

REFINITIV

DELTA REPORT

10-Q

NBHC - NATIONAL BANK HOLDINGS CO

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

The following comparison report has been automatically generated

TOTAL DELTAS 2554

■ CHANGES	535
■ DELETIONS	1200
■ ADDITIONS	819

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

OR

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

For the transition period from _____ to

Commission File Number: 001-35654

NATIONAL BANK HOLDINGS CORPORATION

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of

27-0563799
(I.R.S. Employer

7800 East Orchard Road, Suite 300, Greenwood Village, Colorado 80111

(Address of principal executive offices) (Zip Code)

Registrant's telephone, including area code: (303) 892-8715

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

Title of each class:

Class A Common Stock

Trading Symbol

NBHC

Name of each exchange on which registered:

NYSE

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

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

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

Large accelerated filer
Non-accelerated filer

Accelerated filer
Smaller reporting company
Emerging growth company

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

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

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

As of **November 3, 2023** **April 26, 2024**, the registrant had outstanding **37,761,138** **37,825,413** shares of Class A voting common stock, each with \$0.01 par value per share, excluding **255,268** **378,082** shares of restricted Class A common stock issued but not yet vested.

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This report contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, notwithstanding that such statements are not specifically identified. Any statements about our expectations, beliefs, plans, predictions, forecasts, objectives, assumptions or future events or performance are not historical facts and may be forward-looking. These statements are often, but not always, made through the use of words or phrases such as "anticipate," "believe," "can," "would," "should," "could," "may," "predict," "seek," "potential," "will," "estimate," "target," "plan," "project," "continuing," "ongoing," "expect," "intend" and similar words or phrases. These statements are only predictions and involve estimates, known and unknown risks, assumptions and uncertainties. We have based these statements largely on our current expectations and projections about future events and financial trends that we believe may affect our financial condition, liquidity, results of operations, business strategy and growth prospects.

Forward-looking statements involve certain important risks, uncertainties and other factors, any of which could cause actual results to differ materially from those in such statements and, therefore, you are cautioned not to place undue reliance on such statements. Factors that could cause actual results to differ from those discussed in the forward-looking statements include, but are not limited to:

- the impact of **recent high profile large bank closures, including** potential regulatory changes to capital requirements, treatment of investment securities and FDIC deposit insurance levels and **costs, along with potential changes in short-term and long-term consumer behavior in response to these closures and volatility in the banking sector; costs;**
- our ability to execute our business strategy, including our digital strategy, as well as changes in our business strategy or development plans;
- business and economic conditions generally and in the financial services industry;
- effects of any potential government shutdowns;
- economic, market, operational, liquidity, credit and interest rate risks associated with our business, including increased competition for deposits due to prevailing market interest rates and banking sector volatility;
- effects of any changes in trade, monetary and fiscal policies and laws, including the interest rate policies of the Federal Reserve Board;
- changes imposed by regulatory agencies to increase our capital to a level greater than the current level required for well-capitalized financial institutions;
- effects of inflation, including its associated impact on labor costs, as well as, interest rate, securities market and monetary supply fluctuations;
- changes in the economy or supply-demand imbalances affecting local real estate values;
- changes in consumer spending, borrowings and savings habits;
- **changes in the fair value of our investment securities due to market conditions outside of our control;**

- financial or reputational impacts associated with the increased prevalence of fraud or other financial crimes;
- with respect to our mortgage business, our inability to negotiate our fees with Fannie Mae, Freddie Mac, Ginnie Mae or other investors for the purchase of our loans, our obligation to indemnify purchasers or to repurchase the related loans if the loans fail to meet certain criteria, or higher rate of delinquencies and defaults as a result of the geographic concentration of our servicing portfolio;
- our ability to identify potential candidates for, obtain regulatory approval for, and consummate, acquisitions, consolidations or other expansion opportunities on attractive terms, or at all;
- our ability to integrate acquisitions or consolidations and to achieve synergies, operating efficiencies and/or other expected benefits within expected time-frames, or at all, or within expected cost projections, and to preserve the goodwill of acquired financial institutions;

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- our ability to realize the anticipated benefits from enhancements or updates to our core operating systems from time to time without significant change in our client service or risk to our control environment;

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- our dependence on information technology and telecommunications systems of third-party service providers and the risk of system failures, interruptions or breaches of security, including those that could result in disclosure or misuse of confidential or proprietary client or other information;
- our ability to achieve organic loan and deposit growth and the competition for, and composition of, such growth;
- changes in sources and uses of funds, including loans, deposits and borrowings;
- increased competition in the financial services industry, nationally, regionally or locally, resulting in, among other things, lower returns;
- continued consolidation in the financial services industry;
- our ability to maintain or increase market share and control expenses;
- regulatory and financial impacts associated with the Company growing to over \$10 billion in consolidated assets;
- increases in claims and litigation related to our fiduciary responsibilities in connection with our trust and wealth management business;
- the effect of changes in accounting policies and practices, as may be adopted by the regulatory agencies, as well as the Public Company Accounting Oversight Board, the Financial Accounting Standards Board ("FASB") and other accounting standard setters;

- the trading price of shares of the Company's stock;
- the effects of tax legislation, including the potential of future changes to prevailing tax rates, or challenges to our positions;
- our ability to realize deferred tax assets or the need for a valuation allowance, or the effects of changes in tax laws on our deferred tax assets;
- costs and effects of changes in laws and regulations and of other legal and regulatory developments, including, but not limited to, changes in regulation that affect the fees that we charge, the resolution of legal proceedings or regulatory or other governmental inquiries, and the results of regulatory examinations, reviews or other inquiries; and changes in regulations that apply to us as a Colorado state-chartered bank and a Wyoming state-chartered bank;
- technological ~~changes~~ changes, including with respect to the advancement of artificial intelligence;
- the timely development and acceptance of new products and services, including in the digital technology space and our digital solution 2UniFism, and perceived overall value of these products and services by our clients;
- changes in our management personnel and our continued ability to attract, hire and retain qualified personnel;
- ability to implement and/or improve operational management and other internal risk controls and processes and our reporting system and procedures;
- regulatory limitations on dividends from our bank subsidiaries;
- changes in estimates of future credit reserve requirements based upon the periodic review thereof under relevant regulatory and accounting requirements;
- financial, reputational, or strategic risks associated with our investments in financial technology companies and initiatives;

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- widespread natural and other disasters, dislocations, political instability, pandemics, acts of war or terrorist activities, cyberattacks or international hostilities through impacts on the economy and financial markets generally or on us or our counterparties specifically;
- a ~~cyber-security~~ cybersecurity incident, data breach or a failure of a key information technology system;
- impact of reputational risk on such matters as business generation and retention;
- other risks and uncertainties listed from time to time in the Company's reports and documents filed with the Securities and Exchange Commission; and
- our success at managing the risks involved in the foregoing items.

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Any forward-looking statement speaks only as of the date on which it is made, and we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which the statement is made or to reflect the occurrence of unanticipated events or circumstances, except as required by applicable law.

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PART I: FINANCIAL INFORMATION

Item 1: FINANCIAL STATEMENTS

NATIONAL BANK HOLDINGS CORPORATION AND SUBSIDIARIES

Consolidated Statements of Financial Condition (Unaudited)

(In thousands, except share and per share data)

	September 30, 2023	December 31, 2022
ASSETS		
Cash and cash equivalents	\$ 291,291	\$ 195,505
Investment securities available-for-sale (at fair value)	620,445	706,289
Investment securities held-to-maturity (fair value of \$494,242 and \$559,924 at September 30, 2023 and December 31, 2022, respectively)	600,501	651,527
Non-marketable securities	87,817	89,049
Loans	7,478,438	7,220,469
Allowance for credit losses	(93,446)	(89,553)
Loans, net	7,384,992	7,130,916
Loans held for sale	19,048	22,767
Other real estate owned	3,416	3,731
Premises and equipment, net	153,553	136,111
Goodwill	306,043	279,132
Intangible assets, net	68,283	59,887
Other assets	330,894	298,329
Total assets	\$ 9,866,283	\$ 9,573,243
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Deposits:		
Non-interest bearing demand deposits	\$ 2,483,174	\$ 3,134,716
Interest bearing demand deposits	1,358,445	913,852
Savings and money market	3,314,895	2,950,658
Time deposits	992,494	873,400
Total deposits	8,149,008	7,872,626
Securities sold under agreements to repurchase	20,273	20,214
Long-term debt, net	54,123	53,890

Federal Home Loan Bank advances	316,770	385,000
Other liabilities	162,524	149,311
Total liabilities	8,702,698	8,481,041
Shareholders' equity:		
Common stock, par value \$0.01 per share: 400,000,000 shares authorized; 51,487,907 and 51,487,907 shares issued; 37,739,776 and 37,608,519 shares outstanding at September 30, 2023 and December 31, 2022, respectively	515	515
Additional paid-in capital	1,160,706	1,159,508
Retained earnings	410,243	330,721
Treasury stock of 13,485,056 and 13,714,251 shares at September 30, 2023 and December 31, 2022, respectively, at cost	(307,026)	(310,338)
Accumulated other comprehensive loss, net of tax	(100,853)	(88,204)
Total shareholders' equity	1,163,585	1,092,202
Total liabilities and shareholders' equity	\$ 9,866,283	\$ 9,573,243
March 31, 2024		
December 31, 2023		
ASSETS		
Cash and cash equivalents	\$ 292,931	\$ 190,826
Investment securities available-for-sale (at fair value)	685,666	628,829
Investment securities held-to-maturity (fair value of \$485,776 and \$504,328 at March 31, 2024 and December 31, 2023, respectively)	570,850	585,052
Non-marketable securities	73,439	90,477
Loans	7,569,052	7,698,758
Allowance for credit losses	(97,607)	(97,947)
Loans, net	7,471,445	7,600,811
Loans held for sale	14,065	18,854
Other real estate owned	4,064	4,088
Premises and equipment, net	168,956	162,733
Goodwill	306,043	306,043
Intangible assets, net	64,212	66,025
Other assets	315,805	297,326
Total assets	\$ 9,967,476	\$ 9,951,064
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Deposits:		
Non-interest bearing demand deposits	\$ 2,292,917	\$ 2,361,367
Interest bearing demand deposits	1,427,856	1,480,042
Savings and money market	3,801,013	3,367,012
Time deposits	995,976	981,970
Total deposits	8,517,762	8,190,391
Securities sold under agreements to repurchase	19,577	19,627
Long-term debt, net	54,278	54,200
Federal Home Loan Bank advances	—	340,000
Other liabilities	144,029	134,039
Total liabilities	8,735,646	8,738,257
Shareholders' equity:		
Common stock, par value \$0.01 per share: 400,000,000 shares authorized; 51,487,888 and 51,487,907 shares issued; 37,806,148 and 37,784,851 shares outstanding at March 31, 2024 and December 31, 2023, respectively	515	515
Additional paid-in capital	1,163,773	1,162,269
Retained earnings	454,211	433,126
Treasury stock of 13,444,078 and 13,462,472 shares at March 31, 2024 and December 31, 2023, respectively, at cost	(306,460)	(306,702)
Accumulated other comprehensive loss, net of tax	(80,209)	(76,401)
Total shareholders' equity	1,231,830	1,212,807
Total liabilities and shareholders' equity	\$ 9,967,476	\$ 9,951,064

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NATIONAL BANK HOLDINGS CORPORATION AND SUBSIDIARIES

Consolidated Statements of Operations (Unaudited)

(In thousands, except share and per share data)

	For the three months ended		For the nine months ended		For the three months ended	
	September 30,		September 30,		March 31,	
	2023	2022	2023	2022	2024	2023
Interest and dividend income:						
Interest and fees on loans	\$ 117,736	\$ 63,875	\$ 334,811	\$ 159,707	\$ 123,736	\$ 105,121
Interest and dividends on investment securities	6,468	6,460	20,019	17,195	6,617	6,861
Dividends on non-marketable securities	701	212	2,513	632	616	898
Interest on interest-bearing bank deposits	1,205	1,822	3,369	3,196	763	653
Total interest and dividend income	126,110	72,369	360,712	180,730	131,732	113,533
Interest expense:						
Interest on deposits	33,423	2,945	69,615	7,961	43,998	11,049
Interest on borrowings	4,910	333	18,647	1,000	3,704	7,595
Total interest expense	38,333	3,278	88,262	8,961	47,702	18,644
Net interest income before provision for credit losses	87,777	69,091	272,450	171,769	84,030	94,889
Provision for credit loss expense	1,125	12,678	3,725	14,860	—	900
Net interest income after provision for credit losses	86,652	56,413	268,725	156,909	84,030	93,989
Non-interest income:						
Service charges	4,849	4,326	13,394	11,992	4,391	4,101
Bank card fees	4,993	4,681	14,721	13,345	4,578	4,637
Mortgage banking income	4,688	4,474	11,614	21,088	2,655	3,216
Bank-owned life insurance income	882	573	2,559	1,645	733	645
Other non-interest income	3,953	3,304	5,565	5,104	5,337	2,066
Total non-interest income	19,365	17,358	47,853	53,174	17,694	14,665
Non-interest expense:						
Salaries and benefits	35,027	30,540	103,231	88,652	36,520	32,989
Occupancy and equipment	9,167	8,026	27,366	21,087	9,941	9,073
Data processing	3,546	2,899	10,257	7,733	4,066	3,752
Marketing and business development	1,037	979	2,997	2,326	962	870
FDIC deposit insurance	1,686	508	5,433	1,476	1,345	2,178
Bank card expenses	1,667	1,409	4,260	4,075	1,349	1,328
Professional fees	2,215	5,810	7,951	8,110	1,646	2,590
Other non-interest expense	4,250	3,384	13,003	9,138	4,997	4,149
Other intangible assets amortization	2,008	383	5,378	975	2,008	1,363
Total non-interest expense	60,603	53,938	179,876	143,572	62,834	58,292
Income before income taxes	45,414	19,833	136,702	66,511	38,890	50,362

Income tax expense	9,327	3,994	27,775	11,958	7,499	10,079
Net income	\$ 36,087	\$ 15,839	\$ 108,927	\$ 54,553	\$ 31,391	\$ 40,283
Earnings per share—basic	\$ 0.95	\$ 0.51	\$ 2.87	\$ 1.78	\$ 0.82	\$ 1.06
Earnings per share—diluted	0.94	0.50	2.85	1.77	0.82	1.06
Weighted average number of common shares outstanding:						
Basic	37,990,659	31,259,188	37,911,896	30,539,266	38,031,358	37,785,488
Diluted	38,134,338	31,531,075	38,093,910	30,834,630	38,188,480	38,074,973

See accompanying notes to the consolidated interim financial statements.

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NATIONAL BANK HOLDINGS CORPORATION AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income (Loss) (Unaudited)

(In thousands)

	For the three months ended		For the nine months ended		For the three months ended	
	September 30,		September 30,		March 31,	
	2023	2022	2023	2022	2024	2023
Net income	\$ 36,087	\$ 15,839	\$ 108,927	\$ 54,553	\$ 31,391	\$ 40,283
Other comprehensive loss, net of tax:						
Other comprehensive (loss) income, net of tax:						
Securities available-for-sale:						
Net unrealized losses arising during the period, net of tax benefit of \$3,418 and \$9,184 for the three months ended September 30, 2023 and 2022, respectively; and net of tax benefit of \$3,283 and \$25,030 for the nine months ended September 30, 2023 and 2022, respectively	(11,718)	(29,482)	(11,276)	(80,349)		
Less: amortization of net unrealized holding gains to income, net of tax benefit of \$11 and \$22 for the three months ended September 30, 2023 and 2022, respectively; and net of tax benefit of \$40 and \$75 for the nine months ended September 30, 2023 and 2022, respectively	(39)	(71)	(135)	(242)		
Net unrealized (losses) gains arising during the period, net of tax benefit (expense) of \$985 and (\$2,731) for the three months ended March 31, 2024 and 2023, respectively					(3,090)	8,955
Less: amortization of net unrealized holding gains to income, net of tax benefit of \$8 and \$16 for the three months ended March 31, 2024 and 2023, respectively					(25)	(51)
Cash flow hedges:						
Net unrealized losses arising during the period, net of tax benefit of \$169 and \$559 for the three months ended September 30, 2023 and 2022, respectively; and net of tax benefit of \$618 and \$559 for the nine months ended September 30, 2023 and 2022, respectively	(550)	(1,795)	(2,032)	(1,795)		
Less: reclassification adjustment for losses included in net income, net of tax benefit of \$22 and \$3 for the three months ended September 30, 2023 and 2022, respectively; and net of tax benefit of \$241 and \$3 for the nine months ended September 30, 2023 and 2022, respectively	68	10	794	10		

Other comprehensive loss	<u>(12,239)</u>	<u>(31,338)</u>	<u>(12,649)</u>	<u>(82,376)</u>
Comprehensive income (loss)	<u>\$ 23,848</u>	<u>\$ (15,499)</u>	<u>\$ 96,278</u>	<u>\$ (27,823)</u>
Net unrealized gains arising during the period, net of tax expense of \$48 and \$173 for the three months ended March 31, 2024 and 2023, respectively			203	566
Less: reclassification for (losses) gains included in net income, net of tax benefit (expense) of \$269 and (\$32) for the three months ended March 31, 2024 and 2023, respectively			<u>(896)</u>	<u>107</u>
Other comprehensive (loss) income			<u>(3,808)</u>	<u>9,577</u>
Comprehensive income	<u>\$ 27,583</u>	<u>\$ 49,860</u>		

See accompanying notes to the consolidated interim financial statements.

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NATIONAL BANK HOLDINGS CORPORATION AND SUBSIDIARIES

Consolidated Statements of Changes in Shareholders' Equity (Unaudited)

Three months ended March 31, 2024 and 2023

(In thousands, except share and per share data)

	Accumulated					
	Common		Additional		other	
	stock	paid-in capital	Retained earnings	Treasury stock	comprehensive loss, net	Total
Balance, December 31, 2022	\$ 515	\$ 1,159,508	\$ 330,721	\$ (310,338)	\$ (88,204)	\$ 1,092,202
Net income	—	—	40,283	—	—	40,283
Stock-based compensation	—	1,427	—	—	—	1,427
Issuance of stock under purchase and equity compensation plans, including gain on reissuance of treasury stock of \$753, net	—	(499)	—	301	—	(198)
Cash dividends declared (\$0.25 per share)	—	—	(9,564)	—	—	(9,564)
Other comprehensive income	—	—	—	—	9,577	9,577
Balance, March 31, 2023	<u>\$ 515</u>	<u>\$ 1,160,436</u>	<u>\$ 361,440</u>	<u>\$ (310,037)</u>	<u>\$ (78,627)</u>	<u>\$ 1,133,727</u>
Balance, December 31, 2023	\$ 515	\$ 1,162,269	\$ 433,126	\$ (306,702)	\$ (76,401)	\$ 1,212,807
Net income	—	—	31,391	—	—	31,391
Stock-based compensation	—	1,576	—	—	—	1,576
Issuance of stock under purchase and equity compensation plans, including gain on reissuance of treasury stock of \$369, net	—	(72)	—	242	—	170
Cash dividends declared (\$0.27 per share)	—	—	(10,306)	—	—	(10,306)
Other comprehensive loss	—	—	—	—	(3,808)	(3,808)
Balance, March 31, 2024	<u>\$ 515</u>	<u>\$ 1,163,773</u>	<u>\$ 454,211</u>	<u>\$ (306,460)</u>	<u>\$ (80,209)</u>	<u>\$ 1,231,830</u>

See accompanying notes to the consolidated interim financial statements.

