996   | 5.2 %             |    | 170,550   | 4.7 %   |
| Franchise finance   |                   | 543,122   | 13.9 %               |    | 525,783               | 13.7 %  |                  | 455,094   | 12.2 %            |    | 390,479   | 10.6 %  |
| Total commercial loans  |                   | 3,081,133 | 78.8 %               |    | 3,005,924             | 78.3 %  |                  | 2,908,232 | 77.9 %            |    | 2,831,052 | 77.5 %  |
| Consumer loans  |                   |           |                      |    |                       |         |                  |           |                   |    |           |         |
| Residential mortgage  |                   | 390,009   | 10.0 %               |    | 395,648               | 10.3 %  |                  | 393,501   | 10.5 %            |    | 396,154   | 10.9 %  |
| Home equity   |                   | 22,753    | 0.6 %                |    | 23,669                | 0.6 %   |                  | 23,544    | 0.6 %             |    | 24,375    | 0.7 %   |
| Other consumer  |                   | 380,675   | 9.7 %                |    | 377,614               | 9.8 %   |                  | 369,451   | 9.9 %             |    | 352,124   | 9.7 %   |
| Total consumer loans  |                   | 793,437   | 20.3 %               |    | 796,931               | 20.7 %  |                  | 786,496   | 21.0 %            |    | 772,653   | 21.3 %  |
| Net deferred loan origination costs, premiums and discounts on purchased loans and other <sup>1</sup> |                   | 35,234    | 0.9 %                |    | 37,365                | 1.0 %   |                  | 40,340    | 1.1 %             |    | 43,127    | 1.2 %   |
| Total loans   |                   | 3,909,804 | 100.0 %              |    | 3,840,220             | 100.0 % |                  | 3,735,068 | 100.0 %           |    | 3,646,832 | 100.0 % |
| Allowance for credit losses - loans   |                   | (40,891)  |                      |    | (38,774)              |         |                  | (36,452)  |                   |    | (36,058)  |         |
| Net loans   | \$                | 3,868,913 |                      | \$ | 3,801,446             |         | \$               | 3,698,616 |                   | \$ | 3,610,774 |         |

<sup>1</sup> Includes carrying value adjustments of \$26.9 million, \$27.8 million, \$29.0 million, \$30.5 million and \$31.5 million related to terminated interest rate swaps associated with public finance loans as of March 31, 2024, December 31, 2023, September 30, 2023, June 30, 2023 and March 31, 2023, respectively.

Total loans were \$3.9 billion as of March 31, 2024, an increase of \$69.6 million, or 1.8%, compared to December 31, 2023. Total commercial loan balances were \$3.1 billion as of March 31, 2024, up \$75.2 million, or 2.5%, from December 31, 2023. Total consumer loan balances were \$793.4 million as of March 31, 2024, a decrease of \$3.5 million, or 0.4%, compared to December 31, 2023. Compared to December 31, 2023, the increase in commercial loan balances was driven by growth in the construction, small business lending and franchise finance portfolios. These increases were partially offset by a decrease in the fixed-rate public finance portfolio, as well as continued runoff in the healthcare finance portfolio. The slight decrease in consumer loan balances was due primarily to a decrease in the residential mortgage portfolio, partially offset by an increase in the trailers portfolio.

## Asset Quality

Nonperforming loans are comprised of nonaccrual loans and loans 90 days past due and accruing. Nonperforming assets include nonperforming loans, other real estate owned and other nonperforming assets, which consist of repossessed assets. The following table provides a summary of the Company's nonperforming assets for the last five completed fiscal quarters.

| (dollars in thousands)  | March 31,<br>2024 | December 31,<br>2023 | September 30,<br>2023 | June 30,<br>2023 | March 31,<br>2023 |
|---|-------------------|----------------------|-----------------------|------------------|-------------------|
| <b>Nonaccrual loans</b>   |                   |                      |                       |                  |                   |
| Commercial loans:   |                   |                      |                       |                  |                   |
| Commercial and industrial                                       | \$ —              | \$ —                 | \$ —                  | \$ —             | \$ 2,836          |
| Owner-occupied commercial real estate                           | —                 | —                    | —                     | 1,405            | 1,441             |
| Small business lending <sup>1</sup>                             | 9,532             | 6,824                | 4,443                 | 3,729            | 3,797             |
| Franchise finance   | 295               | 303                  | —                     | —                | —                 |
| Total commercial loans  | 9,827             | 7,127                | 4,443                 | 5,134            | 8,074             |
| Consumer loans:   |                   |                      |                       |                  |                   |
| Residential mortgage  | 2,309             | 1,911                | 1,354                 | 992              | 1,006             |
| Other consumer  | 129               | 86                   | 88                    | 101              | 141               |
| Total consumer loans  | 2,438             | 1,997                | 1,442                 | 1,093            | 1,147             |
| Total nonaccrual loans  | 12,265            | 9,124                | 5,885                 | 6,227            | 9,221             |
| <b>Past Due 90 days and accruing loans</b>                      |                   |                      |                       |                  |                   |
| Commercial loans:   |                   |                      |                       |                  |                   |
| Franchise finance   | 230               | —                    | —                     | —                | —                 |
| Total commercial loans  | 230               | —                    | —                     | —                | —                 |
| Consumer loans:   |                   |                      |                       |                  |                   |
| Residential mortgage  | 555               | 838                  | —                     | —                | —                 |
| Total consumer loans  | 555               | 838                  | —                     | —                | —                 |
| Total past due 90 days and accruing loans                       | 785               | 838                  | —                     | —                | —                 |
| Total nonperforming loans                                       | 13,050            | 9,962                | 5,885                 | 6,227            | 9,221             |
| <b>Other real estate owned</b>                                  |                   |                      |                       |                  |                   |
| Residential mortgage  | 375               | 375                  | 106                   | 106              | 106               |
| Total other real estate owned                                   | 375               | 375                  | 106                   | 106              | 106               |
| <b>Other nonperforming assets</b>                               | —                 | 17                   | 78                    | 64               | 19                |
| <b>Total nonperforming assets</b>                               | <b>\$ 13,425</b>  | <b>\$ 10,354</b>     | <b>\$ 6,069</b>       | <b>\$ 6,397</b>  | <b>\$ 9,346</b>   |
| Total nonperforming loans to total loans <sup>2</sup>           | 0.33 %            | 0.26 %               | 0.16 %                | 0.17 %           | 0.26 %            |
| Total nonperforming assets to total assets <sup>2</sup>         | 0.25 %            | 0.20 %               | 0.12 %                | 0.13 %           | 0.20 %            |
| Allowance for credit losses to total loans                      | 1.05 %            | 1.01 %               | 0.98 %                | 0.99 %           | 1.02 %            |
| Nonaccrual loans to total loans                                 | 0.31 %            | 0.24 %               | 0.16 %                | 0.17 %           | 0.26 %            |
| Allowance for credit losses to nonperforming loans <sup>2</sup> | 333.4 %           | 425.0 %              | 619.4 %               | 579.1 %          | 400.0 %           |

<sup>1</sup> Balance of loans are partially guaranteed by the U.S. government.

<sup>2</sup> Includes the impact of nonperforming small business lending loans, which are guaranteed by the U.S. government.