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NATIONAL BANK HOLDINGS CORPORATION AND SUBSIDIARIES

	For the three months ended September 30,						
	Additional				Accumulated		
	Common		paid-in	Retained	Treasury	comprehensive	other
	stock	capital	earnings	stock	loss, net		Total
Balance, June 30, 2022	\$ 515	\$ 1,014,330	\$ 314,616	\$ (455,909)	\$ (58,001)	\$ 815,551	
Net income	—	—	15,839	—	—	—	15,839
Stock-based compensation	—	1,494	—	—	—	—	1,494
Issuance of stock under purchase and equity compensation plans, including gain on reissuance of treasury stock of \$64,175, net	—	106	—	509	—	—	615
Reissuance of treasury stock of 3,096,745 for acquisition of Community Bancorporation	—	63,630	—	60,642	—	—	124,272
Cash dividends declared (\$0.23 per share)	—	—	(7,007)	—	—	—	(7,007)
Other comprehensive loss	—	—	—	—	(31,338)	—	(31,338)
Balance, September 30, 2022	\$ 515	\$ 1,079,560	\$ 323,448	\$ (394,758)	\$ (89,339)	\$ 919,426	
Balance, June 30, 2023	\$ 515	\$ 1,158,727	\$ 384,094	\$ (307,388)	\$ (88,614)	\$ 1,147,334	
Net income	—	—	36,087	—	—	—	36,087
Stock-based compensation	—	1,720	—	—	—	—	1,720
Issuance of stock under purchase and equity compensation plans, including gain on reissuance of treasury stock of \$256, net	—	259	—	362	—	—	621
Cash dividends declared (\$0.26 per share)	—	—	(9,938)	—	—	—	(9,938)
Other comprehensive loss	—	—	—	—	(12,239)	—	(12,239)
Balance, September 30, 2023	\$ 515	\$ 1,160,706	\$ 410,243	\$ (307,026)	\$ (100,853)	\$ 1,163,585	

Consolidated Statements of Cash Flows (Unaudited)

(In thousands)

	For the nine months ended September 30,						
	Additional				Accumulated		
	Common		paid-in	Retained	Treasury	comprehensive	other
	stock	capital	earnings	stock	loss, net		Total
Balance, December 31, 2021	\$ 515	\$ 1,014,294	\$ 289,876	\$ (457,616)	\$ (6,963)	\$ 840,106	
Net income	—	—	54,553	—	—	—	54,553
Stock-based compensation	—	4,342	—	—	—	—	4,342
Issuance of stock under purchase and equity compensation plans, including gain on reissuance of treasury stock of \$67,024, net	—	(2,706)	—	2,216	—	—	(490)
Reissuance of treasury stock of 3,096,745 for acquisition of Community Bancorporation	—	63,630	—	60,642	—	—	124,272
Cash dividends declared (\$0.69 per share)	—	—	(20,981)	—	—	—	(20,981)
Other comprehensive loss	—	—	—	—	(82,376)	—	(82,376)
Balance, September 30, 2022	\$ 515	\$ 1,079,560	\$ 323,448	\$ (394,758)	\$ (89,339)	\$ 919,426	
Balance, December 31, 2022	\$ 515	\$ 1,159,508	\$ 330,721	\$ (310,338)	\$ (88,204)	\$ 1,092,202	
Net income	—	—	108,927	—	—	—	108,927
Stock-based compensation	—	5,366	—	—	—	—	5,366
Issuance of stock under purchase and equity compensation plans, including gain on reissuance of treasury stock of \$3,287, net	—	(4,168)	—	3,312	—	—	(856)
Cash dividends declared (\$0.77 per share)	—	—	(29,405)	—	—	—	(29,405)
Other comprehensive loss	—	—	—	—	(12,649)	—	(12,649)

Balance, September 30, 2023	\$ 515	\$ 1,160,706	\$ 410,243	\$ (307,026)	\$ (100,853)	\$ 1,163,585
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See accompanying notes to the consolidated interim financial statements.

	For the three months ended March 31,	
	2024	2023
Cash flows from operating activities:		
Net income	\$ 31,391	\$ 40,283
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Provision for credit loss expense	—	900
Depreciation and amortization	6,021	5,117
Change in current income tax receivable	7,485	9,551
Change in deferred income taxes	(1,277)	3,392
Discount accretion, net of premium amortization on securities	(202)	(116)
Gain on sale of mortgages, net	(2,162)	(2,370)
Origination of loans held for sale, net of repayments	(62,542)	(99,105)
Proceeds from sales of loans held for sale	69,160	97,311
Originations of mortgage servicing rights	(115)	(275)
Gain on sale of fixed assets	(637)	—
Stock-based compensation	1,576	1,427
Operating lease payments	(1,637)	(1,411)
Change in other assets	(24,527)	(49,455)
Change in other liabilities	7,423	(24,044)
Net cash provided by (used in) operating activities	<u>29,957</u>	<u>(18,795)</u>
Cash flows from investing activities:		
Proceeds from non-marketable securities	27,114	4,662
Proceeds from maturities and paydowns of investment securities available-for-sale	45,662	22,502
Proceeds from maturities and paydowns of investment securities held-to-maturity	14,367	16,201
Proceeds from sales of other real estate owned	21	249
Purchases of non-marketable securities	(10,302)	(35,901)
Purchases of investment securities available-for-sale	(106,554)	—
Purchases of investment securities held-to-maturity	—	(2,451)
Purchases of premises and equipment, net	(5,482)	(6,701)
Net decrease (increase) in loans	128,793	(122,451)
Net cash provided by (used in) investing activities	<u>93,619</u>	<u>(123,890)</u>
Cash flows from financing activities:		
Net increase (decrease) in deposits	327,260	(291,138)
Net (decrease) increase in repurchase agreements and other short-term borrowings	(50)	1,278
Advances from the Federal Home Loan Bank	419,610	990,000
Federal Home Loan Bank repayments	(759,610)	(375,000)
Issuance of stock under purchase and equity compensation plans	131	(237)
Payment of dividends	(10,312)	(9,532)
Net cash (used in) provided by financing activities	<u>(22,971)</u>	<u>315,371</u>
Increase in cash, cash equivalents and restricted cash ⁽¹⁾	100,605	172,686
Cash, cash equivalents and restricted cash at beginning of the year ⁽¹⁾	192,326	198,519
Cash, cash equivalents and restricted cash at end of period ⁽¹⁾	<u>\$ 292,931</u>	<u>\$ 371,205</u>
<i>Supplemental disclosure of cash flow information during the period:</i>		
Cash paid for interest	\$ 45,172	\$ 15,348
Net tax payments	76	37
<i>Supplemental schedule of non-cash activities:</i>		
Loans transferred from loans held for sale to loans	333	2,337

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NATIONAL BANK HOLDINGS CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows (Unaudited)

(In thousands)

	For the nine months ended September 30,	
	2023	2022
Cash flows from operating activities:		
Net income	\$ 108,927	\$ 54,553
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for credit loss expense	3,725	12,386
Depreciation and amortization	17,512	10,712
Change in current income tax receivable	4,860	5,677
Change in deferred income taxes	(4,108)	(21,295)
Discount accretion, net of premium amortization on securities	(619)	1,192
Gain on sale of mortgages, net	(8,309)	(20,733)
Origination of loans held for sale, net of repayments	(326,477)	(710,743)
Proceeds from sales of loans held for sale	333,329	845,406
Originations of mortgage servicing rights	(993)	(3,895)
Proceeds from sales of mortgage servicing rights	5,502	—
Gain on sale of mortgage servicing rights	(1,052)	—
Impairment on fixed assets related to banking center consolidations	113	118
Gain on sale of fixed assets	(148)	(1,674)
Stock-based compensation	5,366	4,342
Operating lease payments	(4,674)	(3,515)
Change in other assets	(23,559)	(35,099)
Change in other liabilities	12,917	43,665
Net cash provided by operating activities	<u>122,312</u>	<u>181,097</u>
Cash flows from investing activities:		
Proceeds from non-marketable securities	90,293	64
Proceeds from maturities of investment securities available-for-sale	71,339	116,002
Proceeds from maturities of investment securities held-to-maturity	53,947	93,201
Proceeds from sales of other real estate owned	249	3,563
Purchase of non-marketable securities	(93,852)	(11,494)
Purchase of investment securities available-for-sale	—	(260,249)
Purchase of investment securities held-to-maturity	(2,452)	(91,607)
Purchases of premises and equipment, net	(24,687)	(9,912)
Net increase in loans	(254,910)	(673,939)
Proceeds from the sale of loans	—	933
Net cash activity from acquisition	(45,300)	244,742
Net cash used in investing activities	<u>(205,373)</u>	<u>(588,696)</u>
Cash flows from financing activities:		
Net increase (decrease) in deposits	275,834	(159,101)
Net increase (decrease) in repurchase agreements and other short-term borrowings	59	(2,724)
Advances from the Federal Home Loan Bank	3,795,000	—
Federal Home Loan Bank repayments	(3,863,230)	—
Issuance of stock under purchase and equity compensation plans	(1,054)	(1,210)
Proceeds from exercise of stock options	106	639
Payment of dividends	(29,382)	(21,004)
Net cash provided by (used in) financing activities	<u>177,333</u>	<u>(183,400)</u>
Increase (decrease) in cash, cash equivalents and restricted cash ⁽¹⁾	<u>94,272</u>	<u>(590,999)</u>

Cash, cash equivalents and restricted cash at beginning of the year ⁽¹⁾	198,519	850,220
Cash, cash equivalents and restricted cash at end of period ⁽¹⁾	<u>\$ 292,791</u>	<u>\$ 259,221</u>
<i>Supplemental disclosure of cash flow information during the period:</i>		
Cash paid for interest	\$ 76,642	\$ 9,587
Net tax payments	24,824	5,567
<i>Supplemental schedule of non-cash activities:</i>		
Loans transferred from loans held for sale to loans	5,176	4,762
Treasury stock reissued for acquisition	—	60,642

(1) Included in restricted cash at **September 30, 2023** and **2022** is **March 31, 2023** was \$1.5 million and \$3.0 million, respectively, placed in escrow for certain potential liabilities, for which the Company **is/was** indemnified, resulting from a previous acquisition. The restricted cash **is/was** included in other assets in the Company's consolidated statements of financial condition. At **March 31, 2024**, there was no restricted cash.

See accompanying notes to the consolidated interim financial statements.

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NATIONAL BANK HOLDINGS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

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

Note 1 Basis of Presentation

National Bank Holdings Corporation ("NBHC" or the "Company") is a bank holding company that was incorporated in the State of Delaware in 2009. The Company is headquartered in Greenwood Village, Colorado, and its primary operations are conducted through its wholly owned subsidiaries NBH Bank and Bank of Jackson Hole Trust. NBH Bank is a Colorado state-chartered bank and a member of the Federal Reserve System, and Bank of Jackson Hole Trust is a Wyoming state-chartered bank and a member of the Federal Reserve System. The Company provides a variety of banking products to both commercial and consumer clients through a network of over **95** **90** banking centers, as of **September 30, 2023** **March 31, 2024**, located primarily in Colorado, the greater Kansas City region, Utah, Wyoming, Texas, New Mexico and Idaho, as well as through online and mobile banking products and services.

The accompanying interim unaudited consolidated financial statements serve to update the National Bank Holdings Corporation Annual Report on [Form 10-K](#) for the year ended **December 31, 2022** **December 31, 2023** and include the accounts of the Company and its wholly owned subsidiaries, NBH Bank, and Bank of Jackson Hole Trust, Trust and 2UniFi, LLC. The accompanying unaudited consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") and where applicable, with general practices in the banking industry or guidelines prescribed by bank regulatory agencies. However, they may not include all information and notes necessary to constitute a complete set of financial statements under GAAP applicable to annual periods and accordingly should be read in conjunction with the financial information contained in the Company's most recent [Form 10-K](#). The unaudited consolidated financial statements reflect all adjustments which are, in the opinion of management, necessary for a fair statement of the results presented. All such adjustments are of a normal recurring nature. All significant intercompany balances and transactions have been eliminated in consolidation. Certain reclassifications of prior years' amounts are made whenever necessary to conform to current period presentation. The results of operations for the interim period are not necessarily indicative of the results that may be expected for the full year or any other interim period. All amounts are in thousands, except share data, or as otherwise noted.

GAAP requires management to make estimates that affect the reported amounts of assets, liabilities, revenues and expenses, and disclosures of contingent assets and liabilities. By their nature, estimates are based on judgment and available information. Management has made significant estimates in certain areas, such as the fair values of financial instruments, contingent liabilities and the allowance for credit losses ("ACL"). Because of the inherent uncertainties

associated with any estimation process and future changes in market and economic conditions, it is possible that actual results could differ significantly from those estimates.

The Company's significant accounting policies followed in the preparation of the unaudited consolidated financial statements are disclosed in note 2 of the audited financial statements and notes for the year ended December 31, 2022 December 31, 2023 and are contained in the Company's Annual Report on Form 10-K. There have been no significant changes to the application of significant accounting policies since December 31, 2022 December 31, 2023.

Note 2 Recent Accounting Pronouncements

The Company has not adopted any recent accounting pronouncements in addition to those disclosed in our Annual Report on Form 10-K for the year ended December 31, 2022, except for the following: December 31, 2023.

In March 2022, the FASB issued ASU 2022-02, *Financial Instruments—Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures*, which eliminates the accounting guidance on troubled debt restructurings ("TDR") and requires disclosure of current-period gross write-offs by year of origination. The guidance also updates the requirements related to accounting for credit losses under ASC Topic 326 and adds enhanced disclosures for creditors with respect to loan refinancing and modifications of loans for borrowers experiencing financial difficulty. The Company adopted ASU 2022-02 on January 1, 2023 using a modified retrospective approach. A cumulative effect adjustment was not booked to retained earnings as it was immaterial. The update has not had a material impact to our financial statements apart from changes in disclosures.

In March 2022, the FASB issued ASU 2022-01, *Derivatives and Hedging (Topic 815): Fair Value Hedging – Portfolio Layer Method*. The purpose of this updated guidance is to further align risk management objectives with hedge accounting results on the application of the last-of-layer method, which was first introduced in ASU 2017-12, *Derivatives and Hedging (Topic 815): Targeted*

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Improvements to Accounting for Hedging Activities. The Company adopted ASU 2022-01 on January 1, 2023, and the update has not had a material impact on its financial statements.

Note 3 Investment Securities

The Company's investment securities portfolio is comprised of available-for-sale and held-to-maturity investment securities. These investment securities totaled \$1.2 billion \$1.3 billion at September 30, 2023 March 31, 2024 and included \$0.7 billion of available-for-sale securities and \$0.6 billion of held-to-maturity securities. At December 31, 2023, investment securities totaled \$1.2 billion and included \$0.6 billion of available-for-sale securities and \$0.6 billion of held-to-maturity securities. At December 31, 2022, investment securities totaled \$1.4 billion and included \$0.7 billion of available-for-sale securities and \$0.7 billion of held-to-maturity securities.

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Available-for-sale

Available-for-sale securities are summarized as follows as of the dates indicated:

	September 30, 2023				March 31, 2024			
	Amortized	Gross	Gross		Amortized	Gross	Gross	
	cost	unrealized gains	unrealized losses	Fair value	cost	unrealized gains	unrealized losses	Fair value
U.S. Treasury securities	\$ 74,386	\$ —	\$ (2,524)	\$ 71,862	\$ 74,125	\$ 5	\$ (1,479)	\$ 72,651
Mortgage-backed securities:								
Residential mortgage pass-through securities issued or guaranteed by U.S. Government agencies or sponsored enterprises	240,292	14	(43,458)	196,848	226,494	56	(32,974)	193,576
Other residential MBS issued or guaranteed by U.S. Government agencies or sponsored enterprises	430,853	—	(81,911)	348,942	485,221	17	(68,558)	416,680
Municipal securities	155	—	(3)	152	80	—	(1)	79
Corporate debt	2,000	—	(151)	1,849	2,000	—	(130)	1,870
Other securities	792	—	—	792	810	—	—	810
Total investment securities available-for-sale	\$ 748,478	\$ 14	\$ (128,047)	\$ 620,445	\$ 788,730	\$ 78	\$ (103,142)	\$ 685,666

	December 31, 2022				December 31, 2023			
	Amortized	Gross	Gross		Amortized	Gross	Gross	
	cost	unrealized gains	unrealized losses	Fair value	cost	unrealized gains	unrealized losses	Fair value
U.S. Treasury securities	\$ 74,031	\$ —	\$ (2,643)	\$ 71,388	\$ 74,508	\$ —	\$ (1,464)	\$ 73,044
Mortgage-backed securities:								
Residential mortgage pass-through securities issued or guaranteed by U.S. Government agencies or sponsored enterprises	263,939	1	(37,809)	226,131	233,264	57	(31,512)	201,809
Other residential MBS issued or guaranteed by U.S. Government agencies or sponsored enterprises	478,866	—	(72,940)	405,926	417,155	—	(65,913)	351,242
Municipal securities	155	—	(2)	153	80	—	(1)	79
Corporate debt	2,000	—	(80)	1,920	2,000	—	(157)	1,843
Other securities	771	—	—	771	812	—	—	812
Total investment securities available-for-sale	\$ 819,762	\$ 1	\$ (113,474)	\$ 706,289	\$ 727,819	\$ 57	\$ (99,047)	\$ 628,829

Purchases of available-for-sale securities during the three months ended March 31, 2024 totaled \$106.6 million. During the nine months ended September 30, 2023 March 31, 2023, there were no purchases of available-for-sale securities. During the nine months ended September 30, 2022, purchases of available-for-sale securities totaled \$260.2 million. Maturities and paydowns of available-for-sale securities during the nine months ended September 30, 2023 March 31, 2024 and 2022 2023 totaled \$71.3 million \$45.7 million and \$116.0 million \$22.5 million, respectively. There were no sales of available-for-sale securities during the nine months ended September 30, 2023 March 31, 2024 or 2022, 2023.

At September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, the Company's available-for-sale investment portfolio was primarily comprised of U.S. Treasury securities and mortgage-backed securities securities ("MBS"). All mortgage-backed securities were backed by government sponsored enterprises ("GSE") collateral such as Federal Home Loan Mortgage Corporation ("FHLMC") and Federal National Mortgage Association ("FNMA"), and the government owned agency Government National Mortgage Association ("GNMA").

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The tables below summarize the available-for-sale securities with unrealized losses as of the dates shown, along with the length of the impairment period:

	September 30, 2023						March 31, 2024					
	Less than 12 months		12 months or more		Total		Less than 12 months		12 months or more		Total	
	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
U.S. Treasury securities	\$ —	\$ —	\$ 71,862	\$ (2,524)	\$ 71,862	\$ (2,524)	\$ —	\$ —	\$ 48,133	\$ (1,479)	\$ 48,133	\$ (1,479)
Mortgage-backed securities:												
Residential mortgage pass-through securities issued or guaranteed by U.S. Government agencies or sponsored enterprises	16	(1)	193,918	(43,457)	193,934	(43,458)	—	—	190,255	(32,974)	190,255	(32,974)
Other residential MBS issued or guaranteed by U.S. Government agencies or sponsored enterprises	136	(4)	348,806	(81,907)	348,942	(81,911)	38,658	(313)	335,986	(68,245)	374,644	(68,558)
Municipal securities	—	—	152	(3)	152	(3)	—	—	79	(1)	79	(1)
Corporate debt	—	—	1,849	(151)	1,849	(151)	—	—	1,870	(130)	1,870	(130)
Total	\$ 152	\$ (5)	\$ 616,587	\$ (128,042)	\$ 616,739	\$ (128,047)	\$ 38,658	\$ (313)	\$ 576,323	\$ (102,829)	\$ 614,981	\$ (103,142)

	December 31, 2022					
	Less than 12 months		12 months or more		Total	
	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
	\$ 71,388	\$ (2,643)	\$ —	\$ —	\$ 71,388	\$ (2,643)
U.S. Treasury securities	\$ 71,388	\$ (2,643)	\$ —	\$ —	\$ 71,388	\$ (2,643)
Mortgage-backed securities:						
Residential mortgage pass-through securities issued or guaranteed by U.S. Government agencies or sponsored enterprises	83,748	(6,686)	141,272	(31,123)	225,020	(37,809)
Other residential MBS issued or guaranteed by U.S. Government agencies or sponsored enterprises	196,449	(22,809)	209,477	(50,131)	405,926	(72,940)

Municipal securities	153	(2)	—	—	—	153	(2)
Corporate debt	1,920	(80)	—	—	—	1,920	(80)
Total	\$ 353,658	\$ (32,220)	\$ 350,749	\$ (81,254)	\$ 704,407	\$ (113,474)	

	December 31, 2023					
	Less than 12 months		12 months or more		Total	
	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
U.S. Treasury securities	\$ —	\$ —	\$ 73,044	\$ (1,464)	\$ 73,044	\$ (1,464)
Mortgage-backed securities:						
Residential mortgage pass-through securities issued or guaranteed by U.S. Government agencies or sponsored enterprises	9	—	199,000	(31,512)	199,009	(31,512)
Other residential MBS issued or guaranteed by U.S. Government agencies or sponsored enterprises	138	(1)	351,104	(65,912)	351,242	(65,913)
Municipal securities	—	—	79	(1)	79	(1)
Corporate debt	—	—	1,843	(157)	1,843	(157)
Total	\$ 147	\$ (1)	\$ 625,070	\$ (99,046)	\$ 625,217	\$ (99,047)

Management evaluated all of the available-for-sale securities in an unrealized loss position at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023. The portfolio included 237 231 securities, which were in an unrealized loss position at September 30, 2023 March 31, 2024, compared to 244 230 securities at December 31, 2022 December 31, 2023. The unrealized losses in the Company's investment portfolio at September 30, 2023 March 31, 2024 and December 31, 2023 were caused by changes in interest rates. The Company has no intention to sell these securities and believes it will not be required to sell the securities before the recovery of their amortized cost. Management believes that default of the available-for-sale securities is highly unlikely. FHLMC, FNMA and GNMA guaranteed mortgage-backed securities and U.S. Treasury securities have a long history of zero credit losses, an explicit guarantee by the U.S. government (although limited for FNMA and FHLMC securities) and yields that generally trade based on market views of prepayment and liquidity risk rather than credit risk.

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The tables below summarize the credit quality indicators, by fair value, of available-for-sale securities as of the dates shown:

	September 30, 2023			March 31, 2024		
	AAA	Not rated	Total	AAA	Not rated	Total
	\$		\$	\$	\$	\$
U.S. Treasury securities	\$ 71,862	\$ —	\$ 71,862	\$ 72,651	\$ —	\$ 72,651
Mortgage-backed securities:						
Residential mortgage pass-through securities issued or guaranteed by U.S. Government agencies or sponsored enterprises	196,848	—	196,848	193,576	—	193,576
Other residential MBS issued or guaranteed by U.S. Government agencies or sponsored enterprises	348,942	—	348,942	416,680	—	416,680
Municipal securities	—	152	152	—	79	79
Corporate debt	—	1,849	1,849	—	1,870	1,870
Other securities	—	792	792	—	810	810
Total investment securities available-for-sale	\$ 617,652	\$ 2,793	\$ 620,445	\$ 682,907	\$ 2,759	\$ 685,666

	December 31, 2022			December 31, 2023		
	AAA	Not rated	Total	AAA	Not rated	Total
	\$ 71,388	\$ —	\$ 71,388	\$ 73,044	\$ —	\$ 73,044
U.S. Treasury securities						
Mortgage-backed securities:						
Residential mortgage pass-through securities issued or guaranteed by U.S. Government agencies or sponsored enterprises	226,131	—	226,131	201,809	—	201,809
Other residential MBS issued or guaranteed by U.S. Government agencies or sponsored enterprises	405,926	—	405,926	351,242	—	351,242
Municipal securities	—	153	153	—	79	79
Corporate debt	—	1,920	1,920	—	1,843	1,843
Other securities	—	771	771	—	812	812
Total investment securities available-for-sale	\$ 703,445	\$ 2,844	\$ 706,289	\$ 626,095	\$ 2,734	\$ 628,829

Certain securities are pledged as collateral for public deposits, securities sold under agreements to repurchase and to secure borrowing capacity at the Federal Reserve Bank ("FRB"), if needed. The fair value of available-for-sale investment securities pledged as collateral totaled **\$205.3 million** **\$301.2 million** and **\$484.9 million** **\$312.4 million** at **September 30, 2023** **March 31, 2024** and at **December 31, 2022** **December 31, 2023**, respectively. The **Bank Company** may also pledge available-for-sale investment securities as collateral for Federal Home Loan Bank ("FHLB") advances. No securities were pledged for this purpose at **September 30, 2023** **March 31, 2024** or **December 31, 2022** **December 31, 2023**.

A summary of the available-for-sale securities by maturity is shown in the following table as of **September 30, 2023** **March 31, 2024**. Mortgage-backed securities may have actual maturities that differ from contractual maturities depending on the repayment characteristics and experience of the underlying financial instruments and are therefore not included in the table below. Additionally, the Company holds other available-for-sale securities with an amortized cost and fair value of \$0.8 million as of March 31, 2024 that have no stated contractual maturity date.

	September 30, 2023		
	Weighted		
	Amortized Cost	Fair Value	Average Yield
U.S. Treasury securities			
Within one year	\$ 24,917	\$ 24,598	2.30%
After one but within five years	49,469	47,264	2.67%
Municipal securities			
After one but within five years	155	152	3.17%
Corporate debt			
After five but within ten years	2,000	1,849	5.87%

As of September 30, 2023 and December 31, 2022, accrued interest receivable ("AIR") from available-for-sale investment securities totaled **\$1.3 million** and **\$1.5 million**, respectively, and was included within other assets in the consolidated statements of financial condition.

	March 31, 2024		
	Weighted		
	Amortized Cost	Fair Value	Average Yield
U.S. Treasury securities			
Within one year	\$ 49,323	\$ 48,752	3.93%
After one but within five years	24,802	23,899	2.77%
Total U.S. Treasury securities	74,125	72,651	3.55%
Municipal securities			
Within one year	80	79	3.17%
Corporate debt			
After five but within ten years	2,000	1,870	5.87%
Total	\$ 76,205	\$ 74,600	

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As of March 31, 2024 and December 31, 2023, accrued interest receivable ("AIR") from available-for-sale investment securities totaled \$1.6 million and \$1.3 million, respectively, and was included within other assets in the consolidated statements of financial condition.

Held-to-maturity

Held-to-maturity investment securities are summarized as follows as of the dates indicated:

	September 30, 2023				
	Gross		Gross		
	Amortized	unrealized	unrealized		Fair value
	cost	gains	losses		
U.S. Treasury securities	\$ 49,263	\$ —	\$ (1,848)	\$ 47,415	
Mortgage-backed securities:					
Residential mortgage pass-through securities issued or guaranteed by U.S. Government agencies or sponsored enterprises	309,216	—	(49,023)	260,193	
Other residential MBS issued or guaranteed by U.S. Government agencies or sponsored enterprises	242,022	—	(55,388)	186,634	
Total investment securities held-to-maturity	\$ 600,501	\$ —	\$ (106,259)	\$ 494,242	

	December 31, 2022				March 31, 2024			
	Gross		Gross		Gross		Gross	
	Amortized	unrealized	unrealized	Fair value	Amortized	unrealized	unrealized	Fair value
	cost	gains	losses		cost	gains	losses	
U.S. Treasury securities	\$ 49,045	\$ —	\$ (1,416)	\$ 47,629	\$ 49,412	\$ —	\$ (1,223)	\$ 48,189
Mortgage-backed securities:								
Residential mortgage pass-through securities issued or guaranteed by U.S. Government agencies or sponsored enterprises	339,815	163	(41,162)	298,816	290,450	42	(36,578)	253,914
Other residential MBS issued or guaranteed by U.S. Government agencies or sponsored enterprises	262,667	—	(49,188)	213,479	230,988	—	(47,315)	183,673
Total investment securities held-to-maturity	\$ 651,527	\$ 163	\$ (91,766)	\$ 559,924	\$ 570,850	\$ 42	\$ (85,116)	\$ 485,776

	December 31, 2023				
	Gross		Gross		
	Amortized	unrealized	unrealized		Fair value
	cost	gains	losses		
U.S. Treasury securities	\$ 49,338	\$ —	\$ (1,004)	\$ 48,334	
Mortgage-backed securities:					
Residential mortgage pass-through securities issued or guaranteed by U.S. Government agencies or sponsored enterprises	299,337	226	(34,552)	265,011	
Other residential MBS issued or guaranteed by U.S. Government agencies or sponsored enterprises	236,377	2	(45,396)	190,983	
Total investment securities held-to-maturity	\$ 585,052	\$ 228	\$ (80,952)	\$ 504,328	

There were no purchases of held-to-maturity securities during the three months ended March 31, 2024. During the **nine** three months ended September 30, 2023 and 2022, March 31, 2023, purchases of held-to-maturity securities totaled \$2.5 million and \$91.6 million, respectively. Maturities and paydowns of held-to-maturity securities totaled \$53.9 million, \$14.4 million and \$93.2 million, \$16.2 million during the **nine** three months ended September 30, 2023, March 31, 2024 and 2022, 2023, respectively.

The held-to-maturity portfolio included **160** 155 securities which were in an unrealized loss position as of September 30, 2023, March 31, 2024 compared to **129** 123 securities at December 31, 2022 December 31, 2023. The tables below summarize the held-to-maturity securities with unrealized losses as of the dates shown, along with the length of the impairment period:

		September 30, 2023					
		Less than 12 months		12 months or more		Total	
		Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
		\$ —	\$ —	\$ 47,415	\$ (1,848)	\$ 47,415	\$ (1,848)
U.S. Treasury securities		\$ —	\$ —	\$ 47,415	\$ (1,848)	\$ 47,415	\$ (1,848)
Mortgage-backed securities:							
Residential mortgage pass-through securities issued or guaranteed by U.S. Government agencies or sponsored enterprises		53,423	(2,086)	206,771	(46,937)	260,194	(49,023)
Other residential MBS issued or guaranteed by U.S. Government agencies or sponsored enterprises		3,882	(170)	182,752	(55,218)	186,634	(55,388)
Total		\$ 57,305	\$ (2,256)	\$ 436,938	\$ (104,003)	\$ 494,243	\$ (106,259)

		March 31, 2024					
		Less than 12 months		12 months or more		Total	
		Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
		\$ —	\$ —	\$ 48,189	\$ (1,223)	\$ 48,189	\$ (1,223)
U.S. Treasury securities		\$ —	\$ —	\$ 48,189	\$ (1,223)	\$ 48,189	\$ (1,223)
Mortgage-backed securities:							
Residential mortgage pass-through securities issued or guaranteed by U.S. Government agencies or sponsored enterprises		39,333	(383)	210,673	(36,195)	250,006	(36,578)
Other residential MBS issued or guaranteed by U.S. Government agencies or sponsored enterprises		2,946	(53)	180,728	(47,262)	183,674	(47,315)
Total		\$ 42,279	\$ (436)	\$ 439,590	\$ (84,680)	\$ 481,869	\$ (85,116)

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		December 31, 2022					
		Less than 12 months		12 months or more		Total	
		Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
		\$ 47,629	\$ (1,416)	\$ —	\$ —	\$ 47,629	\$ (1,416)
U.S. Treasury securities		\$ 47,629	\$ (1,416)	\$ —	\$ —	\$ 47,629	\$ (1,416)
Mortgage-backed securities:							

Residential mortgage pass-through securities issued or guaranteed by U.S. Government agencies or sponsored enterprises	83,323	(3,804)	182,159	(37,358)	265,482	(41,162)
Other residential MBS issued or guaranteed by U.S. Government agencies or sponsored enterprises	34,704	(1,145)	178,776	(48,043)	213,480	(49,188)
Total	\$ 165,656	\$ (6,365)	\$ 360,935	\$ (85,401)	\$ 526,591	\$ (91,766)
December 31, 2023						
	Less than 12 months		12 months or more		Total	
	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
U.S. Treasury securities	\$ —	\$ —	\$ 48,334	\$ (1,004)	\$ 48,334	\$ (1,004)
Mortgage-backed securities:						
Residential mortgage pass-through securities issued or guaranteed by U.S. Government agencies or sponsored enterprises	14,689	(72)	217,467	(34,480)	232,156	(34,552)
Other residential MBS issued or guaranteed by U.S. Government agencies or sponsored enterprises	2,289	(37)	187,021	(45,359)	189,310	(45,396)
Total	\$ 16,978	\$ (109)	\$ 452,822	\$ (80,843)	\$ 469,800	\$ (80,952)

The Company does not measure expected credit losses on a financial asset, or group of financial assets, in which historical credit loss information adjusted for current conditions and reasonable and supportable forecasts results in an expectation that nonpayment of the amortized cost basis is zero. Management evaluated held-to-maturity securities noting they are backed by loans guaranteed by either U.S. government agencies or U.S. government sponsored entities, and management believes that default is highly unlikely given this governmental backing and long history without credit losses. Additionally, management notes that yields on which the portfolio generally trades are based upon market views of prepayment and liquidity risk and not credit risk. The Company has no intention to sell any held-to-maturity securities and believes it will not be required to sell any held-to-maturity securities before the recovery of their amortized cost.

The tables below summarize the credit quality indicators, by amortized cost, of held-to-maturity securities as of the dates shown:

	September 30, 2023	
	AAA	
U.S. Treasury securities	\$	49,263
Mortgage-backed securities:		
Residential mortgage pass-through securities issued or guaranteed by U.S. Government agencies or sponsored enterprises		309,216
Other residential MBS issued or guaranteed by U.S. Government agencies or sponsored enterprises		242,022
Total investment securities held-to-maturity	\$	600,501

	December 31, 2022		March 31, 2024		December 31, 2023
	AAA		AAA	AAA	
	AAA	AAA	AAA	AAA	
U.S. Treasury securities	\$ 49,045	\$ 49,412	\$ 49,338		
Mortgage-backed securities:					
Residential mortgage pass-through securities issued or guaranteed by U.S. Government agencies or sponsored enterprises		339,815	290,450	299,337	
Other residential MBS issued or guaranteed by U.S. Government agencies or sponsored enterprises		262,667	230,988	236,377	
Total investment securities held-to-maturity	\$ 651,527	\$ 570,850	\$ 585,052		

Certain securities are pledged as collateral for public deposits, securities sold under agreements to repurchase and to secure borrowing capacity at the FRB, if needed. The carrying value of held-to-maturity investment securities pledged as collateral totaled \$600.5 million \$543.2 million and \$355.3 million \$559.3 million at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively. The Company may also pledge held-to-maturity investment securities as collateral for FHLB advances. No held-to-maturity investment securities were pledged for this purpose at September 30, 2023 March 31, 2024 or December 31, 2022 December 31, 2023.

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A summary of the held-to-maturity securities by maturity is shown in the following table as of **September 30, 2023** **March 31, 2024**. Actual maturities of mortgage-backed securities may differ from scheduled maturities depending on the repayment characteristics and experience of the underlying financial instruments and are therefore not included in the table below.

	September 30, 2023			March 31, 2024		
	Amortized Cost	Fair Value	Weighted Average Yield	Weighted		
				Amortized Cost	Fair Value	Average Yield
U.S. Treasury securities						
After one but within five years	\$ 49,263	\$ 47,415	3.14%	\$ 49,412	\$ 48,189	3.14%

As of **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**, AIR from held-to-maturity investment securities totaled \$1.3 million and \$1.1 million \$1.0 million, respectively, and was included within other assets in the consolidated statements of financial condition.

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Note 4 Non-marketable Securities

The carrying balance of non-marketable securities are summarized as follows as of the dates indicated:

	September 30, 2023		December 31, 2022		March 31, 2024	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Federal Reserve Bank stock	\$ 24,062	\$ 18,096	\$ 24,062	\$ 24,062	\$ 24,062	\$ 24,062
Federal Home Loan Bank stock		14,787		20,294		779
Convertible preferred stock					24,415	25,000
Equity method investments		23,968		21,659	24,183	24,587
Convertible preferred stock		25,000		29,000		
Total	\$ 87,817	\$ 89,049	\$ 73,439	\$ 90,477		

Non-marketable securities included FRB stock, FHLB stock and other non-marketable securities. During the **nine three** months ended **September 30, 2023** and **2022, March 31, 2024**, purchases of non-marketable securities **consisting** **totaled** \$10.3 million, and proceeds from non-marketable securities **totaled** \$27.1 million. Purchases **consisted** primarily of FHLB stock, **totaled** \$93.9 million and proceeds of non-marketable securities, **consisting** **consisted** of redemptions of FHLB stock, **totaled** \$90.3 million. The changes stock. Changes in the Company's FHLB stock holdings are **were** directly correlated to FHLB line of credit advances and paydowns. During the **nine three** months ended **September 30, 2022** **March 31, 2023**, purchases **totaling** \$11.5 million **were** comprised of other non-marketable securities **totaled** \$35.9 million, and proceeds from other non-marketable securities **totaled** \$0.1 million \$4.7 million.

FRB and FHLB stock

At **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**, the Company held FRB stock and FHLB stock for regulatory or debt facility purposes. These are restricted securities which, lacking a market, are carried at cost. There have been no identified events or changes in circumstances

that may have an adverse effect on the FRB and FHLB stock carried at cost.

Other non-marketable securities

Other non-marketable securities consist of equity method investments and convertible preferred stock without a readily determinable fair value. During the **nine** **three** months ended **September 30, 2023**, the Company recorded **\$4.0** million in impairments on convertible preferred stock related to venture capital investments, included in other non-interest income in the Company's consolidated statements of operations. **No** impairments were recorded during **2022**. During the **three** **March 31, 2024** and **nine** **months ended September 30, 2023**, the Company recorded net unrealized losses on equity method investments totaling **zero** **\$49.7** thousand and **\$0.4** million, respectively. During the **three** and **nine** months ended **September 30, 2022**, the Company recorded net unrealized gains on equity method investments totaling **\$1.3** million and **\$1.4** million **\$0.2** million, respectively. These gains and losses were recorded in other non-interest income in the Company's consolidated statements of operations. **No** impairments were recorded during the **three** months ended **March 31, 2024** or **2023**.

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Note 5 Loans

The loan portfolio is comprised of loans originated by the Company and loans that were acquired in connection with the Company's acquisitions.

The tables below show the loan portfolio composition including carrying value by segment as of the dates shown. The carrying value of loans is net of discounts, fees, costs and fair value marks of **\$36.3** million **\$33.3** million and **\$38.8** million **\$33.6** million as of **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**, respectively.

		September 30, 2023		March 31, 2024	
		Total loans	% of total	Total loans	% of total
Commercial	\$ 4,349,012		58.1%	\$ 4,381,780	57.9%
Commercial real estate non-owner occupied	1,814,059		24.3%	1,860,199	24.6%
Residential real estate	1,295,991		17.3%	1,310,204	17.3%
Consumer	19,376		0.3%	16,869	0.2%
Total	\$ 7,478,438		100.0%	\$ 7,569,052	100.0%

	December 31, 2022	
	Total loans	% of total
Commercial	\$ 4,251,780	58.9%
Commercial real estate non-owner occupied	1,696,050	23.5%
Residential real estate	1,251,281	17.3%
Consumer	21,358	0.3%
Total	\$ 7,220,469	100.0%

Information about delinquent and non-accrual loans is shown in the following tables at September 30, 2023 and December 31, 2022:

Commercial:	September 30, 2023					
	Greater					
	30-89 days	than 90 days	Total past due and			
	past due and	past due and	Non-accrual	due and	Current	Total loans
	accruing	accruing	loans	non-accrual		

Commercial and industrial	\$ 4,851	\$ —	\$ 2,284	\$ 7,135	\$ 1,933,065	\$ 1,940,200
Municipal and non-profit	—	—	—	—	1,013,272	1,013,272
Owner occupied commercial real estate	211	—	1,661	1,872	1,073,508	1,075,380
Food and agribusiness	40	140	7,244	7,424	312,736	320,160
Total commercial	5,102	140	11,189	16,431	4,332,581	4,349,012
Commercial real estate non-owner occupied:						
Construction	—	—	—	—	327,756	327,756
Acquisition/development	—	—	—	—	98,412	98,412
Multifamily	—	—	—	—	328,534	328,534
Non-owner occupied	226	—	13,537	13,763	1,045,594	1,059,357
Total commercial real estate and non-owner occupied	226	—	13,537	13,763	1,800,296	1,814,059
Residential real estate:						
Senior lien	1,934	8	7,662	9,604	1,195,898	1,205,502
Junior lien	808	—	762	1,570	88,919	90,489
Total residential real estate	2,742	8	8,424	11,174	1,284,817	1,295,991
Consumer	74	6	62	142	19,234	19,376
Total loans	\$ 8,144	\$ 154	\$ 33,212	\$ 41,510	\$ 7,436,928	\$ 7,478,438

December 31, 2023		
	Total loans	% of total
Commercial	\$ 4,499,035	58.4%
Commercial real estate non-owner occupied	1,856,750	24.1%
Residential real estate	1,323,787	17.2%
Consumer	19,186	0.3%
Total	\$ 7,698,758	100.0%

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September 30, 2023		
	Non-accrual loans	Non-accrual loans
	with a related	with no related
	allowance for	allowance for
	credit loss	credit loss
		Non-accrual
		loans
Commercial:		
Commercial and industrial	\$ 2,284	\$ —
Municipal and non-profit	—	—
Owner occupied commercial real estate	237	1,424
Food and agribusiness	6,673	571
Total commercial	9,194	1,995
Commercial real estate non-owner occupied:		
Construction	—	—
Acquisition/development	—	—
Multifamily	—	—
Non-owner occupied	65	13,472
Total commercial real estate non-owner occupied	65	13,472
Residential real estate:		