Total nonperforming loans increased \$3.1 million, or 31.0%, to \$13.1 million as of March 31, 2024 compared to \$10.0 million as of December 31, 2023 due primarily to an increase in nonperforming loans in small business lending and residential mortgage loans during the quarter. Total nonperforming assets increased \$3.1 million, or 30.0%, to \$13.4 million as of March 31, 2024, compared to \$10.4 million as of December 31, 2023, due primarily to the increases in nonperforming small business lending and residential mortgage loans mentioned above. The Company had two residential mortgage properties in OREO with a carrying value of \$0.4 million at both March 31, 2024 and December 31, 2023.

# **Allowance for Credit Losses - Loans**

The following table provides a rollforward of the allowance for credit losses for the last five completed fiscal quarters.

|  | Three Months Ended |                      |                       |                  |                   |
|--|--------------------|----------------------|-----------------------|------------------|-------------------|
|  | March 31,<br>2024  | December 31,<br>2023 | September 30,<br>2023 | June 30,<br>2023 | March 31,<br>2023 |
| <i>(dollars in thousands)</i>                              |                    |                      |                       |                  |                   |
| Balance, beginning of period                               | \$ 38,774          | \$ 36,452            | \$ 36,058             | \$ 36,879        | \$ 31,737         |
| Adoption of ASU 2016-13 (CECL)                             | —                  | —                    | —                     | —                | 2,962             |
| Balance, beginning of period                               | 38,774             | 36,452               | 36,058                | 36,879           | 34,699            |
| Provision charged to expense                               | 2,582              | 3,478                | 1,850                 | 753              | 9,373             |
| Losses charged off   |                    |                      |                       |                  |                   |
| Commercial and industrial                                  | —                  | —                    | —                     | —                | 6,965             |
| Investor commercial real estate                            | —                  | —                    | 591                   | —                | —                 |
| Healthcare finance   | —                  | 580                  | —                     | 25               | —                 |
| Small business lending                                     | 289                | 417                  | 751                   | 1,358            | 60                |
| Franchise finance  | —                  | —                    | —                     | 331              | —                 |
| Residential mortgage                                       | 69                 | 84                   | 56                    | —                | —                 |
| Other consumer   | 175                | 164                  | 120                   | 150              | 232               |
| Total losses charged off                                   | 533                | 1,245                | 1,518                 | 1,864            | 7,257             |
| Recoveries   |                    |                      |                       |                  |                   |
| Commercial and industrial                                  | 2                  | 23                   | 2                     | 217              | 1                 |
| Small business lending                                     | 40                 | 23                   | 14                    | 37               | 3                 |
| Residential mortgage                                       | 1                  | 1                    | 1                     | 1                | 2                 |
| Home equity  | 2                  | 1                    | 2                     | 2                | 1                 |
| Other consumer   | 23                 | 41                   | 43                    | 33               | 57                |
| Total recoveries   | 68                 | 89                   | 62                    | 290              | 64                |
| Balance, end of period                                     | \$ 40,891          | \$ 38,774            | \$ 36,452             | \$ 36,058        | \$ 36,879         |
| Net charge-offs  | \$ 465             | \$ 1,156             | \$ 1,456              | \$ 1,574         | \$ 7,193          |
| Net charge-offs (recoveries) to average loans (annualized) |                    |                      |                       |                  |                   |
| Commercial and industrial                                  | (0.01 %)           | (0.02 %)             | 0.00 %                | (0.46 %)         | 27.16 %           |
| Investor commercial real estate                            | 0.00 %             | 0.00 %               | 0.59 %                | 0.00 %           | 0.00 %            |
| Healthcare finance   | 0.00 %             | 0.25 %               | 0.00 %                | 0.02 %           | 0.00 %            |
| Small business lending                                     | 0.40 %             | 0.17 %               | 0.50 %                | 1.50 %           | 0.15 %            |
| Franchise finance  | 0.00 %             | 0.00 %               | 0.00 %                | 0.17 %           | 0.00 %            |
| Total commercial net charge-offs                           | 0.03 %             | 0.03 %               | 0.06 %                | 0.10 %           | 1.02 %            |
| Residential mortgage                                       | 0.07 %             | 0.08 %               | 0.06 %                | 0.00 %           | 0.00 %            |
| Home equity  | (0.03 %)           | 0.00 %               | (0.01 %)              | (0.02 %)         | (0.02 %)          |
| Other consumer   | 0.21 %             | 0.22 %               | 0.18 %                | 0.21 %           | 0.25 %            |
| Total consumer net charge-offs                             | 0.11 %             | 0.03 %               | 0.02 %                | 0.03 %           | 0.09 %            |
| Total net charge-offs to average loans                     | 0.05 %             | 0.12 %               | 0.16 %                | 0.17 %           | 0.82 %            |

The allowance for credit losses - loans ("ACL") was \$40.9 million as of March 31, 2024, compared to \$38.8 million as of December 31, 2023. The increase in the ACL reflects the addition of specific reserves on nonperforming small business lending loans, as well as loan growth, partially offset by the positive impact of economic data on forecasted loss rates and qualitative factors on other portfolios. The ACL as a percentage of total loans was 1.05% at March 31, 2024, compared to 1.01% at December 31, 2023. The ACL as a percentage of nonperforming loans decreased to 333.4% as of March 31, 2024, compared to 425.0% as of December 31, 2023, due primarily to the increase in the nonperforming loans.

Net charge-offs of \$0.5 million were recognized during the first quarter 2024, resulting in net charge-offs to average loans of 0.05%, compared to net charge-offs of \$7.2 million, or 0.82% of average loans, for the first quarter 2023. The decrease

in net charge-offs was due primarily to a \$6.9 million partial charge-off of a C&I participation loan that was placed on nonaccrual status during the first quarter 2023, partially offset by an increase in charge-offs in small business lending.

The provision for credit losses - loans in the first quarter 2024 was \$2.6 million, compared to \$9.4 million for the first quarter 2023. The decrease in the provision for credit losses - loans for the first quarter 2024 was driven primarily by the partial charge-off of the C&I participation loan mentioned above that occurred in the first quarter 2023, partially offset by the specific reserves related to small business lending and growth in certain loan portfolios.

Investment Securities Portfolio

The following tables present the amortized cost and approximate fair value of our investment securities portfolio by security type for the last five completed fiscal quarters.

(in thousands)

| Amortized Cost   | March 31,<br>2024 | December 31,<br>2023 | September 30,<br>2023 | June 30,<br>2023 | March 31,<br>2023 |
|--|-------------------|----------------------|-----------------------|------------------|-------------------|
| Securities available-for-sale                          |                   |                      |                       |                  |                   |
| U.S. Government-sponsored agencies                     | \$ 93,323         | \$ 96,404            | \$ 98,594             | \$ 41,024        | \$ 38,675         |
| Municipal securities                                   | 69,289            | 69,494               | 69,031                | 68,931           | 69,243            |
| Agency mortgage-backed securities - residential        | 253,181           | 237,798              | 235,468               | 239,263          | 249,795           |
| Agency mortgage-backed securities - commercial         | 39,367            | 40,215               | 37,931                | 16,311           | 16,739            |
| Private label mortgage-backed securities - residential | 23,307            | 21,742               | 20,292                | 14,749           | 11,445            |
| Asset-backed securities                                | 7,417             | 8,071                | 6,713                 | 1,000            | 5,000             |
| Corporate securities                                   | 37,081            | 39,591               | 39,603                | 43,613           | 45,623            |
| Total available-for-sale                               | 522,965           | 513,315              | 507,632               | 424,891          | 436,520           |
| Securities held-to-maturity, net carrying value        |                   |                      |                       |                  |                   |
| Municipal securities                                   | 13,381            | 13,889               | 13,900                | 13,913           | 13,932            |
| Agency mortgage-backed securities - residential        | 178,800           | 166,750              | 170,524               | 169,186          | 146,809           |
| Agency mortgage-backed securities - commercial         | 5,752             | 5,767                | 5,782                 | 5,795            | 5,806             |
| Corporate securities                                   | 37,805            | 40,747               | 41,722                | 41,711           | 44,214            |
| Total held-to-maturity, net carrying value             | 235,738           | 227,153              | 231,928               | 230,605          | 210,761           |
| Total securities                                       | \$ 758,703        | \$ 740,468           | \$ 739,560            | \$ 655,496       | \$ 647,281        |