Senior lien	2,914	4,748	7,662
Junior lien	462	300	762
Total residential real estate	3,376	5,048	8,424
Consumer	56	6	62
Total loans	\$ 12,691	\$ 20,521	\$ 33,212

December 31, 2022							
	Greater						
	30-89 days		than 90 days		Total past		
	past due and	accruing	past due and	accruing	Non-accrual	due and	
					loans	non-accrual	Current
Commercial:							Total loans
Commercial and industrial	\$ 919	\$ 53	\$ 2,601	\$ 3,573	\$ 2,021,262	\$ 2,024,835	
Municipal and non-profit	—	—	—	—	—	959,626	959,626
Owner occupied commercial real estate	—	—	6,551	6,551	906,789	913,340	
Food and agribusiness	699	—	2,148	2,847	351,132	353,979	
Total commercial	1,618	53	11,300	12,971	4,238,809	4,251,780	
Commercial real estate non-owner occupied:							
Construction	—	—	—	—	341,325	341,325	
Acquisition/development	—	—	—	—	129,102	129,102	
Multifamily	—	—	—	—	213,677	213,677	
Non-owner occupied	629	—	685	1,314	1,010,632	1,011,946	
Total commercial real estate and non-owner occupied	629	—	685	1,314	1,694,736	1,696,050	
Residential real estate:							
Senior lien	446	—	4,174	4,620	1,149,728	1,154,348	
Junior lien	255	—	341	596	96,337	96,933	
Total residential real estate	701	—	4,515	5,216	1,246,065	1,251,281	
Consumer	38	42	12	92	21,266	21,358	
Total loans	\$ 2,986	\$ 95	\$ 16,512	\$ 19,593	\$ 7,200,876	\$ 7,220,469	

Information about delinquent and non-accrual loans is shown in the following tables at March 31, 2024 and December 31, 2023:

March 31, 2024							
	Greater						
	30-89 days		than 90 days		Total past		
	past due and	accruing	past due and	accruing	Non-accrual	due and	
					loans	non-accrual	Current
Commercial:							Total loans
Commercial and industrial	\$ 499	\$ —	\$ 8,817	\$ 9,316	\$ 1,900,544	\$ 1,909,860	
Municipal and non-profit	—	—	—	—	—	1,062,581	1,062,581
Owner occupied commercial real estate	49	—	752	801	1,108,988	1,109,789	
Food and agribusiness	—	—	5,476	5,476	294,074	299,550	
Total commercial	548	—	15,045	15,593	4,366,187	4,381,780	
Commercial real estate non-owner occupied:							
Construction	—	—	—	—	356,564	356,564	
Acquisition/development	—	—	—	—	90,323	90,323	
Multifamily	—	—	—	—	347,421	347,421	
Non-owner occupied	572	—	13,472	14,044	1,051,847	1,065,891	
Total commercial real estate and non-owner occupied	572	—	13,472	14,044	1,846,155	1,860,199	
Residential real estate:							
Senior lien	735	—	6,293	7,028	1,212,617	1,219,645	
Junior lien	1,439	—	957	2,396	88,163	90,559	
Total residential real estate	2,174	—	7,250	9,424	1,300,780	1,310,204	

Consumer	201	1	50	252	16,617	16,869
Total loans	\$ 3,495	\$ 1	\$ 35,817	\$ 39,313	\$ 7,529,739	\$ 7,569,052
March 31, 2024						
	Non-accrual loans	Non-accrual loans				
	with a related	with no related				
	allowance for	allowance for	Non-accrual			
	credit loss	credit loss	loans			
Commercial:						
Commercial and industrial	\$ 8,756	\$ 61	\$ 8,817			
Municipal and non-profit	—	—	—			
Owner occupied commercial real estate	752	—	752			
Food and agribusiness	4,890	586	5,476			
Total commercial	14,398	647	15,045			
Commercial real estate non-owner occupied:						
Construction	—	—	—			
Acquisition/development	—	—	—			
Multifamily	—	—	—			
Non-owner occupied	13,472	—	13,472			
Total commercial real estate non-owner occupied	13,472	—	13,472			
Residential real estate:						
Senior lien	3,613	2,680	6,293			
Junior lien	429	528	957			
Total residential real estate	4,042	3,208	7,250			
Consumer	50	—	50			
Total loans	\$ 31,962	\$ 3,855	\$ 35,817			

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Commercial:						
Commercial and industrial	\$ 1,640	\$ 961	\$ 2,601			
Municipal and non-profit	—	—	—			
Owner occupied commercial real estate	693	5,858	6,551			
Food and agribusiness	455	1,693	2,148			
Total commercial	2,788	8,512	11,300			
Commercial real estate non-owner occupied:						
Construction	—	—	—			
Acquisition/development	—	—	—			
Multifamily	—	—	—			
Non-owner occupied	685	—	685			

Total commercial real estate non-owner occupied	685	—	685
Residential real estate:			
Senior lien	3,019	1,155	4,174
Junior lien	341	—	341
Total residential real estate	3,360	1,155	4,515
Consumer	12	—	12
Total loans	\$ 6,845	\$ 9,667	\$ 16,512

December 31, 2023

	Greater					
	30-89 days		than 90 days		Total past	
	past due and	accruing	past due and	accruing	Non-accrual	due and
	accruing	accruing	accruing	accruing	non-accrual	Current
Commercial:						
Commercial and industrial	\$ 9,179	\$ —	\$ 2,250	\$ 11,429	\$ 1,955,480	\$ 1,966,909
Municipal and non-profit	—	—	—	—	1,083,756	1,083,756
Owner occupied commercial real estate	—	—	755	755	1,123,018	1,123,773
Food and agribusiness	—	12	5,762	5,774	318,823	324,597
Total commercial	9,179	12	8,767	17,958	4,481,077	4,499,035
Commercial real estate non-owner occupied:						
Construction	—	—	—	—	405,250	405,250
Acquisition/development	1,077	—	—	1,077	99,019	100,096
Multifamily	—	—	—	—	311,770	311,770
Non-owner occupied	60	—	13,472	13,532	1,026,102	1,039,634
Total commercial real estate and non-owner occupied	1,137	—	13,472	14,609	1,842,141	1,856,750
Residential real estate:						
Senior lien	1,410	50	5,488	6,948	1,226,651	1,233,599
Junior lien	375	528	448	1,351	88,837	90,188
Total residential real estate	1,785	578	5,936	8,299	1,315,488	1,323,787
Consumer	131	1	53	185	19,001	19,186
Total loans	\$ 12,232	\$ 591	\$ 28,228	\$ 41,051	\$ 7,657,707	\$ 7,698,758

	December 31, 2023					
	Non-accrual loans		Non-accrual loans			
	with a related		with no related			
	allowance for	credit loss	allowance for	credit loss	Non-accrual	
Commercial:						
Commercial and industrial	\$ 2,250	\$ —	\$ 2,250	—	2,250	
Municipal and non-profit	—	—	—	—	—	
Owner occupied commercial real estate	755	—	755	—	755	
Food and agribusiness	5,176	586	5,762	586	5,762	
Total commercial	8,181	586	8,767	—	8,767	
Commercial real estate non-owner occupied:						
Construction	—	—	—	—	—	
Acquisition/development	—	—	—	—	—	
Multifamily	—	—	—	—	—	
Non-owner occupied	13,472	—	13,472	—	13,472	
Total commercial real estate non-owner occupied	13,472	—	13,472	—	13,472	
Residential real estate:						
Senior lien	3,277	2,211	5,488	—	5,488	
Junior lien	448	—	448	—	448	
Total residential real estate	3,725	2,211	5,936	—	5,936	

Consumer	53	—	53
Total loans	\$ 25,431	\$ 2,797	\$ 28,228

Loans are considered past due or delinquent when the contractual principal or interest due in accordance with the terms of the loan agreement remains unpaid after the due date of the scheduled payment. Loans to borrowers experiencing financial difficulties may be modified. Modified loans are discussed in more detail below. There was no interest income recognized from non-accrual loans during the three or nine months ended September 30, 2023 March 31, 2024 or 2022, 2023.

The Company's internal risk rating system uses a series of grades, which reflect our assessment of the credit quality of loans based on an analysis of the borrower's financial condition, liquidity and ability to meet contractual debt service requirements and are categorized as "Pass", "Special mention", "Substandard" and "Doubtful". For a description of the general characteristics of the risk grades, refer to note 2 Summary of Significant Accounting Policies in our audited consolidated financial statements in our 2022 2023 Annual Report on [Form 10-K](#).

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The amortized cost basis and current period gross charge offs for all loans as determined by the Company's internal risk rating system and year of origination is shown in the following tables as of and for the three months ended March 31, 2024 and year ended December 31, 2023:

	March 31, 2024									
	Origination year						Revolving	Revolving		
	2024	2023	2022	2021	2020	Prior	amortized	converted		
							cost basis	to term	Total	
Commercial:										
Commercial and industrial:										
Pass	\$ 96,569	\$ 335,134	\$ 378,386	\$ 269,460	\$ 80,650	\$ 141,401	\$ 467,602	\$ 11,284	\$ 1,780,486	
Special mention	900	6,390	27,376	31,292	11,208	2,335	21,194	1,244	101,939	
Substandard	—	11,703	3,367	1,347	6,950	575	808	—	24,750	
Doubtful	—	2,033	—	35	617	—	—	—	2,685	
Total commercial and industrial	97,469	355,260	409,129	302,134	99,425	144,311	489,604	12,528	1,909,860	
Gross charge-offs: Commercial and industrial	—	—	—	—	—	24	—	—	—	24
Municipal and non-profit:										
Pass	4,593	144,702	141,468	245,572	79,289	411,316	33,607	—	1,060,547	
Special mention	—	—	—	—	2,034	—	—	—	2,034	
Total municipal and non-profit	4,593	144,702	141,468	245,572	81,323	411,316	33,607	—	1,062,581	
Owner occupied commercial real estate:										
Pass	21,089	230,577	262,466	172,534	97,300	245,581	13,586	270	1,043,403	
Special mention	—	1,664	22,879	9,698	—	25,858	299	—	60,398	
Substandard	—	—	515	2,378	—	2,587	—	—	5,480	
Doubtful	—	—	6	—	—	502	—	—	508	
Total owner occupied commercial real estate	21,089	232,241	285,866	184,610	97,300	274,528	13,885	270	1,109,789	
Food and agribusiness:										
Pass	2,518	11,712	72,805	12,532	9,174	43,007	133,071	477	285,296	
Special mention	—	—	—	4,482	—	3,683	—	450	8,615	
Substandard	—	—	—	586	—	178	1,587	—	2,351	

Doubtful	—	—	—	—	—	—	3,288	—	3,288
Total food and agribusiness	2,518	11,712	72,805	17,600	9,174	46,868	137,946	927	299,550
Total commercial	125,669	743,915	909,268	749,916	287,222	877,023	675,042	13,725	4,381,780
Gross charge-offs: Commercial	—	—	—	—	—	24	—	—	24
Commercial real estate non-owner occupied:									
Construction:									
Pass	1,860	61,438	141,828	41,016	66,519	—	43,158	745	356,564
Total construction	1,860	61,438	141,828	41,016	66,519	—	43,158	745	356,564
Acquisition/development:									
Pass	85	10,100	38,832	20,641	2,532	9,299	3,438	4,319	89,246
Special mention	—	—	1,077	—	—	—	—	—	1,077
Total acquisition/development	85	10,100	39,909	20,641	2,532	9,299	3,438	4,319	90,323
Multifamily:									
Pass	9,033	16,455	117,430	104,263	16,872	70,794	832	—	335,679
Special mention	—	—	11,742	—	—	—	—	—	11,742
Total multifamily	9,033	16,455	129,172	104,263	16,872	70,794	832	—	347,421
Non-owner occupied									
Pass	4,031	109,914	274,414	161,436	90,611	353,135	5,988	299	999,828
Special mention	—	—	9,181	1,820	20,363	6,246	—	—	37,610
Substandard	—	—	—	5,207	—	20,013	—	—	25,220
Doubtful	—	—	—	—	—	3,233	—	—	3,233
Total non-owner occupied	4,031	109,914	283,595	168,463	110,974	382,627	5,988	299	1,065,891
Total commercial real estate non-owner occupied	15,009	197,907	594,504	334,383	196,897	462,720	53,416	5,363	1,860,199
Residential real estate:									
Senior lien									
Pass	9,135	91,141	436,360	308,130	110,679	206,637	48,761	107	1,210,950
Special mention	—	—	745	—	—	505	—	—	1,250
Substandard	—	1,537	1,582	986	415	2,863	—	—	7,383
Doubtful	—	—	29	—	33	—	—	—	62
Total senior lien	9,135	92,678	438,716	309,116	111,127	210,005	48,761	107	1,219,645
Junior lien									
Pass	795	5,916	4,367	1,768	2,117	6,871	63,514	4,183	89,531
Special mention	—	—	—	—	—	27	—	—	27
Substandard	—	—	146	236	297	322	—	—	1,001
Total junior lien	795	5,916	4,513	2,004	2,414	7,220	63,514	4,183	90,559
Total residential real estate	9,930	98,594	443,229	311,120	113,541	217,225	112,275	4,290	1,310,204
Consumer									
Pass	976	5,235	2,512	1,890	835	440	4,884	47	16,819
Substandard	—	—	—	—	—	47	3	—	50
Total consumer	976	5,235	2,512	1,890	835	487	4,887	47	16,869
Gross charge-offs: Consumer	198	18	3	3	—	32	—	—	254
Total loans	\$ 151,584	\$ 1,045,651	\$ 1,949,513	\$ 1,397,309	\$ 598,495	\$ 1,557,455	\$ 845,620	\$ 23,425	\$ 7,569,052
Gross charge-offs: Total loans	198	18	3	3	—	56	—	—	278

The amortized cost basis and current period gross charge-offs for all loans as determined by the Company's internal risk rating system and year of origination is shown in the following table as of September 30, 2023:

	December 31, 2023										Revolving	Revolving
	Origination year						loans		loans			
	2023	2022	2021	2020	2019	Prior	amortized	converted	cost basis	to term	Total	
Commercial:												
Commercial and industrial:												
Pass	\$ 348,103	\$ 396,618	\$ 271,201	\$ 87,234	\$ 41,261	\$ 106,711	\$ 563,924	\$ 31,620	\$ 1,846,672			
Special mention	4,775	12,259	31,895	20,340	2,202	683	18,344	3,470	93,968			
Substandard	13,729	4,555	4,248	1,314	179	347	910	—	25,282			
Doubtful	600	—	—	387	—	—	—	—	—	987		
Total commercial and industrial	367,207	413,432	307,344	109,275	43,642	107,741	583,178	35,090	1,966,909			
Gross charge-offs: Commercial and industrial	—	12	215	—	47	3	—	—	—	277		
Municipal and non-profit:												
Pass	139,591	140,626	246,088	82,590	53,460	389,867	31,534	—	1,083,756			
Total municipal and non-profit	139,591	140,626	246,088	82,590	53,460	389,867	31,534	—	1,083,756			
Owner occupied commercial real estate:												
Pass	236,897	275,644	181,472	97,523	86,761	163,997	18,281	—	1,060,575			
Special mention	2,074	19,191	7,808	—	2,650	27,653	—	—	59,376			
Substandard	—	515	1,732	—	687	234	—	—	3,168			
Doubtful	—	6	—	—	—	648	—	—	654			
Total owner occupied commercial real estate	238,971	295,356	191,012	97,523	90,098	192,532	18,281	—	1,123,773			
Food and agribusiness:												
Pass	16,917	69,212	14,159	15,379	10,417	34,592	149,125	51	309,852			
Special mention	—	—	4,646	—	—	3,724	450	—	8,820			
Substandard	—	—	586	—	—	180	1,786	—	2,552			
Doubtful	—	—	—	—	—	—	3,373	—	3,373			
Total food and agribusiness	16,917	69,212	19,391	15,379	10,417	38,496	154,734	51	324,597			
Total commercial	762,686	918,626	763,835	304,767	197,617	728,636	787,727	35,141	4,499,035			
Gross charge-offs: Commercial	—	12	215	—	47	3	—	—	277			
Commercial real estate non-owner occupied:												
Construction:												
Pass	43,385	190,826	59,477	63,486	1,006	—	47,070	—	405,250			
Total construction	43,385	190,826	59,477	63,486	1,006	—	47,070	—	405,250			
Acquisition/development:												
Pass	13,228	39,000	21,011	5,992	597	8,814	7,416	2,961	99,019			
Special mention	—	1,077	—	—	—	—	—	—	1,077			
Total acquisition/development	13,228	40,077	21,011	5,992	597	8,814	7,416	2,961	100,096			
Multifamily:												
Pass	16,450	113,936	92,574	16,938	39,371	31,671	830	—	311,770			
Total multifamily	16,450	113,936	92,574	16,938	39,371	31,671	830	—	311,770			
Non-owner occupied												
Pass	116,168	241,563	172,042	91,188	124,291	236,694	6,694	—	988,640			
Special mention	—	—	—	21,268	3,876	2,489	—	—	27,633			
Substandard	—	—	—	—	—	19,848	—	—	19,848			
Doubtful	—	—	—	280	—	3,233	—	—	3,513			
Total non-owner occupied	116,168	241,563	172,042	112,736	128,167	262,264	6,694	—	1,039,634			
Total commercial real estate non-owner occupied	189,231	586,402	345,104	199,152	169,141	302,749	62,010	2,961	1,856,750			

Residential real estate:									
Senior lien									
Pass	87,608	434,963	316,080	112,582	42,752	183,890	48,462	94	1,226,431
Special mention	—	—	—	—	—	515	—	—	515
Substandard	1,555	1,119	740	415	620	2,167	—	—	6,616
Doubtful	—	—	—	—	—	37	—	—	37
Total senior lien	89,163	436,082	316,820	112,997	43,372	186,609	48,462	94	1,233,599
Gross charge-offs: Senior lien	—	—	—	—	—	48	—	—	48
Junior lien									
Pass	4,920	4,464	1,712	2,947	2,270	4,729	66,441	684	88,167
Special mention	—	—	—	—	—	27	249	—	276
Substandard	263	149	236	758	—	339	—	—	1,745
Total junior lien	5,183	4,613	1,948	3,705	2,270	5,095	66,690	684	90,188
Total residential real estate	94,346	440,695	318,768	116,702	45,642	191,704	115,152	778	1,323,787
Gross charge-offs: Residential real estate	—	—	—	—	—	48	—	—	48
Consumer									
Pass	5,945	3,330	2,233	997	244	410	5,947	27	19,133
Substandard	—	—	—	—	—	50	3	—	53
Total consumer	5,945	3,330	2,233	997	244	460	5,950	27	19,186
Gross charge-offs: Consumer	1,225	13	1	2	1	8	—	—	1,250
Total loans	\$ 1,052,208	\$ 1,949,053	\$ 1,429,940	\$ 621,618	\$ 412,644	\$ 1,223,549	\$ 970,839	\$ 38,907	\$ 7,698,758
Gross charge-offs: Total loans	1,225	25	216	2	48	59	—	—	1,575

September 30, 2023										Revolving	Revolving								
										loans	loans								
										amortized	converted								
Origination year																			
2023		2022		2021		2020		2019		Prior									
										cost basis	to term								
											Total								
Commercial:																			
Commercial and industrial:																			
Pass	\$ 249,364	\$ 423,936	\$ 293,175	\$ 90,830	\$ 58,580	\$ 118,061	\$ 609,476	\$ 12,009	\$ 1,855,431										
Special mention	8,741	14,588	22,428	20,749	1,221	4,209	9,448	—	81,384										
Substandard	—	78	181	1,237	204	229	—	269	2,198										
Doubtful	600	—	—	423	—	164	—	—	1,187										
Total commercial and industrial	258,705	438,602	315,784	113,239	60,005	122,663	618,924	12,278	1,940,200										
Gross charge-offs: Commercial and industrial	—	—	215	—	24	3	—	—	242										
Municipal and non-profit:																			
Pass	67,861	140,673	248,738	84,518	57,244	387,367	26,871	—	1,013,272										
Total municipal and non-profit	67,861	140,673	248,738	84,518	57,244	387,367	26,871	—	1,013,272										
Owner occupied commercial real estate:																			
Pass	175,287	282,771	186,968	95,383	84,877	175,538	16,044	836	1,017,704										
Special mention	410	15,836	8,694	—	8,031	19,865	—	—	52,836										
Substandard	—	—	1,742	1,207	913	321	—	—	4,183										
Doubtful	—	—	—	—	—	657	—	—	657										
Total owner occupied commercial real estate	175,697	298,607	197,404	96,590	93,821	196,381	16,044	836	1,075,380										
Food and agribusiness:																			
Pass	20,862	49,396	19,672	16,352	10,560	35,903	155,214	153	308,112										
Special mention	—	—	203	—	—	3,746	450	—	4,399										
Substandard	—	—	586	—	12	171	3,235	—	4,004										
Doubtful	—	—	—	228	—	—	3,417	—	3,645										
Total food and agribusiness	20,862	49,396	20,461	16,580	10,572	39,820	162,316	153	320,160										
Total commercial	523,125	927,278	782,387	310,927	221,642	746,231	824,155	13,267	4,349,012										