(in thousands)

| Approximate Fair Value                                 | March 31,<br>2024 | December 31,<br>2023 | September 30,<br>2023 | June 30,<br>2023 | March 31,<br>2023 |
|--|-------------------|----------------------|-----------------------|------------------|-------------------|
| Securities available-for-sale                          |                   |                      |                       |                  |                   |
| U.S. Government-sponsored agencies                     | \$ 92,101         | \$ 95,177            | \$ 97,178             | \$ 39,474        | \$ 37,047         |
| Municipal securities                                   | 67,415            | 68,446               | 62,772                | 67,209           | 68,636            |
| Agency mortgage-backed securities - residential        | 220,484           | 206,649              | 193,096               | 204,141          | 216,752           |
| Agency mortgage-backed securities - commercial         | 38,081            | 38,885               | 36,163                | 14,891           | 15,530            |
| Private label mortgage-backed securities - residential | 22,266            | 20,779               | 18,576                | 13,415           | 10,275            |
| Asset-backed securities                                | 7,459             | 8,081                | 6,703                 | 1,000            | 4,998             |
| Corporate securities                                   | 34,625            | 36,838               | 36,339                | 39,264           | 42,595            |
| Total available-for-sale                               | 482,431           | 474,855              | 450,827               | 379,394          | 395,833           |
| Securities held-to-maturity                            |                   |                      |                       |                  |                   |
| Municipal securities                                   | 12,450            | 13,040               | 12,449                | 12,950           | 13,144            |
| Agency mortgage-backed securities - residential        | 161,915           | 152,642              | 147,412               | 153,593          | 133,267           |
| Agency mortgage-backed securities - commercial         | 4,560             | 4,521                | 4,190                 | 4,551            | 4,703             |
| Corporate securities                                   | 35,295            | 37,369               | 37,599                | 37,549           | 41,349            |
| Total held-to-maturity                                 | 214,220           | 207,572              | 201,650               | 208,643          | 192,463           |
| Total securities                                       | \$ 696,651        | \$ 682,427           | \$ 652,477            | \$ 588,037       | \$ 588,296        |

The approximate fair value of available-for-sale investment securities increased \$7.6 million, or 1.6%, to \$482.4 million as of March 31, 2024, compared to \$474.9 million as of December 31, 2023. The increase was due primarily to increases of \$13.8 million in agency mortgage-backed securities - residential, \$1.5 million in private label mortgage-backed securities - residential, partially offset by decreases of \$3.1 million in U.S. Government-sponsored agencies, \$2.2 million in corporate securities, and \$1.0 million in municipal securities. This increase was caused primarily by new purchase activity within certain available-for-sale portfolios, partially offset by a decline in fair value resulting from an increase in market interest rates, as well as net paydown activity. As of March 31, 2024, the Company had securities with a net carrying value of \$235.7 million designated as held-to-maturity compared to \$227.2 million as of December 31, 2023. The increase was due primarily to purchases of CRA-eligible agency mortgage-backed securities - residential.

#### Accrued Income and Other Assets

Accrued income and other assets increased \$12.3 million, or 24.0%, to \$63.4 million at March 31, 2024 compared to \$51.1 million at December 31, 2023. The increase was due primarily to a \$6.6 million increase in equity investments and a \$1.2 million increase in prepaid assets.

#### Accrued Expenses and Other Liabilities

Accrued expenses and other liabilities increased \$2.7 million, or 19.3%, to \$16.9 million at March 31, 2024, compared to \$14.2 million at December 31, 2023. The increase was due primarily to an increase of \$4.4 million in accrued expenses related to a security that was purchased in the first quarter 2024, but settled in the subsequent quarter, partially offset by decreases of \$1.2 million in accrued salary and benefits and \$0.5 million in derivative liability due to changes in fair value.

#### Deposits

The following table presents the composition of the Company's deposit base for the last five completed fiscal quarters.

| (dollars in thousands)           | March 31, 2024 |           |       |   | December 31, 2023 |           |       |   | September 30, 2023 |           |       |   | June 30, 2023 |           |       |   |
|----------------------------------|----------------|-----------|-------|---|-------------------|-----------|-------|---|--------------------|-----------|-------|---|---------------|-----------|-------|---|
| Noninterest-bearing deposits     | \$             | 130,760   | 3.1   | % | \$                | 123,464   | 3.0   | % | \$                 | 125,265   | 3.1   | % | \$            | 119,291   | 3.1   | % |
| Interest-bearing demand deposits |                | 423,529   | 9.9   | % |                   | 402,976   | 9.9   | % |                    | 374,915   | 9.2   | % |               | 398,899   | 10.3  | % |
| Savings accounts                 |                | 23,554    | 0.6   | % |                   | 21,364    | 0.5   | % |                    | 23,811    | 0.6   | % |               | 28,239    | 0.7   | % |
| Money market accounts            |                | 1,251,230 | 29.2  | % |                   | 1,248,319 | 30.8  | % |                    | 1,222,511 | 29.9  | % |               | 1,232,719 | 32.0  | % |
| BaaS - brokered deposits         |                | 107,911   | 2.5   | % |                   | 74,401    | 1.8   | % |                    | 41,884    | 1.0   | % |               | 25,549    | 0.7   | % |
| Certificates of deposits         |                | 1,738,996 | 40.7  | % |                   | 1,605,156 | 39.5  | % |                    | 1,624,447 | 39.8  | % |               | 1,366,409 | 35.5  | % |
| Brokered deposits                |                | 597,788   | 14.0  | % |                   | 591,293   | 14.5  | % |                    | 670,712   | 16.4  | % |               | 683,202   | 17.7  | % |
| Total deposits                   | \$             | 4,273,768 | 100.0 | % | \$                | 4,066,973 | 100.0 | % | \$                 | 4,083,545 | 100.0 | % | \$            | 3,854,308 | 100.0 | % |

Total deposits increased \$206.8 million, or 5.1%, to \$4.3 billion as of March 31, 2024, compared to \$4.1 billion as of December 31, 2023. This increase was due primarily to increases of \$133.8 million, or 8.3%, in certificates of deposits, \$33.5 million, or 45.0%, in BaaS - brokered deposits and \$20.6 million, or 5.1%, in interest-bearing demand deposits. The increase in certificates of deposits and brokered deposits was due primarily to strong consumer and small business demand for certificates of deposits in 2024. The increase in interest-bearing demand deposits was due primarily to growth in fintech partnership deposits. The increase in BaaS - brokered deposits was driven by higher payments volumes.