Gross charge-offs: Commercial	—	—	215	—	24	3	—	—	242
Commercial real estate non-owner occupied:									
Construction:									
Pass	18,771	150,694	54,337	58,723	1,015	—	37,310	6,906	327,756
Total construction	18,771	150,694	54,337	58,723	1,015	—	37,310	6,906	327,756
Acquisition/development:									
Pass	7,025	45,635	21,087	6,036	641	9,084	8,740	—	98,248
Substandard	—	—	—	—	—	164	—	—	164
Total acquisition/development	7,025	45,635	21,087	6,036	641	9,248	8,740	—	98,412
Multifamily:									
Pass	15,170	113,146	90,973	17,015	39,430	32,111	20,689	—	328,534
Total multifamily	15,170	113,146	90,973	17,015	39,430	32,111	20,689	—	328,534
Non-owner occupied									
Pass	87,691	257,343	173,674	106,359	133,372	244,826	10,320	—	1,013,585
Special mention	—	—	—	7,194	3,920	11,294	—	—	22,408
Substandard	—	—	—	—	—	22,823	—	—	22,823
Doubtful	—	—	—	280	—	261	—	—	541
Total non-owner occupied	87,691	257,343	173,674	113,833	137,292	279,204	10,320	—	1,059,357
Total commercial real estate non-owner occupied	128,657	566,818	340,071	195,607	178,378	320,563	77,059	6,906	1,814,059
Residential real estate:									
Senior lien									
Pass	60,807	418,159	318,325	114,668	44,619	192,174	46,803	633	1,196,188
Special mention	—	—	—	—	—	475	—	—	475
Substandard	1,573	1,796	358	447	817	3,808	—	—	8,799
Doubtful	—	—	—	—	—	40	—	—	40
Total senior lien	62,380	419,955	318,683	115,115	45,436	196,497	46,803	633	1,205,502
Gross charge-offs: Senior lien	—	—	—	—	—	46	—	—	46
Junior lien									
Pass	4,351	4,837	1,997	3,301	2,527	5,282	64,208	2,691	89,194
Special mention	—	—	—	—	—	27	—	—	27
Substandard	—	152	300	460	—	356	—	—	1,268
Total junior lien	4,351	4,989	2,297	3,761	2,527	5,665	64,208	2,691	90,489
Total residential real estate	66,731	424,944	320,980	118,876	47,963	202,162	111,011	3,324	1,295,991

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Gross charge-offs: Residential real estate	—	—	—	—	—	46	—	—	46
Consumer									
Pass									
Pass	5,624	3,873	2,557	1,175	329	445	5,287	24	19,314
Substandard	—	—	2	4	—	53	3	—	62
Total consumer	5,624	3,873	2,559	1,179	329	498	5,290	24	19,376
Gross charge-offs: Consumer	914	6	1	2	0	7	—	—	930
Total loans	\$ 724,137	\$ 1,922,913	\$ 1,445,997	\$ 626,589	\$ 448,312	\$ 1,269,454	\$ 1,017,515	\$ 23,521	\$ 7,478,438
Gross charge-offs: Total loans	914	6	216	2	24	56	—	—	1,218

The amortized cost basis for all loans as determined by the Company's internal risk rating system and year of origination is shown in the following table as of December 31, 2022:

	December 31, 2022										Revolving loans		Revolving loans	
	Origination year						amortized		converted					
	2022	2021	2020	2019	2018	Prior	cost basis	to term	Total					
Commercial:														
Commercial and industrial:														
Pass	\$ 528,180	\$ 351,003	\$ 129,453	\$ 95,003	\$ 101,951	\$ 88,038	\$ 688,398	\$ 17,883	\$ 1,999,909					
Special mention	66	137	388	2,887	588	4,440	3,512	—	12,018					
Substandard	34	7	1,882	200	189	10,270	50	30	12,662					
Doubtful	—	—	246	—	—	—	—	—	246					
Total commercial and industrial	528,280	351,147	131,969	98,090	102,728	102,748	691,960	17,913	2,024,835					
Municipal and non-profit:														
Pass	105,630	246,696	89,562	59,066	73,013	383,158	2,501	—	959,626					
Total municipal and non-profit	105,630	246,696	89,562	59,066	73,013	383,158	2,501	—	959,626					
Owner occupied commercial real estate:														
Pass	263,635	203,628	100,522	92,653	70,447	121,448	24,930	894	878,157					
Special mention	—	515	—	6,956	2,616	17,360	—	—	27,447					
Substandard	—	—	1,185	4,612	—	931	—	234	6,962					
Doubtful	—	—	—	85	108	581	—	—	774					
Total owner occupied commercial real estate	263,635	204,143	101,707	104,306	73,171	140,320	24,930	1,128	913,340					
Food and agribusiness:														
Pass	36,505	23,907	25,285	11,035	19,689	31,210	191,785	1,663	341,079					
Special mention	—	204	4,573	—	3,486	195	1,750	—	10,208					
Substandard	—	1,747	—	12	—	324	—	173	2,256					
Doubtful	—	186	250	—	—	—	—	—	436					
Total food and agribusiness	36,505	26,044	30,108	11,047	23,175	31,729	193,535	1,836	353,979					
Total commercial	934,050	828,030	353,346	272,509	272,087	657,955	912,926	20,877	4,251,780					
Commercial real estate non-owner occupied:														
Construction:														
Pass	106,197	139,012	56,489	14,387	—	213	25,027	—	341,325					
Total construction	106,197	139,012	56,489	14,387	—	213	25,027	—	341,325					
Acquisition/development:														
Pass	57,773	33,663	7,810	1,921	3,939	16,648	7,348	—	129,102					
Total acquisition/development	57,773	33,663	7,810	1,921	3,939	16,648	7,348	—	129,102					
Multifamily:														
Pass	99,988	22,022	17,658	39,547	17,358	16,009	1,095	—	213,677					
Total multifamily	99,988	22,022	17,658	39,547	17,358	16,009	1,095	—	213,677					
Non-owner occupied														
Pass	235,958	172,648	120,871	138,711	42,489	249,461	11,707	—	971,845					
Special mention	—	—	7,313	4,048	3,947	12,658	—	—	27,966					
Substandard	—	—	—	—	629	7,912	—	—	8,541					
Doubtful	—	—	280	—	—	3,314	—	—	3,594					
Total non-owner occupied	235,958	172,648	128,464	142,759	47,065	273,345	11,707	—	1,011,946					
Total commercial real estate non-owner occupied	499,916	367,345	210,421	198,614	68,362	306,215	45,177	—	1,696,050					
Residential real estate:														
Senior lien														
Pass	361,405	323,984	133,847	47,557	30,283	184,998	66,792	496	1,149,362					

Special mention	—	—	—	—	—	—	362	—	—	362
Substandard	191	186	468	854	105	2,769	—	—	—	4,573
Doubtful	—	—	—	—	51	—	—	—	—	51
Total senior lien	361,596	324,170	134,315	48,411	30,439	188,129	66,792	496	1,154,348	
Junior lien										
Pass	6,429	5,977	3,010	4,163	1,726	3,773	69,059	1,286	95,423	
Special mention	—	—	—	—	—	351	—	—	—	351

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Substandard	9	—	89	—	54	242	305	251	950	
Doubtful	—	—	—	—	—	—	—	209	209	
Total junior lien	6,438	5,977	3,099	4,163	1,780	4,366	69,364	1,746	96,933	
Total residential real estate	368,034	330,147	137,414	52,574	32,219	192,495	136,156	2,242	1,251,281	
Consumer										
Pass	8,576	4,816	2,209	607	282	531	4,292	33	21,346	
Substandard	3	—	—	—	—	5	4	—	12	
Total consumer	8,579	4,816	2,209	607	282	536	4,296	33	21,358	
Total loans	\$ 1,810,579	\$ 1,530,338	\$ 703,390	\$ 524,304	\$ 372,950	\$ 1,157,201	\$ 1,098,555	\$ 23,152	\$ 7,220,469	

Loans evaluated individually

We evaluate loans individually when they no longer share risk characteristics with pooled loans. These loans include loans on non-accrual status, loans in bankruptcy, and modified loans as described below. If a specific allowance is warranted based on the borrower's overall financial condition, the specific allowance is calculated based on discounted expected cash flows using the loan's initial contractual effective interest rate or the fair value of the collateral less selling costs for collateral-dependent loans.

A loan is considered collateral-dependent when the borrower is experiencing financial difficulty and repayment is expected to be provided substantially through the operation or sale of the collateral. Management individually evaluates collateral-dependent loans with an amortized cost basis of \$250 thousand or more and includes collateral-dependent loans less than \$250 thousand within the general allowance population. The amortized cost basis of collateral-dependent loans over \$250 thousand was as follows at **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**:

	September 30, 2023				March 31, 2024				
	Real property		Business assets		Total amortized		Total amortized		
	cost basis	Real property	Business assets	cost basis	Real property	Business assets	cost basis		
Commercial									
Commercial and industrial	\$ 2,136	\$ 464	\$ 2,600	\$ 2,905	\$ 5,882	\$ 8,787			
Owner-occupied commercial real estate	2,578	—	2,578	1,872	—	1,872			
Food and agribusiness	1,672	6,638	8,310	586	4,875	5,461			
Total Commercial	6,386	7,102	13,488	5,363	10,757	16,120			
Commercial real estate non owner-occupied									
Non-owner occupied	19,986	—	19,986	18,770	—	18,770			
Total commercial real estate non owner-occupied	19,986	—	19,986	18,770	—	18,770			
Residential real estate									
Senior lien	5,037	163	5,200	3,565	—	3,565			
Junior lien	300	—	300	421	108	529			
Total residential real estate	5,337	163	5,500	3,986	108	4,094			

Consumer	—	6	6
Total loans	\$ 31,709	\$ 7,271	\$ 38,980 \$ 28,119 \$ 10,865 \$ 38,984

	December 31, 2022		
	Total amortized		
	Real property	Business assets	cost basis
Commercial			
Commercial and industrial	\$ 2,869	\$ 791	\$ 3,660
Owner-occupied commercial real estate	6,711	1,346	8,057
Food and agribusiness	3,020	173	3,193
Total Commercial	12,600	2,310	14,910
Commercial real estate non owner-occupied			
Non-owner occupied	8,561	—	8,561
Total commercial real estate non owner-occupied	8,561	—	8,561
Residential real estate			
Senior lien	2,806	—	2,806
Junior lien	460	—	460
Total residential real estate	3,266	—	3,266
Total loans	\$ 24,427	\$ 2,310	\$ 26,737

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	December 31, 2023		
	Total amortized		
	Real property	Business assets	cost basis
Commercial			
Commercial and industrial	\$ 1,946	\$ 220	\$ 2,166
Owner-occupied commercial real estate	1,883	—	1,883
Food and agribusiness	586	5,159	5,745
Total Commercial	4,415	5,379	9,794
Commercial real estate non owner-occupied			
Non-owner occupied	19,993	—	19,993
Total commercial real estate non owner-occupied	19,993	—	19,993
Residential real estate			
Senior lien	2,661	—	2,661
Total residential real estate	2,661	—	2,661
Total loans	\$ 27,069	\$ 5,379	\$ 32,448

[Loan modifications](#)

The Company's policy is to review each prospective credit to determine the appropriateness and the adequacy of security or collateral prior to making a loan. In the event of borrower default, the Company seeks recovery in compliance with lending laws, the respective loan agreements, and credit monitoring and remediation procedures that may include modifying a loan to provide a concession by the Company to the borrower from their original terms due to borrower financial difficulties in order to facilitate repayment. The Company considers loans to borrowers experiencing financial difficulties, **where such a concession is utilized**, to be **troubled loans**. In March 2022, the FASB issued ASU 2022-02, *Financial Instruments—Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures*, which became effective for the Company on January 1, 2023. The guidance eliminates the accounting for troubled debt restructurings and requires that an entity evaluate whether loan modifications represent a new loan or a continuation of an existing loan. Such troubled debt modifications

("TDM"). TDMs may include principal forgiveness, interest rate reductions, other-than-insignificant-payment delays, term extensions or any combination thereof.

The following schedule presents, by loan class, the amortized costs basis as of the dates shown for modified loans to borrowers experiencing financial difficulty:

	September 30, 2023			
	Term extension		Payment delay	
	Amortized cost basis	% of loan class	Amortized cost basis	% of loan class
Commercial:				
Commercial and industrial	\$ —	0.0%	\$ 114	0.0%
Total commercial	—	0.0%	114	0.0%
Commercial real estate non-owner occupied:				
Non-owner occupied	18,764	1.8%	—	0.0%
Total commercial real estate non-owner occupied	18,764	1.0%	—	0.0%
Residential real estate:				
Senior lien	653	0.1%	—	0.0%
Total residential real estate	653	0.1%	—	0.0%
Total loans	\$ 19,417	0.3%	\$ 114	0.0%

The following schedule presents the payment status, by loan class, the amortized cost basis of loans that have been modified in the last twelve months as of September 30, 2023:

	September 30, 2023	
	Current	Non-accrual
	Amortized cost basis	% of loan class
Commercial:		
Commercial and industrial	\$ 114	\$ —
Total commercial	114	—
Commercial real estate non-owner occupied:		
Non-owner occupied	5,292	13,472
Total commercial real estate non-owner occupied	5,292	13,472
Residential real estate:		
Senior lien	653	—
Total residential real estate	653	—
Total loans	\$ 6,059	\$ 13,472

Accrual of interest is resumed on loans that were previously on non-accrual only after the loan has performed sufficiently for a period of time. The Company had one TDM with an amortized cost totaling \$13.5 million that was modified within the past twelve months, utilizing a term extension, and had defaulted on their modified terms during the nine months ended September 30, 2023. For purposes of this disclosure, the Company considers "default" to mean 90 days or more past due on principal or interest. The allowance for credit

losses related to TDMs on non-accrual status is determined by individual evaluation, including collateral adequacy, using the same process as loans on non-accrual status which are not classified as TDMs.

The following schedule presents the financial effect of the modifications made to borrowers experiencing financial difficulty as of September 30, 2023:

September 30, 2023			
Financial effect			
	Term extension	Payment delay	Term Extension
Commercial:			
Commercial and industrial	Delayed payments for a weighted average of 0.2 year		
Commercial real estate non-owner occupied:			
Non-owner occupied	Extended weighted average of 0.3 years to the life of loans, which reduced monthly payment amounts		
Residential real estate:			
Senior lien	Reduced weighted average contractual interest rate by 2.5% and renewed with a weighted average life of 30 years, which reduced monthly payment amounts		

Prior to the adoption of ASU 2022-02, the Company disclosed troubled debt restructurings ("TDR") in accordance with ASC 310-40. During 2022, the Company restructured 10 loans with an amortized cost basis of \$1.1 million to facilitate repayment that were considered TDRs. Troubled debt restructurings were a reduction of the principal payment, a reduction in interest rate, or an extension of term. The table below provides additional information related to accruing TDRs at December 31, 2022:

	December 31, 2022			
	Amortized cost basis	Average year-to-date amortized cost basis	Unpaid principal balance	Unfunded commitments to fund TDRs
Commercial	\$ 2,160	\$ 2,348	\$ 2,150	\$ 150
Commercial real estate non-owner occupied	685	734	699	—
Residential real estate	1,809	1,867	1,964	—
Consumer	—	—	—	—
Total	\$ 4,654	\$ 4,949	\$ 4,813	\$ 150

The following table summarizes the Company's carrying value of non-accrual TDRs as of December 31, 2022:

	December 31, 2022
Commercial	\$ 356
Commercial real estate non-owner occupied	81
Residential real estate	2,041
Consumer	—
Total non-accruing TDRs	\$ 2,478

During the nine months ended September 30, 2022, the Company had two TDRs totaling \$2.3 million that were modified within the past 12 months and had defaulted on their modified terms. For purposes of this disclosure, the Company considers "default" to mean 90 days or more past due on principal or interest.

The allowance for credit losses related to TDRs on non-accrual status was determined by individual evaluation, including collateral adequacy, using the same process as loans on non-accrual status, which were not classified as TDRs.

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The following schedules present, by loan class, the amortized costs basis as of the dates shown for modified loans to borrowers experiencing financial difficulty:

	March 31, 2024									
	Term extension				Payment delay		Combination - interest rate reduction and term extension			Combination - term extension and payment delay
	Amortized	% of loan	Amortized	% of loan	Amortized	% of loan	Amortized	% of loan	Amortized	% of loan
	cost basis	class	cost basis	class	cost basis	class	cost basis	class	cost basis	class
Commercial:										
Commercial and industrial	\$ —	0.0%	\$ 8,561	0.4%	\$ —	0.0%	\$ —	0.0%	\$ —	0.0%
Owner occupied commercial real estate	—	0.0%	1,664	0.1%	—	0.0%	—	0.0%	—	0.0%
Total commercial	—	0.0%	10,225	0.2%	—	0.0%	—	0.0%	—	0.0%
Commercial real estate non-owner occupied:										
Non-owner occupied	18,770	1.8%	—	0.0%	—	0.0%	—	0.0%	—	0.0%
Total commercial real estate non-owner occupied	18,770	1.0%	—	0.0%	—	0.0%	—	0.0%	—	0.0%
Residential real estate:										
Senior lien	—	0.0%	869	0.1%	651	0.1%	382	0.0%	—	0.0%
Total residential real estate	—	0.0%	869	0.1%	651	0.0%	382	0.0%	—	0.0%
Total loans	\$ 18,770	0.2%	\$ 11,094	0.1%	\$ 651	0.0%	\$ 382	0.0%		

	March 31, 2023							
	Term extension				Payment delay			
	Amortized	% of loan	Amortized	% of loan	Amortized	% of loan	Amortized	% of loan
	cost basis	class	cost basis	class	cost basis	class	cost basis	class
Commercial:								
Commercial and industrial	\$ —	0.0%	\$ 154	0.0%				
Owner occupied commercial real estate	—	0.0%	116	0.0%				
Total commercial	—	0.0%	270	0.0%				
Residential real estate:								
Senior lien	4,000	0.3%	—	0.0%				
Total residential real estate	4,000	0.3%	—	0.0%				
Total loans	\$ 4,000	0.1%	\$ 270	0.0%				

The following schedules present, by loan class, the payment status of loans that have been modified in the last twelve months as of the dates presented on an amortized cost basis:

	March 31, 2024	
	Current	Non-accrual
Commercial:		
Commercial and industrial	\$ 3,129	\$ 5,354
Owner occupied commercial real estate	1,664	—
Total commercial	4,793	5,354
Commercial real estate non-owner occupied:		
Non-owner occupied	5,298	13,472
Total commercial real estate non-owner occupied	5,298	13,472
Residential real estate:		
Senior lien	651	1,251
Total loans	<u>\$ 10,742</u>	<u>\$ 20,077</u>

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	March 31, 2023	
	Current	Non-accrual
Commercial:		
Commercial and industrial	\$ 154	\$ —
Owner occupied commercial real estate	—	116
Total commercial	154	116
Residential real estate:		
Senior lien	4,000	—
Total residential real estate	4,000	—
Total loans	<u>\$ 4,154</u>	<u>\$ 116</u>

Accrual of interest is resumed on loans that were previously on non-accrual only after the loan has performed sufficiently for a period of time. The Company had four TDMs with an amortized cost totaling \$18.8 million that were modified within the past twelve months, utilizing a term extension and payment delays, that defaulted on their modified terms during the 12 months ended March 31, 2024. During the three months ended March 31, 2023, the Company had no TDMs that were modified within the preceding twelve months that defaulted on their modified terms. For purposes of this disclosure, the Company considers "default" to mean 90 days or more past due on principal or interest. The allowance for credit losses related to TDMs on non-accrual status is determined by individual evaluation, including collateral adequacy, using the same process as loans on non-accrual status which are not classified as TDMs.