Uninsured deposit balances represented 26% of total deposits at March 31, 2024, up from 25% at December 31, 2023. These balances include Indiana-based municipal deposits, which are insured by the Indiana Board for Depositories, as well as larger balance accounts under contractual agreements that only allow withdrawal under certain conditions. After subtracting these types of deposits, the adjusted uninsured deposit balance drops to 20%, compared to 19% as of December 31, 2023.



Regulatory Capital Requirements

The Company and the Bank are subject to various regulatory capital requirements administered by state and federal banking agencies. Capital adequacy guidelines and, additionally for banks, prompt corrective action regulations, involve quantitative measures of assets, liabilities, and certain off-balance-sheet items calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgments by regulators about components, risk weighting and other factors.

The Basel III Capital Rules became effective for the Company and the Bank on January 1, 2015, subject to a phase-in period for certain provisions. Quantitative measures established by the Basel III Capital Rules to ensure capital adequacy require the maintenance of minimum amounts and ratios of Common Equity Tier 1 capital, Tier 1 capital and Total capital, as defined in the regulations, to risk-weighted assets, and of Tier 1 capital to adjusted quarterly average assets ("Leverage Ratio").

The Basel III Capital Rules were fully phased in on January 1, 2019 and require the Company and the Bank to maintain: 1) a minimum ratio of Common Equity Tier 1 capital to risk-weighted assets of 4.5%, plus a 2.5% "capital conservation buffer" (resulting in a minimum ratio of Common Equity Tier 1 capital to risk-weighted assets of 7.0%); 2) a minimum ratio of Tier 1 capital to risk-weighted assets of 6.0%, plus the capital conservation buffer (resulting in a minimum Tier 1 capital ratio of 8.5%); 3) a minimum ratio of Total capital to risk-weighted assets of 8.0%, plus the capital conservation buffer (resulting in a minimum Total capital ratio of 10.5%); and 4) a minimum Leverage Ratio of 4.0%.

The capital conservation buffer is designed to absorb losses during periods of economic stress. Failure to maintain the minimum Common Equity Tier 1 capital ratio plus the capital conservation buffer will result in potential restrictions on a banking institution's ability to pay dividends, repurchase stock and/or pay discretionary compensation to its employees.

The following tables present actual and required capital ratios as of March 31, 2024 and December 31, 2023 for the Company and the Bank under the Basel III Capital Rules. The minimum required capital amounts presented include the minimum required capital levels as of March 31, 2024 and December 31, 2023, which are based on the Basel III Capital Rules. Capital levels required to be considered well capitalized are based upon prompt corrective action regulations, as amended to reflect the changes under the Basel III Capital Rules.

As permitted by the federal banking regulatory agencies, the Company elected the option to delay the impact of the day one adoption of ASC 326. The transition adjustments of \$4.5 million will be phased into the regulatory capital calculations over a three-year period, with 25% of the adjustment recognized in 2023, 50% of the adjustment recognized in 2024, 75% of the adjustment recognized in 2025 and 100% of the adjustment recognized in 2026.

|  | Actual         |         | Minimum Capital Required - Basel III |         | Minimum Required to be Considered Well Capitalized |         |
|--|----------------|---------|--------------------------------------|---------|--|---------|
|  | Capital Amount | Ratio   | Capital Amount                       | Ratio   | Capital Amount                                     | Ratio   |
| (dollars in thousands)                               |                |         |                                      |         |  |         |
| As of March 31, 2024:                                |                |         |                                      |         |  |         |
| Common equity tier 1 capital to risk-weighted assets |                |         |                                      |         |  |         |
| Consolidated   | \$ 383,580     | 9.52 %  | \$ 282,102                           | 7.00 %  | N/A  | N/A     |
| Bank   | 465,510        | 11.60 % | 280,854                              | 7.00 %  | \$ 260,793   | 6.50 %  |
| Tier 1 capital to risk-weighted assets               |                |         |                                      |         |  |         |
| Consolidated   | 383,580        | 9.52 %  | 342,553                              | 8.50 %  | N/A  | N/A     |
| Bank   | 465,510        | 11.60 % | 341,038                              | 8.50 %  | 320,976  | 8.00 %  |
| Total capital to risk-weighted assets                |                |         |                                      |         |  |         |
| Consolidated   | 531,045        | 13.18 % | 423,153                              | 10.50 % | N/A  | N/A     |
| Bank   | 508,060        | 12.66 % | 421,282                              | 10.50 % | 401,221  | 10.00 % |
| Leverage ratio                                       |                |         |                                      |         |  |         |
| Consolidated   | 383,580        | 7.33 %  | 209,373                              | 4.00 %  | N/A  | N/A     |
| Bank   | 465,510        | 8.92 %  | 208,711                              | 4.00 %  | 260,889  | 5.00 %  |

| (dollars in thousands)                               | Actual         |         | Minimum Capital Required - Basel III |         | Minimum Required to be Considered Well Capitalized |         |
|--|----------------|---------|--------------------------------------|---------|--|---------|
|  | Capital Amount | Ratio   | Capital Amount                       | Ratio   | Capital Amount                                     | Ratio   |
| As of December 31, 2023:                             |                |         |                                      |         |  |         |
| Common equity tier 1 capital to risk-weighted assets |                |         |                                      |         |  |         |
| Consolidated   | \$ 381,001     | 9.60 %  | \$ 277,914                           | 7.00 %  | N/A  | N/A     |
| Bank   | 464,390        | 11.73 % | 277,063                              | 7.00 %  | \$ 257,273   | 6.50 %  |
| Tier 1 capital to risk-weighted assets               |                |         |                                      |         |  |         |
| Consolidated   | 381,001        | 9.60 %  | 337,467                              | 8.50 %  | N/A  | N/A     |
| Bank   | 464,390        | 11.73 % | 336,434                              | 8.50 %  | 316,644  | 8.00 %  |
| Total capital to risk-weighted assets                |                |         |                                      |         |  |         |
| Consolidated   | 525,283        | 13.23 % | 416,870                              | 10.50 % | N/A  | N/A     |
| Bank   | 503,834        | 12.73 % | 415,595                              | 10.50 % | 395,804  | 10.00 % |
| Leverage ratio                                       |                |         |                                      |         |  |         |
| Consolidated   | 381,001        | 7.33 %  | 207,929                              | 4.00 %  | N/A  | N/A     |
| Bank   | 464,390        | 8.95 %  | 207,479                              | 4.00 %  | 259,349  | 5.00 %  |

#### Shareholders' Dividends

The Company's Board of Directors declared a cash dividend of \$0.06 per share of common stock payable April 15, 2024 to shareholders of record as of March 28, 2024. The Company expects to continue to pay cash dividends on a quarterly basis; however, the declaration and amount of any future cash dividends will be subject to the sole discretion of the Board of Directors and will depend upon many factors, including the Company's results of operations, financial condition, capital requirements, regulatory and contractual restrictions (including with respect to the Company's outstanding subordinated debt), business strategy and other factors deemed relevant by the Board of Directors.

As of March 31, 2024, the Company had \$107.0 million principal amount of subordinated debt outstanding evidenced by the 2029 Notes, 2030 Note and 2031 Notes. The agreements that govern our outstanding subordinated debt prohibit the Company from paying any dividends on its common stock or making any other distributions to shareholders at any time when there shall have occurred, and be continuing to occur, an event of default under the applicable agreement. If an event of default were to occur and the Company did not cure it, the Company would be prohibited from paying any dividends or making any other distributions to shareholders or from redeeming or repurchasing any common stock.

#### Capital Resources

The Company believes it has sufficient liquidity and capital resources to meet its cash and capital expenditure requirements for the next twelve months and longer. The Company may explore strategic alternatives, including additional asset, deposit or revenue generation channels that complement our small business, commercial and consumer banking platforms, which may require additional capital. If the Company is unable to secure such capital at favorable terms, its ability to take advantage of such opportunities could be adversely affected.

On December 19, 2022, the Company's Board of Directors approved a new stock repurchase program to replace the prior program. The new program authorized the repurchase of up to \$25.0 million of our outstanding common stock from time to time on the open market or in privately negotiated transactions. The stock repurchase authorization is scheduled to expire on December 31, 2024. Under this program, the Company repurchased 559,522 shares of common stock through March 31, 2024, at an average price of \$19.06, for a total investment of \$10.7 million.

Various factors determine the amount and timing of our share repurchases, including our capital requirements, organic growth and other strategic opportunities, economic and market conditions (including the trading price of our stock), and regulatory and legal considerations. See Part II, Item 2, of this report for information regarding recent repurchase activity and our remaining authority under the program.

**Liquidity**

Liquidity management is the process used by the Company to manage the continuing flow of funds necessary to meet its financial commitments on a timely basis and at a reasonable cost while also maintaining safe and sound operations. Liquidity, represented by cash and investment securities, is a product of the Company's operating, investing and financing activities. The primary sources of funds are deposits, principal and interest payments on loans and investment securities, maturing loans and investment securities, access to wholesale funding sources and collateralized borrowings. While scheduled payments and maturities of loans and investment securities are relatively predictable sources of funds, deposit flows are greatly influenced by interest rates, general economic conditions and competition. Therefore, the Company supplements deposit growth and enhances interest rate risk management through borrowings and wholesale funding, which are generally advances from the Federal Home Loan Bank and brokered deposits.

The Company holds cash and investment securities that qualify as liquid assets to maintain adequate liquidity to ensure safe and sound operations and meet its financial commitments. At March 31, 2024, on a consolidated basis, the Company had \$963.7 million in cash and cash equivalents and investment securities available-for-sale and \$22.6 million in loans held-for-sale that were generally available for its cash needs. The Company can also generate funds from wholesale funding sources and collateralized borrowings. At March 31, 2024, the Bank had the ability to borrow an additional \$1.3 billion from the FHLB, the Federal Reserve and correspondent bank Fed Funds lines of credit, which when combined with cash balances, totaled \$1.7 billion and represented 203% of adjusted uninsured deposit balances.

The Company is a separate legal entity from the Bank and must provide for its own liquidity. In addition to its operating expenses, the Company is responsible for paying any dividends declared to its common shareholders and interest and principal on outstanding debt. The Company's primary sources of funds are cash maintained at the holding company level and dividends from the Bank, the payment of which is subject to regulatory limits. At March 31, 2024, the Company, on an unconsolidated basis, had \$7.0 million in cash for debt servicing and operating expenses.

The Company uses its sources of funds primarily to meet ongoing financial commitments, including withdrawals by depositors, credit commitments to borrowers, operating expenses and capital expenditures. At March 31, 2024, approved outstanding loan commitments, including unused lines of credit and standby letters of credit, amounted to \$726.5 million. Certificates of deposits and brokered deposits scheduled to mature in one year or less at March 31, 2024 totaled \$1.3 billion.

Management is not aware of any other events or regulatory requirements that, if implemented, are likely to have a material effect on either the Company's or the Bank's liquidity.

# Reconciliation of Non-GAAP Financial Measures

This Management's Discussion and Analysis contains financial information determined by methods other than in accordance with GAAP. Non-GAAP financial measures, specifically tangible common equity, tangible assets, tangible book value per common share, tangible common equity to tangible assets, average tangible common equity, return on average tangible common equity, total interest income - FTE, net interest income - FTE, net interest margin - FTE, adjusted total revenue, adjusted noninterest income, adjusted noninterest expense, adjusted income before income taxes, adjusted income tax provision (benefit), adjusted net income, adjusted diluted earnings per share, adjusted return on average assets, adjusted return on average shareholders' equity and adjusted return on average tangible common equity are used by the Company's management to measure the strength of its capital and analyze profitability, including its ability to generate earnings on tangible capital invested by its shareholders. The Company also believes that it is a standard practice in the banking industry to present total interest income, net interest income and net interest margin on a fully-taxable equivalent basis, as those measures provide useful information for peer comparisons. Although the Company believes these non-GAAP financial measures provide a greater understanding of its business, they should not be considered a substitute for financial measures determined in accordance with GAAP, nor are they necessarily comparable to non-GAAP financial measures that may be presented by other companies. Reconciliations of these non-GAAP financial measures to the most directly comparable GAAP financial measures are included in the following table for the last five completed fiscal quarters.

| (dollars in thousands, except share and per share data) | Three Months Ended |                      |                       |                  |                   |
|---|--------------------|----------------------|-----------------------|------------------|-------------------|
|   | March 31,<br>2024  | December 31,<br>2023 | September 30,<br>2023 | June 30,<br>2023 | March 31,<br>2023 |
| Total equity - GAAP                                     | \$ 366,739         | \$ 362,795           | \$ 347,744            | \$ 354,332       | \$ 355,572        |
| Adjustments:  |                    |                      |                       |                  |                   |
| Goodwill  | (4,687)            | (4,687)              | (4,687)               | (4,687)          | (4,687)           |
| Tangible common equity                                  | \$ 362,052         | \$ 358,108           | \$ 343,057            | \$ 349,645       | \$ 350,885        |
| Total assets - GAAP                                     | \$ 5,340,667       | \$ 5,167,572         | \$ 5,169,023          | \$ 4,947,049     | \$ 4,721,319      |
| Adjustments:  |                    |                      |                       |                  |                   |
| Goodwill  | (4,687)            | (4,687)              | (4,687)               | (4,687)          | (4,687)           |
| Tangible assets   | \$ 5,335,980       | \$ 5,162,885         | \$ 5,164,336          | \$ 4,942,362     | \$ 4,716,632      |
| Common shares outstanding                               | 8,655,854          | 8,644,451            | 8,669,673             | 8,774,507        | 8,943,477         |
| Book value per common share                             | \$ 42.37           | \$ 41.97             | \$ 40.11              | \$ 40.38         | \$ 39.76          |
| Effect of goodwill                                      | (0.54)             | (0.54)               | (0.54)                | (0.53)           | (0.53)            |
| Tangible book value per common share                    | \$ 41.83           | \$ 41.43             | \$ 39.57              | \$ 39.85         | \$ 39.23          |
| Total shareholders' equity to assets                    | 6.87 %             | 7.02 %               | 6.73 %                | 7.16 %           | 7.53              |
| Effect of goodwill                                      | (0.08 %)           | (0.08 %)             | (0.09 %)              | (0.09 %)         | (0.09)            |
| Tangible common equity to tangible assets               | 6.79 %             | 6.94 %               | 6.64 %                | 7.07 %           | 7.44              |
| Total average equity - GAAP                             | \$ 369,371         | \$ 353,037           | \$ 356,701            | \$ 358,312       | \$ 363,273        |
| Adjustments:  |                    |                      |                       |                  |                   |
| Average goodwill  | (4,687)            | (4,687)              | (4,687)               | (4,687)          | (4,687)           |
| Average tangible common equity                          | \$ 364,684         | \$ 348,350           | \$ 352,014            | \$ 353,625       | \$ 358,586        |
| Return on average shareholders' equity                  | 5.64 %             | 4.66 %               | 3.79 %                | 4.35 %           | (3.37)            |
| Effect of goodwill                                      | 0.07 %             | 0.06 %               | 0.05 %                | 0.05 %           | (0.04)            |
| Return on average tangible common equity                | 5.71 %             | 4.72 %               | 3.84 %                | 4.40 %           | (3.41)            |