The following schedules present the financial effect of the modifications made to borrowers experiencing financial difficulty as of March 31, 2024 and 2023:

	March 31, 2024			
	Financial effect			
	Term extension	Payment delay	Combination - Interest Rate	Combination - Term Extension and Reduction and Term Extension
Commercial:				Payment Delay
Commercial and industrial		Delayed payments for a weighted average of 0.5 years		
Owner occupied commercial real estate		Delayed payments for a weighted average of 0.5 years		

Commercial real estate non-owner

occupied:

Non-owner occupied

Extended a weighted average of 0.3 years to the life of loans, which reduced monthly payment amounts

Residential real estate:

Senior lien

Delayed payments for a weighted average of 0.3 years to the life of loans, which and renewed with a weighted average life of 30 years, which reduced monthly payment amounts

Added weighted average of 0.7 years to the life of loans, which reduced monthly payment amounts and delayed payments for a weighted average of 0.7 years

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March 31, 2023		
Financial effect		
	Term extension	Payment delay
Commercial:		
Commercial and industrial		Delayed payments for a weighted average of 0.2 years
Owner occupied commercial real estate		Delayed payments for a weighted average of 0.5 years
Residential real estate:		
Senior lien	Extended a weighted average 0.5 years to the life of loans, which reduced monthly payment amounts	

Note 6 Allowance for Credit Losses

The tables below detail the Company's allowance for credit losses as of the dates shown:

Three months ended September 30, 2023						
	Non-owner					
	commercial		Residential		Consumer	Total
	Commercial	real estate	real estate	Consumer		
Beginning balance	\$ 42,058	\$ 30,768	\$ 19,331	\$ 424	\$ 92,581	
Charge-offs	(239)	—	—	(301)	(540)	
Recoveries	241	1	7	31	280	
Provision expense (release) for credit losses	3,231	(2,301)	(47)	242	1,125	
Ending balance	<u>\$ 45,291</u>	<u>\$ 28,468</u>	<u>\$ 19,291</u>	<u>\$ 396</u>	<u>\$ 93,446</u>	

Nine months ended September 30, 2023	Three months ended March 31, 2024
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	Non-owner occupied commercial					Non-owner occupied commercial				
	Residential		Consumer			Residential		Consumer		
	Commercial	real estate	real estate	Total	Commercial	real estate	real estate	Total	Commercial	real estate
Beginning balance	\$ 37,608	\$ 32,050	\$ 19,306	\$ 589	\$ 89,553	\$ 45,304	\$ 32,665	\$ 19,550	\$ 428	\$ 97,947
Charge-offs	(242)	—	(46)	(930)	(1,218)	(24)	—	—	(254)	(278)
Recoveries	286	3	19	78	386	116	—	6	66	188
Provision expense (release) for credit losses	7,639	(3,585)	12	659	4,725	919	(1,827)	544	114	(250)
Ending balance	<u>\$ 45,291</u>	<u>\$ 28,468</u>	<u>\$ 19,291</u>	<u>\$ 396</u>	<u>\$ 93,446</u>	<u>\$ 46,315</u>	<u>\$ 30,838</u>	<u>\$ 20,100</u>	<u>\$ 354</u>	<u>\$ 97,607</u>

	Three months ended March 31, 2023									
	Non-owner occupied commercial									
	Residential		Consumer			real estate			Total	
Beginning balance	\$ 37,608	\$ 32,050	\$ 19,306	\$ 589	\$ 89,553					
Charge-offs	—	—	—	(325)	(325)					
Recoveries	41	1	7	16	65					
Provision (release) expense for credit losses	(254)	839	261	204	1,050					
Ending balance	<u>\$ 37,395</u>	<u>\$ 32,890</u>	<u>\$ 19,574</u>	<u>\$ 484</u>	<u>\$ 90,343</u>					

	Three months ended September 30, 2022									
	Non-owner occupied commercial									
	Residential		Consumer			real estate			Total	
Beginning balance	\$ 32,011	\$ 8,426	\$ 10,072	\$ 351	\$ 50,860					
Day 1 CECL provision expense	2,261	2,327	596	17	5,201					
Purchase credit deteriorated ("PCD") allowance for credit loss at acquisition	2,257	2	215	—	2,474					
Charge-offs	—	—	—	(253)	(253)					
Recoveries	40	—	3	23	66					
Provision expense for credit losses	1,651	3,419	1,988	217	7,275					
Ending balance	<u>\$ 38,220</u>	<u>\$ 14,174</u>	<u>\$ 12,874</u>	<u>\$ 355</u>	<u>\$ 65,623</u>					

	Nine months ended September 30, 2022									
	Non-owner occupied commercial									
	Residential		Consumer			real estate			Total	
Beginning balance	\$ 31,256	\$ 10,033	\$ 8,056	\$ 349	\$ 49,694					
Day 1 CECL provision expense	2,261	2,327	596	17	5,201					
PCD allowance for credit loss at acquisition	2,257	2	215	—	2,474					
Charge-offs	(754)	—	(2)	(582)	(1,338)					
Recoveries	115	21	49	71	256					
Provision expense for credit losses	3,085	1,791	3,960	500	9,336					
Ending balance	<u>\$ 38,220</u>	<u>\$ 14,174</u>	<u>\$ 12,874</u>	<u>\$ 355</u>	<u>\$ 65,623</u>					

In evaluating the loan portfolio for an appropriate ACL level, excluding loans evaluated individually, loans were grouped into segments based on broad characteristics such as primary use and underlying collateral. Within the segments, the portfolio was further disaggregated into classes of loans with similar attributes and risk characteristics for purposes of developing the underlying data used within the discounted cash flow model including, but not limited to, prepayment and recovery rates as well as loss rates tied to macro-economic conditions within management's reasonable and supportable forecast. The ACL also includes subjective adjustments based

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upon qualitative risk factors including asset quality, loss trends, lending management, portfolio growth and loan review/internal audit results.

Net charge-offs on loans during the three and nine months ended **September 30, 2023** **March 31, 2024** were **\$0.1 million**. The Company recorded a decrease in the allowance for credit losses of **\$0.3 million** and **\$0.8 million**, respectively, during the three months ended **March 31, 2024**. Net charge-offs on loans during the three months ended **March 31, 2023** were **\$0.3 million**. The Company recorded an increase in the allowance for credit losses of **\$1.1 million** during the three months ended **September 30, 2023**, primarily driven by loan growth. During the nine months ended **September 30, 2023**, the Company recorded an increase in the allowance for credit losses of **\$4.7 million**, driven by loan growth and higher reserve requirements.

Net charge-offs on loans during the three and nine months ended **September 30, 2022** were **\$0.2 million** and **\$1.1 million**, respectively. The Company recorded an increase in the allowance for credit losses of **\$15.0 million** during the three months ended **September 30, 2022** **March 31, 2023**. During the nine months ended **September 30, 2022**, the Company recorded an increase in the allowance for credit losses of **\$17.0 million**, driven by record loan growth, higher reserve requirements from changes in the CECL model's underlying macro-economic forecast and Day 1 reserve requirements for the acquired Rock Canyon Bank ("RCB") portfolio.

The Company has elected to exclude AIR from the allowance for credit losses calculation. As of **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**, AIR from loans totaled **\$41.7 million** **\$45.9 million** and **\$31.8 million** **\$42.4 million**, respectively.

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Note 7 Other Real Estate Owned

A summary of the activity in other real estate owned ("OREO") during the **nine** **three** months ended **September 30, 2023** **March 31, 2024** and **2022** **2023** is as follows:

	For the nine months ended September 30,		For the three months ended March 31,	
	2023		2022	2024
	Beginning balance	\$ 3,731	\$ 7,005	\$ 4,088
Transfers from loan portfolio, at fair value		—	58	
Impairments		(55)	(452)	—
Sales		(260)	(2,916)	(24)
Ending balance		\$ 3,416	\$ 3,695	\$ 4,064
				\$ 3,458

During the three months ended **September 30, 2023**, the Company sold no OREO properties. During the three months ended **September 30, 2022**, **March 31, 2024** and **2023**, the Company sold OREO properties with net book balances of **\$1.1 million**. During **\$24 thousand** and **\$0.3 million**, respectively. Sales of OREO properties resulted in net OREO losses of **\$2 thousand** and **\$11 thousand**, which were included within other non-interest expense in the **nine** consolidated

statements of operations for the three months ended September 30, 2023 March 31, 2024 and 2022, the Company sold OREO properties with net book balances of \$0.3 million and \$2.9 million, 2023, respectively.

Note 8 Goodwill and Intangible Assets

Goodwill and other intangible assets

In connection with our acquisitions, the Company's goodwill was \$306.0 million as of September 30, 2023. Goodwill is measured as the excess of the fair value of consideration paid over the fair value of net assets acquired. No goodwill impairment was recorded during the three or nine months ended September 30, 2023 or the year ended December 31, 2022.

In April 2023, the Company completed the acquisition of Cambr Solutions, LLC ("Cambr"). Cambr is a deposit acquisition and processing platform that generates core deposits from accounts offered through embedded finance companies. The Company recorded goodwill of \$26.9 million and intangibles of \$18.0 million related to the acquisition. More information regarding the Cambr acquisition is included in note 19 below.

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Note 8 Goodwill and Intangible Assets

Goodwill and other intangible assets

In connection with our acquisitions, the Company's goodwill was \$306.0 million as of March 31, 2024. Goodwill is measured as the excess of the fair value of consideration paid over the fair value of net assets acquired. No goodwill impairment was recorded during the three months ended March 31, 2024 or the year ended December 31, 2023.

The gross carrying amount of other intangible assets and the associated accumulated amortization at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, are presented as follows:

	September 30, 2023			December 31, 2022			March 31, 2024			December 31, 2023		
	Gross carrying amount	Net	Gross carrying amount	Net	Gross carrying amount	Net	Gross carrying amount	Net	Gross carrying amount	Net	Gross carrying amount	Net
	Accumulated amortization	amount	Accumulated amortization	amount	Accumulated amortization	amount	Accumulated amortization	amount	Accumulated amortization	amount	Accumulated amortization	amount
Core deposit intangible	\$ 91,566	\$ (48,765)	\$ 42,801	\$ 91,566	\$ (44,775)	\$ 46,791	\$ 91,566	\$ (51,425)	\$ 40,141	\$ 91,566	\$ (50,095)	\$ 41,471
Customer relationship intangible	17,000	(1,266)	15,734	1,300	(32)	1,268	17,000	(2,430)	14,570	17,000	(1,867)	15,133
Internally developed technology	2,300	(153)	2,147	—	—	—	2,300	(345)	1,955	2,300	(230)	2,070
Total	\$ 110,866	\$ (50,184)	\$ 60,682	\$ 92,866	\$ (44,807)	\$ 48,059	\$ 110,866	\$ (54,200)	\$ 56,666	\$ 110,866	\$ (52,192)	\$ 58,674

The Company is amortizing intangibles from acquisitions over a weighted average period of 9.8 years from the date of the respective acquisitions. The core deposit and customer relationship intangibles are being amortized over a weighted average period of 10 years, and the internally developed technology intangible is being amortized over a weighted average period of five years. The Company recognized other intangible assets amortization expense of \$2.0 million and \$5.4 million \$1.4 million during the three and nine months ended September 30, 2023, respectively. During the three March 31, 2024 and nine months ended September 30, 2022, the Company recognized other intangible assets amortization expense of \$0.4 million and \$1.0 million, 2023, respectively.

The following table shows the estimated future amortization expense during the next five years for other intangible assets as of **September 30, 2023** **March 31, 2024**:

Years ending December 31,	Amount	Amount
For the three months ending December 31, 2023	\$ 1,969	
For the year ending December 31, 2024		7,908
For the nine months ending December 31, 2024		\$ 5,901
For the year ending December 31, 2025		7,786
For the year ending December 31, 2026		7,664
For the year ending December 31, 2027		7,542
For the year ending December 31, 2028		6,142

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Servicing Rights

Mortgage servicing servicing rights

Mortgage servicing rights ("MSRs") represent rights to service loans originated by the Company and sold to government-sponsored enterprises including FHLMC, FNMA, GNMA and FHLB and are included in other assets in the consolidated statements of financial condition. Mortgage loans serviced for others were **\$0.5 billion** **\$0.9 billion** and **\$1.0 billion** **\$0.8 billion** at **September 30, 2023** **March 31, 2024** and **2022, 2023**, respectively.

Below are the changes in the MSRs for the periods presented:

	For the nine months ended September 30,	
	2023	2022
Beginning balance	\$ 9,162	\$ 5,957
Originations	993	3,895
Sales	(4,664)	—
Recovery (impairment)	66	(6)
Amortization	(675)	(713)
Ending balance	4,882	9,133
Fair value of mortgage servicing rights	\$ 7,514	\$ 13,782

During the nine months ended September 30, 2023, the Company sold rights to service loans totaling \$486.7 million in unpaid principal balances from our mortgage servicing rights portfolio. As a result of the sale, the book value of our mortgage servicing right intangible decreased \$4.7 million and generated a gain of \$1.1 million included in mortgage banking income in the consolidated statements of operations.

	For the three months ended March 31,	
	2024	2023
Beginning balance	\$ 4,911	\$ 9,162
Originations	115	274
Amortization	(114)	(119)
Ending balance	4,912	9,317
Fair value of mortgage servicing rights	\$ 7,523	\$ 13,321

The fair value of MSRs was determined based upon a discounted cash flow analysis. The cash flow analysis included assumptions for discount rates and prepayment speeds. The discount rate **Discount rates** ranged from 10.0% to 10.5% and the constant prepayment speed ranged from

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6.0% to 10.6% for the September 30, 2023 valuation. The discount rate was 9.5%, and the constant prepayment speed ranged from 7.6% 6.2% to 7.8% 13.3% for the September 30, 2022 March 31, 2024 valuation. Discount rates ranged from 10.0% to 10.5%, and the constant prepayment speed ranged from 7.9% to 18.2% for the March 31, 2023 valuation. Included in mortgage banking income in the consolidated statements of operations was servicing income of \$0.6 million \$0.4 million and \$1.9 million \$0.5 million for the three and nine months ended September 30, 2023, respectively, March 31, 2024 and \$0.7 million and \$1.8 million for the three and nine months ended September 30, 2022, 2023, respectively.

MSRs are evaluated and impairment is recognized to the extent fair value is less than the carrying amount. The Company evaluates impairment by stratifying MSRs based on the predominant risk characteristics of the underlying loans, including loan type and loan term. The Company is amortizing the MSRs in proportion to and over the period of the estimated net servicing income of the underlying loans.

The following table shows the estimated future amortization expense during the next five years for the MSRs as of September 30, 2023 March 31, 2024:

Years ending December 31,	Amount	Amount
For the three months ending December 31, 2023	\$ 133	
For the year ending December 31, 2024		517
For the nine months ending December 31, 2024		\$ 411
For the year ending December 31, 2025	461	502
For the year ending December 31, 2026	411	446
For the year ending December 31, 2027	366	396
For the year ending December 31, 2028		352

SBA servicing asset

The SBA servicing asset represents the value associated with servicing small business real estate loans that have been sold to outside investors with servicing retained. The SBA servicing asset is evaluated and impairment is recognized to the extent fair value is less than the carrying amount. The Company evaluates impairment by stratifying the SBA servicing asset based on the predominant risk characteristics of the underlying loans, including loan type and loan term. The Company is amortizing the SBA servicing asset in proportion to and over the period of the estimated net servicing income of the underlying loans. The Company serviced \$108.2 million \$112.2 million and \$108.8 million of SBA loans that have been sold into the secondary market, as of September 30, 2023, March 31, 2024 and December 31, 2023, respectively. For the three and nine months ended September 30, 2023, March 31, 2024 and 2023, the Company recognized SBA servicing asset fee income totaling of \$0.1 million and \$0.7 million \$0.4 million, respectively.

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Below are the changes in the SBA servicing asset for the period periods presented:

	For the nine months ended September 30,		For the three months ended March 31,	
	2023	2024	2023	2024
Beginning balance	\$ 2,666	\$ 2,440	\$ 2,666	\$ 2,666

Originations	325	266	129
Disposals	(321)	(102)	(210)
Recovery	153	104	54
Amortization	(104)	(74)	(35)
Ending balance	2,719	2,634	2,604
Fair value of SBA servicing asset	\$ 2,719	\$ 2,634	\$ 2,604

The Company uses assumptions and estimates in determining the fair value of SBA loan servicing rights. These assumptions include prepayment speeds, discount rates, and other assumptions. The assumptions used in the valuation were based on input from buyers, brokers and other qualified personnel, as well as market knowledge. The For the three months ended March 31, 2024 and 2023, the key assumptions used to determine the fair value of the Company's SBA loan servicing rights included a weighted average lifetime constant prepayment rate rates equal to 14.08% 15.75% and 12.40%, respectively, and a weighted average discount rate rates equal to 13.74%, 10.16% and 13.34%, respectively.

Note 9 Borrowings

Borrowings consist of securities sold under agreements to repurchase, long-term debt and FHLB advances.

Securities sold under agreements to repurchase

The Company enters into repurchase agreements to facilitate the needs of its clients. As of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, the Company sold securities under agreements to repurchase totaling \$20.3 million and \$20.2 million, respectively. \$19.6 million for both periods. The

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Company pledged mortgage-backed securities with a fair value of approximately \$29.9 million \$30.1 million and \$32.0 million \$30.4 million as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively, for these agreements. The Company monitors collateral levels on a continuous basis and may be required to provide additional collateral based on the fair value of the underlying securities. As of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, the Company had \$9.6 million \$10.4 million and \$11.8 million \$10.8 million, respectively, of excess collateral pledged for repurchase agreements.

Federal Home Loan Bank advances

As a member of the FHLB, the Banks have access to a line of credit and term financing from the FHLB with total available credit of \$1.7 billion \$1.8 billion at September 30, 2023 March 31, 2024. The Company may utilize the FHLB line of credit as a funding mechanism for originated loans and loans held for sale. At September 30, 2023 and December 31, 2022 March 31, 2024, the Banks had \$316.8 million and \$385.0 million no outstanding borrowings with the FHLB. At December 31, 2023, respectively, the Banks had \$340.0 million of outstanding borrowings from with the FHLB. The Banks may pledge investment securities and loans as collateral for FHLB advances. There were no investment securities pledged for FHLB advances at September 30, 2023 March 31, 2024 or December 31, 2022 December 31, 2023. Loans pledged were \$2.5 billion and \$2.0 billion \$2.6 billion at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively. The Company incurred \$4.4 million \$3.2 million and \$17.1 million \$7.1 million of interest expense related to FHLB advances and other short-term borrowings for the three and nine months ended September 30, 2023, March 31, 2024 and 2023, respectively. There was no interest expense related to FHLB advances and other short-term borrowings for the three and nine months ended September 30, 2022.

Long-term debt

The Company holds a subordinated note purchase agreement to issue and sell a fixed-to-floating rate note totaling \$40.0 million. The balance on the note at September 30, 2023 March 31, 2024 and December 31, 2023, net of long-term debt issuance costs totaling \$0.3 million, totaled \$39.7 million. During the three

and nine months ended September 30, 2023, interest expense totaling \$0.3 million and \$0.9 million, respectively, \$0.3 million was recorded in the consolidated statements of operations consistent with during the same periods in 2022, three months ended March 31, 2024 and 2023, respectively.

The note is subordinated, unsecured and matures on November 15, 2031. Payments consist of interest only. Interest expense on the note is payable semi-annually in arrears and will bear interest at 3.00% per annum until November 15, 2026 (or any earlier redemption date). From November 15, 2026 until November 15, 2031 (or any earlier redemption date) payments will be made quarterly in arrears, and the interest rate shall reset quarterly to an interest rate per annum equal to the then current three-month term secured overnight financing rate ("SOFR") plus 203 basis points. The Company deployed the net proceeds from the sale of the note for general corporate purposes. Prior to November 5, 2026, the Company may redeem the note only under certain limited circumstances. Beginning on November 5, 2026

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November 5, 2026 through maturity, the note may be redeemed, at the Company's option, on any scheduled interest payment date. Any redemption by the Company would be at a redemption price equal to 100% of the principal amount of the note being redeemed, together with any accrued and unpaid interest on the note being redeemed up to but excluding the date of redemption. The note is not subject to redemption at the option of the holder.