| (dollars in thousands, except share and per share data)     | Three Months Ended |                      |                       |                  |                   |
|---|--------------------|----------------------|-----------------------|------------------|-------------------|
|   | March 31,<br>2024  | December 31,<br>2023 | September 30,<br>2023 | June 30,<br>2023 | March 31,<br>2023 |
| Total interest income                                       | \$ 68,165          | \$ 66,272            | \$ 63,015             | \$ 58,122        | \$ 52,033         |
| Adjustments:  |                    |                      |                       |                  |                   |
| Fully-taxable equivalent adjustments <sup>1</sup>           | 1,190              | 1,238                | 1,265                 | 1,347            | 1,383             |
| Total interest income - FTE                                 | \$ 69,355          | \$ 67,510            | \$ 64,280             | \$ 59,469        | \$ 53,416         |
| Net interest income   | \$ 20,734          | \$ 19,807            | \$ 17,378             | \$ 18,145        | \$ 19,574         |
| Adjustments:  |                    |                      |                       |                  |                   |
| Fully-taxable equivalent adjustments <sup>1</sup>           | 1,190              | 1,238                | 1,265                 | 1,347            | 1,383             |
| Net interest income - FTE                                   | \$ 21,924          | \$ 21,045            | \$ 18,643             | \$ 19,492        | \$ 20,957         |
| Net interest margin   | 1.66 %             | 1.58 %               | 1.39 %                | 1.53 %           | 1.76              |
| Effect of fully-taxable equivalent adjustments <sup>1</sup> | 0.09 %             | 0.10 %               | 0.10 %                | 0.11 %           | 0.13              |
| Net interest margin - FTE                                   | 1.75 %             | 1.68 %               | 1.49 %                | 1.64 %           | 1.89              |

<sup>1</sup> Assuming a 21% tax rate

|   | Three Months Ended |                      |                       |                  |                   |
|---|--------------------|----------------------|-----------------------|------------------|-------------------|
|   | March 31,<br>2024  | December 31,<br>2023 | September 30,<br>2023 | June 30,<br>2023 | March 31,<br>2023 |
| (dollars in thousands, except share and per share data) |                    |                      |                       |                  |                   |
| Total Revenue- GAAP                                     | \$ 29,081          | \$ 27,208            | \$ 24,785             | \$ 24,016        | \$ 25,020         |
| Adjustments:  |                    |                      |                       |                  |                   |
| Mortgage-related revenue                                | —                  | —                    | —                     | —                | (65)              |
| Adjusted total revenue                                  | \$ 29,081          | \$ 27,208            | \$ 24,785             | \$ 24,016        | \$ 24,955         |
| Noninterest income - GAAP                               | \$ 8,347           | \$ 7,401             | \$ 7,407              | \$ 5,871         | \$ 5,446          |
| Adjustments:  |                    |                      |                       |                  |                   |
| Mortgage-related revenue                                | —                  | —                    | —                     | —                | (65)              |
| Adjusted noninterest income                             | \$ 8,347           | \$ 7,401             | \$ 7,407              | \$ 5,871         | \$ 5,381          |
| Noninterest expense - GAAP                              | \$ 21,023          | \$ 20,056            | \$ 19,756             | \$ 18,670        | \$ 20,954         |
| Adjustments:  |                    |                      |                       |                  |                   |
| Mortgage-related costs                                  | —                  | —                    | —                     | —                | (3,052)           |
| Adjusted noninterest expense                            | \$ 21,023          | \$ 20,056            | \$ 19,756             | \$ 18,670        | \$ 17,902         |
| Income (loss) before income taxes - GAAP                | \$ 5,610           | \$ 3,558             | \$ 3,083              | \$ 3,648         | \$ (5,349)        |
| Adjustments: <sup>1</sup>                               |                    |                      |                       |                  |                   |
| Mortgage-related revenue                                | —                  | —                    | —                     | —                | (65)              |
| Mortgage-related costs                                  | —                  | —                    | —                     | —                | 3,052             |
| Partial charge-off of C&I participation loan            | —                  | —                    | —                     | —                | 6,914             |
| Adjusted income before income taxes                     | \$ 5,610           | \$ 3,558             | \$ 3,083              | \$ 3,648         | \$ 4,552          |
| Income tax provision (benefit) - GAAP                   | \$ 429             | \$ (585)             | \$ (326)              | \$ (234)         | \$ (2,332)        |
| Adjustments: <sup>1</sup>                               |                    |                      |                       |                  |                   |
| Mortgage-related revenue                                | —                  | —                    | —                     | —                | (14)              |
| Mortgage-related costs                                  | —                  | —                    | —                     | —                | 641               |
| Partial charge-off of C&I participation loan            | —                  | —                    | —                     | —                | 1,452             |
| Adjusted income tax provision (benefit)                 | \$ 429             | \$ (585)             | \$ (326)              | \$ (234)         | \$ (253)          |
| <sup>1</sup> Assuming a 21% tax rate                    |                    |                      |                       |                  |                   |

|   | Three Months Ended |                      |                       |                  |                   |
|---|--------------------|----------------------|-----------------------|------------------|-------------------|
|   | March 31,<br>2024  | December 31,<br>2023 | September 30,<br>2023 | June 30,<br>2023 | March 31,<br>2023 |
| (dollars in thousands, except share and per share data) |                    |                      |                       |                  |                   |
| Net income (loss) - GAAP                                | \$ 5,181           | \$ 4,143             | \$ 3,409              | \$ 3,882         | \$ (3,017)        |
| Adjustments:  |                    |                      |                       |                  |                   |
| Mortgage-related revenue                                | —                  | —                    | —                     | —                | (51)              |
| Mortgage-related costs                                  | —                  | —                    | —                     | —                | 2,411             |
| Partial charge-off of C&I participation loan            | —                  | —                    | —                     | —                | 5,462             |
| Adjusted net income                                     | <u>\$ 5,181</u>    | <u>\$ 4,143</u>      | <u>\$ 3,409</u>       | <u>\$ 3,882</u>  | <u>\$ 4,805</u>   |
| Diluted average common shares outstanding               | 8,750,297          | 8,720,078            | 8,767,217             | 8,908,180        | 9,024,072         |
| Diluted earnings (loss) per share - GAAP                | \$ 0.59            | \$ 0.48              | \$ 0.39               | \$ 0.44          | \$ (0.33)         |
| Adjustments:  |                    |                      |                       |                  |                   |
| Mortgage-related revenue                                | —                  | —                    | —                     | —                | (0.01)            |
| Mortgage-related costs                                  | —                  | —                    | —                     | —                | 0.27              |
| Effect of partial charge-off of C&I participation loan  | —                  | —                    | —                     | —                | 0.60              |
| Adjusted diluted earnings per share                     | <u>\$ 0.59</u>     | <u>\$ 0.48</u>       | <u>\$ 0.39</u>        | <u>\$ 0.44</u>   | <u>\$ 0.53</u>    |
| Return on average assets                                | 0.40 %             | 0.32 %               | 0.26 %                | 0.32 %           | (0.26 %)          |
| Effect of mortgage-related costs                        | 0.00 %             | 0.00 %               | 0.00 %                | 0.00 %           | 0.21 %            |
| Effect of partial charge-off of C&I participation loan  | 0.00 %             | 0.00 %               | 0.00 %                | 0.00 %           | 0.48 %            |
| Adjusted return on average assets                       | <u>0.40 %</u>      | <u>0.32 %</u>        | <u>0.26 %</u>         | <u>0.32 %</u>    | <u>0.43 %</u>     |
| Return on average shareholders' equity                  | 5.64 %             | 4.66 %               | 3.79 %                | 4.35 %           | (3.37 %)          |
| Effect of mortgage-related revenue                      | 0.00 %             | 0.00 %               | 0.00 %                | 0.00 %           | (0.06 %)          |
| Effect of mortgage-related costs                        | 0.00 %             | 0.00 %               | 0.00 %                | 0.00 %           | 2.69 %            |
| Effect of partial charge-off of C&I participation loan  | 0.00 %             | 0.00 %               | 0.00 %                | 0.00 %           | 6.10 %            |
| Adjusted return on average shareholders' equity         | <u>5.64 %</u>      | <u>4.66 %</u>        | <u>3.79 %</u>         | <u>4.35 %</u>    | <u>5.36 %</u>     |
| Return on average tangible common equity                | 5.71 %             | 4.72 %               | 3.84 %                | 4.40 %           | (3.41 %)          |
| Effect of mortgage-related revenue                      | 0.00 %             | 0.00 %               | 0.00 %                | 0.00 %           | (0.06 %)          |
| Effect of mortgage-related costs                        | 0.00 %             | 0.00 %               | 0.00 %                | 0.00 %           | 2.73 %            |
| Effect of partial charge-off of C&I participation loan  | 0.00 %             | 0.00 %               | 0.00 %                | 0.00 %           | 6.18 %            |
| Adjusted return on average tangible common equity       | <u>5.71 %</u>      | <u>4.72 %</u>        | <u>3.84 %</u>         | <u>4.40 %</u>    | <u>5.44 %</u>     |

#### Critical Accounting Policies and Estimates

There have been no material changes in the Company's critical accounting policies or estimates from those disclosed in its Annual Report on Form 10-K for the year ended December 31, 2023.

#### Recent Accounting Pronouncements

Refer to Note 15 to the condensed consolidated financial statements.

#### Off-Balance Sheet Arrangements

In the ordinary course of business, the Company enters into financial transactions to extend credit, interest rate swap agreements and forms of commitments that may be considered off-balance sheet arrangements. Interest rate swaps are arranged to receive hedge accounting treatment and are classified as either fair value or cash flow hedges. Fair value hedges are purchased to convert certain fixed rate assets to floating rate. Cash flow hedges are used to convert certain variable rate liabilities into fixed rate liabilities. At both March 31, 2024 and December 31, 2023, the Company had interest rate swaps with notional amounts of \$200.0 million. Refer to Note 13 to the condensed consolidated financial statements for additional information about derivative financial instruments.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk is the risk of loss arising from adverse changes in the fair value of financial instruments due to changes in interest rates, foreign exchange rates and equity prices. The primary source of market risk for the Company is interest rate risk, which can be defined as the risk to earnings and the value of our equity resulting from changes in market interest rates. Interest rate risk arises in the normal course of business to the extent that there are timing and volume differences between the amount of interest-earning assets and the amount of interest-bearing liabilities that are prepaid, withdrawn, re-priced or mature in specified periods. We seek to achieve consistent growth in net interest income and equity while managing volatility arising from shifts in market interest rates.

We monitor the Company's interest rate risk position using income simulation models and economic value of equity ("EVE") sensitivity analysis that capture both short-term and long-term interest rate risk exposure. Income simulation involves forecasting net interest income ("NII") under a variety of interest rate scenarios. We use EVE sensitivity analysis to understand the impact of changes in interest rates on long-term cash flows, income and capital. EVE is calculated by discounting the cash flows for all balance sheet instruments under different interest-rate scenarios. Modeling the sensitivity of NII and EVE to changes in market interest rates is highly dependent on the assumptions incorporated into the modeling process, especially those pertaining to non-maturity deposit accounts. These assumptions are reviewed and refined on an ongoing basis by the Company. We continually model our NII and EVE positions with various interest rate scenarios and assumptions of future balance sheet composition. We utilize implied forward rates as its base case scenario which reflects market expectations for rate increases over the next 24 months. Presented below is the estimated impact on our NII and EVE position as of March 31, 2024, assuming a static balance sheet and instantaneous parallel shifts in interest rates:

| % Change from Base Case for Instantaneous Parallel Changes in Rates |                            |   |                            |   |                            |   |                           |    |                            |
|---|----------------------------|---|----------------------------|---|----------------------------|---|---------------------------|----|----------------------------|
|   | Implied Forward Curve -200 |   | Implied Forward Curve -100 |   | Base Implied Forward Curve |   | Implied Forward Curve +50 |    | Implied Forward Curve +100 |
|   | Basis Points               |   | Basis Points               |   |                            |   | Basis Points              |    | Basis Points               |
| NII - Year 1  | 18.55                      | % | 10.54                      | % | N/A                        |   | (3.95                     | %) | (7.98                      |
| NII - Year 2  | 46.34                      | % | 40.20                      | % | 30.66                      | % | 26.43                     | %  | 22.01                      |
| EVE   | 30.44                      | % | 17.27                      | % | N/A                        |   | (7.57                     | %) | (15.12                     |

To supplement the instantaneous rate shocks required by regulatory guidance, we also calculate our interest rate risk position assuming a gradual change in market interest rates. This gradual change is commonly referred to as a "rate ramp" and evenly allocates a change in interest rates over a specified time period.

Presented below is the estimated impact on the Company's NII and EVE position as of March 31, 2024, assuming a static balance sheet and gradual parallel shifts in interest rates:

| % Change from Base Case for Gradual Changes in Rates |                            |   |                            |   |                            |   |                           |    |                            |
|--|----------------------------|---|----------------------------|---|----------------------------|---|---------------------------|----|----------------------------|
|  | Implied Forward Curve -200 |   | Implied Forward Curve -100 |   | Base Implied Forward Curve |   | Implied Forward Curve +50 |    | Implied Forward Curve +100 |
|  | Basis Points               |   | Basis Points               |   |                            |   | Basis Points              |    | Points                     |
| NII - Year 1   | 8.34                       | % | 4.31                       | % | N/A                        |   | (2.48                     | %) | (5.10                      |
| NII - Year 2   | 47.53                      | % | 40.40                      | % | 30.66                      | % | 24.79                     | %  | 18.59                      |
| EVE  | 28.20                      | % | 16.03                      | % | N/A                        |   | (8.55                     | %) | (17.05                     |



The NII and EVE figures presented in the tables above are reflective of a static balance sheet, and do not incorporate either balance sheet growth or contraction, or strategies to increase net interest income while managing volatility arising from shifts in market interest rates. As such, it is likely that actual results will differ from what is presented in the tables above. Balance sheet strategies to achieve such objectives may include:

- Increasing the proportion of low-duration or variable-rate loans to total loans, including organic growth in small business, construction or C&I lending, and declines in longer-term loan portfolios
- Selling longer-term fixed rate loans
- Increasing the proportion of lower cost non-maturity deposits to total deposits
- Extending the duration of wholesale funding
- Executing derivative strategies to synthetically extend liabilities or shorten asset duration
- Repositioning the investment portfolio to manage its duration

#### **ITEM 4. CONTROLS AND PROCEDURES**

##### ***Evaluation of Disclosure Controls and Procedures***

The Company maintains disclosure controls and procedures that are designed to provide reasonable assurance that information required to be disclosed in reports that it files or submits under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), is recorded, processed, summarized, and reported within the time period specified in the SEC's rules and forms. These controls and procedures are also designed to provide reasonable assurance that such information is accumulated and communicated to management, including the principal executive and principal financial officers, as appropriate, to allow timely decisions regarding required disclosures. In designing and evaluating disclosure controls and procedures, the Company has recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. Management is required to apply judgment in evaluating its controls and procedures.