As part of the acquisition of **BOJH** Bank of Jackson Hole ("BOJH") on October 1, 2022, the Company assumed three subordinated note purchase agreements to issue and sell fixed-to-floating rate notes totaling \$15.0 million. The balance on the notes at **September 30, 2023** **March 31, 2024**, net of the fair value adjustment from the acquisition totaling \$0.4 million, totaled \$14.6 million. At December 31, 2023, the balance on the notes, net of the fair value adjustment from the acquisition totaling \$0.5 million, totaled \$14.5 million. Interest expense related to the notes totaling \$0.1 million and \$0.4 million \$0.1 million was recorded in the consolidated statements of operations during the three and nine months ended **September 30, 2023**, **March 31, 2024** and 2023, respectively.

The three notes, containing similar terms, are subordinated, unsecured and mature on June 15, 2031. Payments consist of interest only. Interest expense on the notes is payable semi-annually in arrears and will bear interest at 3.75% per annum until June 15, 2026 (or any earlier redemption date). From June 15, 2026 until June 15, 2031 (or any earlier redemption date) payments will be made quarterly in arrears, and the interest rate shall reset quarterly to an interest rate per annum equal to the then current three-month term SOFR plus 306 basis points. Prior to June 15, 2026, the Company may redeem the notes only under certain limited circumstances. Beginning on June 15, 2026 through maturity, the notes may be redeemed, at the Company's option, on any scheduled interest payment date. Any redemption by the Company would be at a redemption price equal to 100% of the principal amount of the notes being redeemed, together with any accrued and unpaid interest on the notes being redeemed up to but excluding the date of redemption. The notes are not subject to redemption at the option of the holder.

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Note 10 Regulatory Capital

As a bank holding company that has elected to be treated as a financial holding company, the Company, NBH Bank and Bank of Jackson Hole Trust are subject to regulatory capital adequacy requirements implemented by the Federal Reserve and, for NBH Bank and Bank of Jackson Hole Trust, the FDIC, including maintaining capital positions at the "well-capitalized" level. The federal banking agencies have risk based capital adequacy regulations intended to provide a measure of capital adequacy that reflects the degree of risk associated with a banking organization's operations. Under these regulations, assets are assigned to one of several risk categories, and nominal dollar amounts of assets and credit equivalent amounts of off-balance-sheet items are multiplied by a risk adjustment percentage for the category.

Under the Basel III requirements, at September 30, 2023 and December 31, 2022, Regulatory authorities can initiate certain mandatory actions if the Company, and NBH Bank or Bank of Jackson Hole Trust fail to meet the Banks met all minimum capital requirements, including the capital conservation buffer of 2.5%. The Company and the Banks had regulatory capital ratios in excess of the levels established for well-capitalized institutions, as detailed in the tables below:

	September 30, 2023							
	Required to be well capitalized under prompt corrective action provisions				Required to be considered adequately capitalized(1)			
	Actual		Ratio	Amount	Ratio	Amount	Ratio	Amount
	Ratio	Amount						
Tier 1 leverage ratio:								
Consolidated	9.6%	\$ 913,466	N/A	N/A	4.0%	\$ 382,103		
NBH Bank	8.9%	843,039	5.0%	\$ 475,757	4.0%	380,606		
Bank of Jackson Hole Trust	29.9%	11,453	5.0%	1,918	4.0%	1,534		
Common equity tier 1 risk based capital:								
Consolidated	11.6%	\$ 913,466	N/A	N/A	7.0%	\$ 550,588		
NBH Bank	10.8%	843,039	6.5%	\$ 508,881	7.0%	548,026		
Bank of Jackson Hole Trust	72.0%	11,453	6.5%	1,034	7.0%	1,113		
Tier 1 risk based capital ratio:								
Consolidated	11.6%	\$ 913,466	N/A	N/A	8.5%	\$ 668,571		
NBH Bank	10.8%	843,039	8.0%	\$ 626,315	8.5%	665,460		
Bank of Jackson Hole Trust	72.0%	11,453	8.0%	1,273	8.5%	1,352		
Total risk based capital ratio:								
Consolidated	13.5%	\$ 1,060,695	N/A	N/A	10.5%	\$ 825,882		
NBH Bank	12.0%	935,269	10.0%	\$ 782,894	10.5%	822,039		
Bank of Jackson Hole Trust	72.0%	11,453	10.0%	1,591	10.5%	1,670		

which could have a material effect on our financial statements.

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	December 31, 2022							
	Required to be well capitalized under prompt corrective action provisions				Required to be considered adequately capitalized(1)			
	Actual		Ratio	Amount	Ratio	Amount	Ratio	Amount
	Ratio	Amount						
Tier 1 leverage ratio:								
Consolidated	9.3%	\$ 857,403	N/A	N/A	4.0%	\$ 369,335		
NBH Bank	8.6%	788,462	5.0%	\$ 458,593	4.0%	366,874		
Bank of Jackson Hole Trust	31.0%	11,238	5.0%	1,373	4.0%	1,099		
Common equity tier 1 risk based capital:								
Consolidated	10.5%	\$ 857,403	N/A	N/A	7.0%	\$ 574,339		
NBH Bank	9.7%	788,462	6.5%	\$ 528,334	7.0%	568,975		
Bank of Jackson Hole Trust	71.6%	11,238	6.5%	1,020	7.0%	1,098		
Tier 1 risk based capital ratio:								

Consolidated	10.5%	\$ 857,403	N/A	N/A	8.5%	\$ 697,412
NBH Bank	9.7%	\$ 788,462	8.0%	\$ 650,257	8.5%	\$ 690,898
Bank of Jackson Hole Trust	71.6%	11,238	8.0%	1,255	8.5%	1,333
Total risk based capital ratio:						
Consolidated	12.2%	\$ 1,000,398	N/A	N/A	10.5%	\$ 861,509
NBH Bank	10.8%	\$ 876,458	10.0%	\$ 812,821	10.5%	\$ 853,462
Bank of Jackson Hole Trust	71.6%	11,238	10.0%	1,569	10.5%	1,647

Under the Basel III requirements, at March 31, 2024 and December 31, 2023, the Company and the Banks met all capital requirements, including the capital conservation buffer of 2.5%. The Company and the Banks had regulatory capital ratios in excess of the levels established for well-capitalized institutions, as detailed in the tables below.

	March 31, 2024						
	Required to be				Required to be		
	well capitalized under		prompt corrective		considered		
	action provisions		adequately		capitalized ⁽¹⁾		
	Actual	Ratio	Amount	Actual	Ratio	Amount	Actual
Tier 1 leverage ratio:							
Consolidated	10.0%	\$ 963,724	N/A	N/A	4.0%	\$ 385,713	
NBH Bank	9.0%	\$ 863,422	5.0%	\$ 480,318	4.0%	\$ 384,254	
Bank of Jackson Hole Trust	30.4%	11,817	5.0%	1,946	4.0%	1,557	
Common equity tier 1 risk based capital:							
Consolidated	12.4%	\$ 963,724	N/A	N/A	7.0%	\$ 546,078	
NBH Bank	11.1%	\$ 863,422	6.5%	\$ 504,635	7.0%	\$ 543,453	
Bank of Jackson Hole Trust	71.2%	11,817	6.5%	1,079	7.0%	1,162	
Tier 1 risk based capital ratio:							
Consolidated	12.4%	\$ 963,724	N/A	N/A	8.5%	\$ 663,095	
NBH Bank	11.1%	\$ 863,422	8.0%	\$ 621,089	8.5%	\$ 659,907	
Bank of Jackson Hole Trust	71.2%	11,817	8.0%	1,328	8.5%	1,411	
Total risk based capital ratio:							
Consolidated	14.3%	\$ 1,115,783	N/A	N/A	10.5%	\$ 819,117	
NBH Bank	12.4%	960,480	10.0%	\$ 776,361	10.5%	\$ 815,179	
Bank of Jackson Hole Trust	71.2%	11,819	10.0%	1,660	10.5%	1,743	

	December 31, 2023						
	Required to be				Required to be		
	well capitalized under		prompt corrective		considered		
	action provisions		adequately		capitalized ⁽¹⁾		
	Actual	Ratio	Amount	Actual	Ratio	Amount	Actual
Tier 1 leverage ratio:							
Consolidated	9.7%	\$ 941,369	N/A	N/A	4.0%	\$ 386,775	
NBH Bank	8.9%	\$ 856,243	5.0%	\$ 481,685	4.0%	\$ 385,348	
Bank of Jackson Hole Trust	30.0%	11,609	5.0%	1,936	4.0%	1,549	
Common equity tier 1 risk based capital:							
Consolidated	11.9%	\$ 941,369	N/A	N/A	7.0%	\$ 554,325	
NBH Bank	10.9%	\$ 856,243	6.5%	\$ 512,408	7.0%	\$ 551,824	
Bank of Jackson Hole Trust	71.2%	11,609	6.5%	1,059	7.0%	1,141	
Tier 1 risk based capital ratio:							
Consolidated	11.9%	\$ 941,369	N/A	N/A	8.5%	\$ 673,109	
NBH Bank	10.9%	\$ 856,243	8.0%	\$ 630,656	8.5%	\$ 670,072	
Bank of Jackson Hole Trust	71.2%	11,609	8.0%	1,304	8.5%	1,385	

Total risk based capital ratio:								
Consolidated	13.8%	\$ 1,092,800	N/A	N/A	10.5%	\$ 831,487		
NBH Bank	12.1%	952,674	10.0%	\$ 788,319	10.5%	827,735		
Bank of Jackson Hole Trust	71.2%	11,609	10.0%	1,629	10.5%	1,711		

(1) Includes the capital conservation buffer of 2.5%.

Note 11 Revenue from Contracts with Clients

Revenue is recognized when obligations under the terms of a contract with clients are satisfied. Below is the detail of the Company's revenue from contracts with clients, including service charges and other deposit account related fees, bank card fees and other non-interest income. Other non-interest income includes trust and wealth management fees and Cambr fee income.

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Service charges and other account-related fees

Service charge fees are primarily comprised of monthly service fees, check orders, and other deposit account related fees. Other fees include revenue from processing wire transfers, bill pay service, cashier's checks, and other services. The Company's performance obligation for account analysis fees and monthly service fees is generally satisfied, and the related revenue recognized, over the period in which the service is provided. Check orders and other deposit account-related fees are largely transactional based, and therefore, the Company's performance obligation is satisfied, and related revenue recognized, at a point in time. Payment for service charges on deposit accounts is primarily received immediately or in the following month through a direct charge to clients' accounts.

Bank card fees

Bank card fees are primarily comprised of debit card income, ATM fees, merchant services income, and other fees. Debit card income is primarily comprised of interchange fees earned whenever the Company's debit cards are processed through card payment networks such as Visa. ATM fees are primarily generated when a Bank cardholder uses a non-Bank ATM or a non-Bank cardholder uses a Bank ATM. Merchant services income mainly represents fees charged to merchants to process their debit card transactions. The Company's performance obligation for bank card fees are largely satisfied, and related revenue recognized, when the services are rendered or upon completion. Payment is typically received immediately or in the following month.

Other non-interest income

Trust and wealth management fees

The trust and wealth management business offers separately managed investment account solutions and trustee services to clients. Services may include custody of securities, trust investments and wealth management services, directed trusts or fixed income portfolio management and irrevocable life insurance trusts. The Company charges an asset-based fee earned for personal and corporate accounts. Additional fees may include minimum annual fees, fees for additional tax reporting and preparation for irrevocable trust returns or annual flat fees for certain trusts. The performance obligations related to this revenue include items such as performing

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investment advisory services, custody and record-keeping services, and fund administrative and accounting services. The performance obligations are satisfied upon completion of service and fees are generally a fixed flat rate or based on a percentage of the account's market value per the contract with the client. These fees are recorded within other non-interest income in the consolidated statements of operations.

[Cambr fee income](#)

Cambr operates a deposit acquisition and processing platform that generates core deposits from accounts offered through embedded finance companies. Cambr's platform facilitates the movement of embedded finance companies' client deposits into FDIC-insured accounts at **network banks**, **banks within Cambr's network**. Cambr generates fee income by charging a percentage-based fee of the client's deposit balance placed into the Cambr network. The performance obligation is satisfied upon completion of service, and Cambr fee income is recorded within other non-interest income in the consolidated statements of operations.

[Other non-interest expense](#)

Included within other non-interest expense are gains and losses from OREO sales, which are recognized when the Company meets its performance obligation to transfer title to the buyer. The gain or loss is measured as the excess of the proceeds received compared to the OREO carrying value. Sales proceeds are received in cash at the time of transfer.

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The following table presents non-interest income, segregated by revenue streams in-scope and out-of-scope of Topic 606, and non-interest expense in-scope of Topic 606 for the three **and nine** months ended **September 30, 2023** **March 31, 2024** and **2022**: **2023**.

	For the three months ended September 30,		For the nine months ended September 30,		For the three months ended March 31,	
	2023	2022	2023	2022	2024	2023
Non-interest income						
<i>In-scope of Topic 606:</i>						
Service charges and other account-related fees	\$ 6,819	\$ 4,867	\$ 18,356	\$ 13,444	\$ 5,283	\$ 4,927
Bank card fees	4,993	4,681	14,721	13,345	4,578	4,637
Other non-interest income	1,167	—	3,386	—	1,147	508
Non-interest income (in-scope of Topic 606)	12,979	9,548	36,463	26,789	11,008	10,072
Non-interest income (out-of-scope of Topic 606)	6,386	7,810	11,390	26,385	6,686	4,593
Total non-interest income	\$ 19,365	\$ 17,358	\$ 47,853	\$ 53,174	\$ 17,694	\$ 14,665
Non-interest expense						
<i>In-scope of Topic 606:</i>						
Other non-interest expense	\$ —	\$ 378	\$ (11)	\$ 648	\$ (2)	\$ (11)
Total revenue in-scope of Topic 606	\$ 12,979	\$ 9,926	\$ 36,452	\$ 27,437	\$ 11,006	\$ 10,061

[Contract acquisition costs](#)

The Company utilizes the practical expedient which allows entities to expense immediately contract acquisition costs when the asset that would have resulted from capitalizing these costs would have been amortized in one year or less. The Company has not capitalized any contract acquisition costs.

Note 12 Stock-based Compensation and Benefits

The Company provides stock-based compensation in accordance with shareholder-approved plans. On May 9, 2023, shareholders approved the 2023 Omnibus Incentive Plan (the "2023 Plan"). The 2023 Plan replaces the 2014 Omnibus Incentive Plan (the "Prior Plan"), pursuant to which the Company granted equity awards prior to the approval of the 2023 Plan. Pursuant to the 2023 Plan, the Compensation Committee of the Board of Directors has the authority to grant, from time to time, awards of stock options, stock appreciation rights, restricted stock, restricted stock units, performance units, other stock-based awards, or any combination thereof to eligible persons.

33 As of March 31, 2024, the aggregate number of Class A common stock available for issuance under the 2023 Plan is 1,185,202 shares. Any shares that are subject to stock options or stock appreciation rights under the 2023 Plan will be counted against the amount available for issuance as one share for every one share granted, and any shares that are subject to awards under the 2023 Plan other than stock options or stock appreciation rights will be counted against the amount available for issuance as one share for every one share granted. The 2023 Plan provides for recycling of shares from both the Prior Plan and the 2023 Plan, the terms of which are further described in the Company's Proxy Statement for its 2023 Annual Meeting of Shareholders. Upon an option exercise, it is the Company's policy to issue shares from treasury stock.

[Table](#) To date, the Company has issued stock options, restricted stock and performance stock units under the plans. The Compensation Committee sets the option exercise price at the time of [Contents](#) grant, but in no case is the exercise price less than the fair market value of a share of stock at the date of grant.

Stock options

The Company issues stock options, which are primarily time-vesting with 1/3 vesting on each of the first, second and third anniversary of the date of grant or date of hire. The expense associated with the awarded stock options was measured at fair value using a Black-Scholes option-pricing model. The outstanding option awards vest on a graded basis over **1-41-3** years of continuous service and have 10-year contractual terms.

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The Company issued stock options in accordance with the 2023 Plan. The following table summarizes stock option activity for the **nine** **three** months ended **September 30, 2023** **March 31, 2024**:

	Weighted average				Weighted average			
	Weighted average		remaining contractual		Weighted average		remaining contractual	
	Options	price	years	intrinsic value	Options	price	years	intrinsic value
Outstanding at December 31, 2022	717,088	\$ 29.79	5.98	\$ 8,850	755,546	\$ 30.95	5.79	\$ 5,270
Outstanding at December 31, 2023								
Granted	107,530	33.46			—	—		
Exercised	(8,683)	20.36			(2,000)	18.92		
Forfeited	(4,690)	35.57			(4,423)	38.01		
Outstanding at September 30, 2023	811,245	30.34	5.73	2,571	749,123	30.94	5.52	4,557
Options exercisable at September 30, 2023	623,666	28.41	4.76	2,569	570,571	29.15	4.60	4,290
Outstanding at March 31, 2024								
Options exercisable at March 31, 2024								
Options vested and expected to vest	791,825	30.20	5.65	2,571	737,479	30.86	5.47	4,534

Stock option expense is a component of salaries and benefits in the consolidated statements of operations and totaled \$0.1 million and \$0.8 million \$0.1 million for the three and nine months ended September 30, 2023, respectively, March 31, 2024 and \$0.1 million and \$0.6 million for the three and nine months ended September 30, 2022, 2023, respectively. At September 30, 2023 March 31, 2024, there was \$0.6 million \$0.4 million of total unrecognized compensation cost related to non-vested stock options granted under the plans. The cost is expected to be recognized over a weighted average period of 2.21.8 years.

Restricted stock awards

The Company issues primarily time-based restricted stock awards that vest over a range of a 1-31-3 year period. Restricted stock with time-based vesting was valued at the fair value of the shares on the date of grant as they are assumed to be held beyond the vesting period.

Performance stock units

The Company grants performance stock units which represent initial target awards and do not reflect potential increases or decreases resulting from the final performance results, which are to be determined at the end of the three-year performance period (vesting date). The actual number of shares to be awarded at the end of the performance period will range from 0% - 150% of the initial target awards. Sixty percent of the award is based on the Company's cumulative earnings per share (EPS target) during the performance period, and forty percent of the award is based on the Company's cumulative total shareholder return (TSR target), or TSR, during the performance period. On the vesting date, the Company's TSR will be compared to the respective TSRs of the companies comprising the KBW Regional Index at the grant date to determine the shares awarded. The fair value of the EPS target portion of the award was determined based on the closing stock price of the Company's common stock on the grant date. The fair value of the TSR target portion of the award was determined using a Monte Carlo Simulation at the grant date.

In establishing PSU components during 2021, and 2020, the Compensation Committee determined the EPS target portion of the award would not be an effective metric in light of economic uncertainty surrounding COVID-19. Consequently, the Compensation Committee granted an award based upon a relative return on tangible assets ("ROTA"). Annually, the Company's ROTA is compared to the respective ROTA of companies comprising the KBW Regional Index. At the end of the measurement period, the Company's ranking will be averaged to determine the shares awarded. The fair value of the ROTA award was determined based on the closing stock price of the Company's common stock on the grant date.

The weighted-average grant date fair value per unit for the awards granted during the nine months ended September 30, 2023 of the EPS target portion and the TSR target portion granted during 2023 was \$33.46 and \$27.06, respectively. The initial weighted-average performance price 34 for the TSR target portion granted during 2023 was \$42.37. During the three months ended March 31, 2024, the Company canceled 5,707 units due to final performance results related to performance stock units granted on April 1, 2021.

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for the TSR target portion granted during 2023 was \$42.37. During the nine months ended September 30, 2023, the Company awarded an additional 18,664 units due to final performance results related to performance stock units granted in 2020.