The Company performed an evaluation under the supervision and with the participation of management, including the principal executive and principal financial officers, to assess the effectiveness of the design and operation of its disclosure controls and procedures under the Exchange Act. Based on that evaluation, our management, including our principal executive officer and principal financial officer, concluded that our disclosure controls and procedures were effective at a reasonable assurance level as of March 31, 2024.

##### ***Changes in Internal Control over Financial Reporting***

There has been no change in the Company's internal control over financial reporting during the quarter ended March 31, 2024 that has materially affected, or is reasonably likely to materially affect, its internal control over financial reporting.

## PART II

### ITEM 1. LEGAL PROCEEDINGS

Neither we nor any of our subsidiaries are party to any material legal proceedings. From time to time, the Bank is a party to legal actions arising from its normal business activities.

### ITEM 1A. RISK FACTORS

There have been no material changes to the risk factors previously disclosed in Part I, Item 1A, of our Annual Report on Form 10-K for the year ended December 31, 2023.

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

#### Repurchases of Common Stock

In December 2022, the Company's Board of Directors approved a stock repurchase program authorizing the repurchase of up to \$25.0 million of the Company's outstanding stock from time to time on the open market or in privately negotiated transactions. The stock repurchase program is scheduled to expire on December 31, 2023. Under this program, the Company has repurchased 559,522 shares of common stock through March 31, 2024, at an average price of \$19.06, for a total investment of \$10.7 million.

The following table presents information with respect to purchases of the Company's common stock made by or on behalf of the Company or any "affiliated purchaser," as defined in Rule 10b-18(a)(3), during the first quarter 2024.

| <i>(dollars in thousands, except per share data)</i> | Total Number of Shares<br>Purchased | Average Price Paid Per<br>Share | Total Number of Shares<br>Purchased As Part of Publicly<br>Announced Programs | Approximate Dollar Value Of<br>Shares That May Yet Be Purchased Under<br>The Program |
|--|-------------------------------------|---------------------------------|---|--|
| January 1, 2024 - January 31, 2024                   | 10,500                              | \$ 26.94                        | 10,500  | \$ 14,334  |
| February 1, 2024 - February 29, 2024                 | —                                   | \$ —                            | —   | \$ 14,334  |
| March 1, 2024 - March 31, 2024                       | —                                   | \$ —                            | —   | \$ 14,334  |
| Total  | <u>10,500</u>                       |                                 | <u>10,500</u>   |  |

#### Limitations on the Payment of Dividends

The ability of the Company to make capital distributions, including paying dividends and repurchasing shares, depends upon our receipt of dividends from the Bank. The ability of the Bank to pay dividends is limited by state and federal laws and regulations, including the requirement for the Bank to obtain the prior approval of the Indiana Department of Financial Institutions ("DFI") before paying a dividend that, together with other dividends it has paid during a calendar year, would exceed the sum of its net income for the year to date combined with its retained net income for the previous two years. The ability of the Bank to pay dividends is further affected by the requirement to maintain adequate capital pursuant to applicable capital adequacy guidelines and regulations, and it is generally prohibited from paying any dividends if, following payment thereof, it would be undercapitalized. Notwithstanding the availability of funds for dividends, the FDIC and the DFI may prohibit the payment of dividends by the Bank if either or both determine such payment would constitute an unsafe or unsound practice. In addition, under the Basel III Capital Rules, institutions that seek the freedom to pay dividends have to maintain 2.5% in Common Equity Tier 1 Capital attributable to the capital conservation buffer.

### ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

### ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

| Exhibit No.          | Description   | Method of Filing          |
|----------------------|---|---------------------------|
| <a href="#">3.1</a>  | <a href="#">Amended and Restated Articles of Incorporation of First Internet Bancorp.</a> (incorporated by reference to Exhibit 3.1 to current report on Form 8-K filed May 21, 2020) | Incorporated by Reference |
| <a href="#">3.2</a>  | <a href="#">Amended and Restated Bylaws of First Internet Bancorp.</a> (incorporated by reference to Exhibit 3.2 to current report on Form 8-K filed May 21, 2020)                    | Incorporated by Reference |
| <a href="#">31.1</a> | <a href="#">Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer</a>   | Filed Electronically      |
| <a href="#">31.2</a> | <a href="#">Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer</a>   | Filed Electronically      |
| <a href="#">32.1</a> | <a href="#">Section 1350 Certifications</a>   | Filed Electronically      |
| 101                  | Inline XBRL Instance Document (does not appear in the Interactive Data File because XBRL tags are embedded within the Inline XBRL document)   | Filed Electronically      |
| 101.SCH              | Inline XBRL Taxonomy Extension Schema   | Filed Electronically      |
| 101.CAL              | Inline XBRL Taxonomy Extension Calculation Linkbase   | Filed Electronically      |
| 101.DEF              | Inline XBRL Taxonomy Extension Definition Linkbase  | Filed Electronically      |
| 101.LAB              | Inline XBRL Taxonomy Extension Label Linkbase   | Filed Electronically      |
| 101.PRE              | Inline XBRL Taxonomy Extension Presentation Linkbase  | Filed Electronically      |
| 104                  | Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)  | Filed Electronically      |

\*Management contract, compensatory plan or arrangement required to be filed as an exhibit.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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 INTERNET BANCORP

|          |    |   |
|----------|----|---|
| 5/8/2024 | By | <div>/s/ David B. Becker</div> <div>David B. Becker,<br/>Chairman and Chief Executive Officer<br/>(on behalf of Registrant)</div>                   |
| 5/8/2024 | By | <div>/s/ Kenneth J. Lovik</div> <div>Kenneth J. Lovik,<br/>Executive Vice President and Chief Financial Officer (principal financial officer)</div> |

**Certification by the Chief Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, David B. Becker, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of First Internet Bancorp;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting 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 function):
  - 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.

Date: May 8, 2024

/s/ David B. Becker

David B. Becker, Chief Executive Officer

**Certification by the Chief Financial Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Kenneth J. Lovik, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of First Internet Bancorp;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting 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 function):
  - 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.

Date: May 8, 2024

/s/ Kenneth J. Lovik

Kenneth J. Lovik, Chief Financial Officer

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

In connection with the Quarterly Report of First Internet Bancorp (the "Company") on Form 10-Q for the period ended March 31, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

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

/s/ David B. Becker  
\_\_\_\_\_  
David B. Becker  
Chief Executive Officer  
May 8, 2024

/s/ Kenneth J. Lovik  
\_\_\_\_\_  
Kenneth J. Lovik  
Chief Financial Officer  
May 8, 2024