The following table summarizes restricted stock and performance stock unit activity during the nine three months ended September 30, 2023 March 31, 2024:

	Weighted		Weighted		Weighted		Weighted	
	Restricted stock shares	average grant- date fair value	Performance stock units	average grant- date fair value	Restricted stock shares	average grant- date fair value	Performance stock units	average grant- date fair value
Unvested at December 31, 2022	165,137	\$ 38.28	155,857	\$ 33.81				
Unvested at December 31, 2023					240,584	\$ 34.47	171,782	\$ 34.56
Granted	184,227	31.15	79,215	30.57	—	—	—	—

Adjustment due to performance	—	—	18,664	25.94	—	—	(5,707)	33.11
Vested	(79,014)	35.08	(74,142)	26.55	—	—	(15,433)	33.11
Forfeited	(7,275)	35.63	(6,995)	35.05	(2,922)	36.85	(2,104)	33.45
Unvested at September 30, 2023	<u>263,075</u>	<u>\$ 34.32</u>	<u>172,599</u>	<u>\$ 34.54</u>				
Unvested at March 31, 2024					<u>237,662</u>	<u>\$ 34.44</u>	<u>148,538</u>	<u>\$ 34.79</u>

As of **September 30, 2023** **March 31, 2024**, the total unrecognized compensation cost related to the non-vested restricted stock awards and performance stock units totaled **\$5.6 million** **\$3.4 million** and **\$3.4 million** **\$2.3 million**, respectively, and is expected to be recognized over a weighted average period of approximately **2.2** **1.9** years and **1.9** **1.6** years, respectively. Expense related to non-vested restricted stock awards totaled **\$1.2 million** **\$1.0 million** and **\$3.2 million** **\$0.9 million** during the three and nine months ended **September 30, 2023**, **March 31, 2024** and **\$0.9 million** and **\$2.5 million** during the three and nine months ended **September 30, 2022**, **2023**, respectively. Expense related to non-vested performance stock units totaled **\$0.4 million** **\$0.5 million** and **\$1.3 million** **\$0.4 million** during the three and nine months ended **September 30, 2023**, **March 31, 2024** and **\$0.4 million** and **\$1.2 million** during the three and nine months ended **September 30, 2022**, **2023**, respectively. Expense related to non-vested restricted stock awards and units is a component of salaries and benefits in the Company's consolidated statements of operations.

Employee stock purchase plan

The 2014 Employee Stock Purchase Plan ("ESPP") is intended to be a qualified plan within the meaning of Section 423 of the Internal Revenue Code of 1986 and allows eligible employees to purchase shares of common stock up to a limit of \$25,000 per calendar year and 2,000 shares per offering period. The price an employee pays for shares is 90.0% of the fair market value of Company common stock on the last day of the offering period. The offering periods are the six-month periods commencing on March 1 and September 1 of each year and ending on August 31 and February 28 (or February 29 in the case of a leap year) of each year. There are no vesting or other restrictions on the stock purchased by employees under the ESPP. Under the ESPP, the total number of shares of common stock reserved for issuance totaled 400,000 shares, of which **235,919** **224,299** was available for issuance at **September 30, 2023** **March 31, 2024**.

Under the ESPP, employees purchased **26,563** **11,620** shares and **19,414** **9,741** shares during the **nine** **three** months ended **September 30, 2023** **March 31, 2024** and **2022**, **2023**, respectively.

Note 13 Common Stock

The Company had **37,739,776** **37,806,148** and **37,608,519** **37,784,851** shares of Class A common stock outstanding at **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**, respectively. Additionally, the Company had **263,075** **237,662** and **165,137** **240,584** shares outstanding at **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**, respectively, of restricted Class A common stock issued but not yet vested under the **2023** **2014** Omnibus Incentive Plan that are not included in shares outstanding until such time that they are vested; however, these shares do have voting and certain dividend rights during the vesting period.

On May 9, 2023, the Company's Board of Directors authorized a **new** program to repurchase up to \$50.0 million of the Company's stock from time to time in either the open market or through privately negotiated transactions. The remaining authorization under the current program as of **September 30, 2023** **March 31, 2024** was \$50.0 million.

Note 14 Earnings Per Share

The Company calculates earnings per share under the two-class method, as certain non-vested share awards contain non-forfeitable rights to dividends. As such, these awards are considered securities that participate in the earnings of the Company. Non-vested shares are discussed further in note 12.

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The Company had **37,739,776** **37,806,148** and **33,189,253** **37,641,381** shares of Class A common stock outstanding as of **September 30, 2023** **March 31, 2024** and **2022**, **2023**, respectively, exclusive of issued non-vested restricted shares. Certain stock options and non-vested restricted shares are potentially dilutive securities, but are not included in the calculation of diluted earnings per share because to do so would have been anti-dilutive for the three and nine months ended **September 30, 2023** **March 31, 2024** and **2022**, **2023**.

The following table illustrates the computation of basic and diluted earnings per share for the three and nine months ended **September 30, 2023** **March 31, 2024** and **2022**, **2023**:

	For the three months ended		For the nine months ended		For the three months ended	
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022	March 31, 2024	March 31, 2023
Net income	\$ 36,087	\$ 15,839	\$ 108,927	\$ 54,553	\$ 31,391	\$ 40,283
Less: income allocated to participating securities	(68)	(39)	(179)	(111)	(64)	(42)
Income allocated to common shareholders	\$ 36,019	\$ 15,800	\$ 108,748	\$ 54,442	\$ 31,327	\$ 40,241
Weighted average shares outstanding for basic earnings per common share	37,990,659	31,259,188	37,911,896	30,539,266	38,031,358	37,785,488
Dilutive effect of equity awards	143,679	271,887	182,014	295,364	157,122	289,485
Weighted average shares outstanding for diluted earnings per common share	38,134,338	31,531,075	38,093,910	30,834,630	38,188,480	38,074,973
Basic earnings per share	\$ 0.95	\$ 0.51	\$ 2.87	\$ 1.78	\$ 0.82	\$ 1.06
Diluted earnings per share	0.94	0.50	2.85	1.77	0.82	1.06

The Company had **811,245** **749,123** and **730,502** **715,188** outstanding stock options to purchase common stock at weighted average exercise prices of **\$30.34** **\$30.94** and **\$29.56** **\$29.82** per share at **September 30, 2023** **March 31, 2024** and **2022**, **2023**, respectively, which have time-vesting criteria, and as such, any dilution is derived only for the time frame in which the vesting criteria had been met and where the inclusion of those stock options is dilutive. The Company had **435,674** **386,200** and **325,202** **296,853** unvested restricted shares and performance stock units issued as of **September 30, 2023** **March 31, 2024** and **2022**, **2023**, respectively, which have performance, market and/or time-vesting criteria, and as such, any dilution is derived only for the time frame in which the vesting criteria had been met and where the inclusion of those restricted shares and units is dilutive.

Note 15 Derivatives

Risk management objective of using derivatives

The Company is exposed to certain risks arising from both its business operations and economic conditions. The Company has established policies stipulating that neither carrying value nor fair value at risk should exceed established guidelines. The Company has designed strategies to confine these risks within the established limits and identify appropriate trade-offs in the financial structure of its balance sheet. These strategies include the use of derivative financial instruments to help achieve the desired balance sheet repricing structure while meeting the desired objectives of its clients. Currently, the Company employs certain interest rate swaps that are designated as fair value hedges, cash flow hedges and economic hedges. The Company manages a matched book with respect to its derivative instruments in order to minimize its net risk exposure resulting from such transactions.

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Fair values of derivative instruments on the balance sheet

The table below presents the fair value of the Company's derivative financial instruments as well as their classification in the consolidated statements of financial condition as of **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**. Information about the valuation methods used to measure fair value is provided in note **18** **17**.

	Asset derivatives fair value						Liability derivatives fair value						Asset derivatives fair value						Liability derivatives fair value						
	Balance Sheet		September 30, 2023		December 31, 2022		Balance Sheet		September 30, 2023		December 31, 2022		Balance Sheet		March 31, 2024		December 31, 2023		Balance Sheet		Location		March 31, 2024		
	location		2023		2022		Location		2023		2022		location		2024		2023		Location		2024		Location		2024
Derivatives designated as hedging instruments:																									
Interest rate products	Other assets	\$ 41,612		\$ 34,164			Other liabilities	\$ 2,464		\$ 1,929			Other assets	\$ 32,559		\$ 28,928		Other liabilities	\$ 2,9						
Total derivatives designated as hedging instruments		\$ 41,612		\$ 34,164				\$ 2,464		\$ 1,929				\$ 32,559		\$ 28,928			\$ 2,9						
Derivatives not designated as hedging instruments:																									
Interest rate products	Other assets	\$ 10,972		\$ 10,657			Other liabilities	\$ 13,471		\$ 10,660			Other assets	\$ 9,477		\$ 8,480		Other liabilities	\$ 9,7						
Interest rate lock commitments	Other assets	252		197			Other liabilities	55		174			Other assets	525		287		Other liabilities							
Forward contracts	Other assets	183		210			Other liabilities	2		104			Other assets	2		—		Other liabilities							
Total derivatives not designated as hedging instruments		\$ 11,407		\$ 11,064				\$ 13,528		\$ 10,938				\$ 10,004		\$ 8,767			\$ 9,7						

Cash flow hedges

The Company's objectives in using interest rate derivatives are to add stability to interest income and to manage its exposure to interest rate movements. To accomplish this objective, the Company primarily uses floors and collars as part of its interest rate risk management strategy. Interest rate floors designated as cash flow hedges involve the receipt of variable-rate amounts from a counterparty if interest rates fall below the strike rate on the contract in exchange for an up-front premium. Interest rate collars designated as cash flow hedges involve the payments of variable-rate amounts if interest rates rise above the cap strike rate on the contract and receipt of variable-rate amounts if interest rates fall below the floor strike rate on the contract. **Beginning with the third quarter of 2022, such derivatives were used to hedge the variable cash flows associated with existing variable-rate loan assets.**

For derivatives that qualify and are designated as cash flow hedges of interest rate risk, the gain or loss on the derivative is recorded in accumulated other comprehensive income and subsequently reclassified into interest income in the same **period(s)** **periods** during which the hedged transaction affects earnings. Gains and losses on the derivative representing hedge components excluded from the assessment of effectiveness are recognized over the life of the hedge on a systematic and rational basis. The earnings recognition of excluded components is included in interest income. Amounts reported in accumulated other comprehensive income (**loss**) related to derivatives will be reclassified to interest income as interest payments are received on the Company's variable-rate assets. As of **September 30, 2023** **March 31, 2024**, the Company had cash flow hedges with a notional amount of \$200.0 million. The Company expects to reclassify **\$2.0 million** **\$1.8 million** from accumulated other comprehensive (**loss**) income (**loss**) ("AOCI") as a reduction to interest income during the next 12 months.

Fair value hedges

Interest rate swaps designated as fair value hedges involve the receipt of variable-rate amounts from a counterparty in exchange for the Company making fixed-rate payments over the life of the agreements without the exchange of the underlying notional amount. As of **September 30, 2023** **March 31, 2024**, the Company had interest rate swaps with a notional amount of **\$337.4 million** **\$352.5 million**, which were designated as fair value hedges of interest rate risk. As of **December 31, 2022** **December 31, 2023**, the Company had interest rate swaps with a notional amount of **\$340.1 million** **\$351.0 million** that were designated as fair value hedges. These interest rate swaps were associated with **\$462.5 million** **\$472.1 million** and **\$482.7 million** **\$469.4 million** of the Company's fixed-rate loans as of **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**, respectively, before a gain of **\$8.4 million** **\$29.1 million** and **\$29.7 million** **\$22.6 million** from the fair value hedge adjustment in the carrying **amount**, **amount**. The gain is included in loans receivable **in** **on** the statements of financial condition as of **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**, respectively. Fair value hedge adjustments included basis adjustments on terminated positions to be amortized through the contractual maturity date of each respective hedged item. Excluding those terminated positions, the fair value hedge adjustments consisted of gains totaling **\$42.5 million** **\$32.1 million** and **\$33.4 million** **\$25.7 million** as of **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**, respectively.

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For derivatives designated and that qualify as fair value hedges, the gain or loss on the derivative as well as the offsetting loss or gain on the hedged item attributable to the hedged risk are recognized in 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 derivatives.

Non-designated hedges

Derivatives not designated as hedges are not speculative and consist of interest rate swaps with commercial banking clients that facilitate their respective risk management strategies. Interest rate swaps are simultaneously hedged by offsetting interest rate swaps that the Company executes with a third party, such that the Company minimizes its net risk exposure resulting from such transactions. As the interest rate swaps associated with this program do not meet the strict hedge accounting requirements, changes in the fair value of both the client swaps and the offsetting swaps are recognized directly in earnings. As of **September 30, 2023** **March 31, 2024** and **December 31, 2023**, the Company had matched interest rate swap transactions with an aggregate notional amount of **\$436.0 million** **\$530.8 million** and **\$464.9 million**, respectively, related to this program. As of **December 31, 2022**, the Company had matched interest rate swap transactions with an aggregate notional amount of **\$383.0 million**. Derivative fee income from non-designated hedges totaled **\$0.4 million** **\$0.9 million** and **\$0.7 million** **\$0.2 million** for the three **and nine** months ended **September 30, 2023**, respectively. During the three **March 31, 2024** and **nine months ended September 30, 2022**, derivative fee income from non-designated hedges totaled **\$0.3 million** and **\$0.5 million**, respectively.

As part of its mortgage banking activities, the Company enters into interest rate lock commitments, which are commitments to originate loans where the interest rate on the loan is determined prior to funding and the clients have locked into that interest rate. The Company then locks in the loan and interest rate with an investor and commits to deliver the loan if settlement occurs ("best efforts") or commits to deliver the locked loan in a binding ("mandatory") delivery program with an investor. Fair value changes of certain loans under interest rate lock commitments are hedged with forward sales contracts of MBS. Forward sales contracts of MBS are recorded at fair value with changes in fair value recorded in non-interest income. Interest rate lock commitments and commitments to deliver loans to investors are considered derivatives. The market value of interest rate lock commitments and best efforts contracts are not readily ascertainable with precision because they are not actively traded in stand-alone markets. The Company determines the fair value of interest rate lock commitments and delivery contracts by measuring the fair value of the underlying assets. The fair value of the underlying assets is impacted by current interest rates, remaining origination fees, costs of production to be incurred and the probability that the interest rate lock commitments will close or will be funded.

Certain additional risks arise from these forward delivery contracts in that the counterparties to the contracts may not be able to meet the terms of the contracts. The Company does not expect any counterparty to any MBS contract to fail to meet its obligation. Additional risks inherent in mandatory delivery programs include the risk that, if the Company fails to deliver the loans subject to interest rate risk lock commitments, it will still be obligated to "pair off" MBS to the counterparty. Should this be required, the Company could incur significant costs in acquiring replacement loans and such costs could have an adverse effect on the consolidated financial statements.

The fair value of the mortgage banking derivative is recorded as a freestanding asset or liability with the change in value being recognized in current earnings during the period of change.

The Company had interest rate lock commitments with a notional value of ~~\$27.9 million~~ \$29.7 million and forward contracts with a notional value of ~~\$34.9 million~~ \$30.0 million at ~~September 30, 2023~~ March 31, 2024. At ~~December 31, 2022~~ December 31, 2023, the Company had interest rate lock commitments with a notional value of ~~\$35.5 million~~ \$13.8 million and forward contracts with a notional value of ~~\$45.0 million~~ \$17.7 million.

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Effect of derivative instruments on the consolidated statements of operations and accumulated other comprehensive income

The tables below present the effect of the Company's derivative financial instruments in the consolidated statements of operations for the three ~~and nine~~ months ended ~~September 30, 2023~~ March 31, 2024 and ~~2022~~ 2023:

Derivatives in fair value hedging relationships	Location of gain (loss) recognized in income on derivatives		Amount of gain recognized in income on derivatives				Location of gain (loss) recognized in income on derivatives	Amount of gain (loss) recognized in income on derivatives	
			For the three months ended September 30,		For the nine months ended September 30,				
	derivatives	2023	2022	2023	2022	derivatives	2024	2023	2022
Interest rate products	Interest and fees on loans	\$ 13,005	\$ 13,893	\$ 16,855	\$ 44,183	Interest and fees on loans	\$ 8,580		

Hedged items	Location of gain (loss) recognized in income on hedged items		Amount of loss recognized in income on hedged items				Location of gain (loss) recognized in income on hedged items	Amount of (loss) gain recognized in income on hedged items	
			For the three months ended September 30,		For the nine months ended September 30,				
	hedged items	2023	2022	2023	2022	hedged items	2024	2023	2022
Interest rate products	Interest and fees on loans	\$ (10,255)	\$ (14,589)	\$ (9,940)	\$ (47,601)	Interest and fees on loans	\$ (6,548)		

Derivatives not designated as hedging instruments	Location of gain (loss) recognized in income on derivatives		Amount of (loss) gain recognized in income on derivatives			
			For the three months ended September 30,		For the nine months ended September 30,	
	derivatives	2023	2022	2023	2022	
Interest rate products	Other non-interest expense	\$ (33)	\$ 49	\$ (32)	\$ 5	
Interest rate lock commitments	Mortgage banking income		30	(1,936)	73	(2,780)
Forward contracts	Mortgage banking income		49	2,179	74	2,095
Total		\$ 46	\$ 292	\$ 115	\$ (680)	

Derivatives not designated as hedging instruments	Location of gain (loss) recognized in income on derivatives		Amount of (loss) gain recognized in income on derivatives			
			For the three months ended March 31,		For the nine months ended March 31,	
	derivatives	2024	2023	2024	2023	
Interest rate products	Other non-interest expense	\$ (232)	\$ (6)			
Interest rate lock commitments	Mortgage banking income		332		640	
Forward contracts	Mortgage banking income		44		(344)	
Total		\$ 144	\$ 290			

The table below presents the effect of fair value cash flow hedge accounting on AOCI as of the dates presented. The Company did not utilize cash flow hedges until the third quarter of 2022.

For the three months ended September 30, 2023	For the three months ended March 31, 2024
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Loss												Loss												
reclassified												reclassified												
Loss		Loss		Location of		Loss		from AOCI		reclassified		Loss		Loss		Location of		Loss		from AOCI		reclassified		
Loss	recognized	Loss	recognized	Location of	Loss	from AOCI	reclassified	into	from AOCI	income	into income	Loss	recognized	Loss	recognized	Location of	loss	reclassified	into	from AOCI	income	into	reclassified	
recognized	in OCI	in OCI	recognized from	from AOCI	income	into income	reclassified	in OCI on	included	excluded	AOCI into	into	included	excluded	in OCI on	included	excluded	AOCI into	into	included	income	into	reclassified	
in OCI on	included	excluded	AOCI into	into	included	excluded	derivatives	component	component	income	component	component	derivatives	component	component	income	income	component	component	component	component	component	component	
Derivatives in cash flow hedging relationships:																								
Interest rate products	\$ (1,122)	\$ (818)	\$ (304)	Interest income	\$ (493)	\$ (374)	\$ (119)	\$ (1,427,601)	\$ (1,002,237)	\$ (425,364)	Interest income	\$ (512,826)	\$ (395,034)	\$ (117,792)										

For the nine months ended September 30, 2023												Loss reclassified		Loss reclassified		
												from AOCI into		from AOCI into		
Loss recognized		Loss recognized		Loss recognized		Location of Loss		Loss reclassified		from AOCI into		income included		income excluded		
in OCI on	derivatives	in OCI included	component	in OCI excluded	component	AOCI into	income	income	component	income	component	component	component	component	component	
Derivatives in cash flow hedging relationships:																
Interest rate products	\$ (2,773)	\$ (2,254)	\$ (519)	Interest income	\$ (1,158)	\$ (821)	\$ (337)									

For the three and nine months ended September 30, 2022												For the three months ended March 31, 2023												
												Loss		Loss		reclassified		reclassified		reclassified		reclassified		
Loss		Loss		Location of		reclassified		Gain		from AOCI		Gain		Gain		Location of loss		reclassified		into		into		
Loss	recognized	Loss	recognized	Location of	Loss	Gain	from AOCI	from AOCI	Gain	reclassified	into income	into income	Gain	recognized	Location of	loss	reclassified	into	from AOCI	income	income	from AOCI	from AOCI	
recognized	in OCI	in OCI	recognized from	from AOCI	reclassified	into income	into income	reclassified	in OCI on	included	excluded	AOCI into	from AOCI	included	excluded	AOCI into	income	into	included	excluded	AOCI into	income	into	reclassified
in OCI on	included	excluded	AOCI into	from AOCI	income	into income	component	component	derivatives	component	component	AOCI into	income	component	component	income	income	component	component	component	component	component	component	component
Derivatives in cash flow hedging relationships:																								
Interest rate products	\$ (2,355)	\$ (1,827)	\$ (528)	Interest income	\$ (14)	\$ —	\$ (14)	\$ 616	\$ 399	\$ 217	Interest income	\$ (262)	\$ (162)	\$ (100)										

Credit-risk-related contingent features

The Company has agreements with its derivative counterparties that contain a provision where if the Company defaults on any of its indebtedness for reasons other than an error or omission of an administrative or operational nature, including default where repayment of the indebtedness has not been accelerated by the lender, then the Company could also be declared in default on its derivative obligations.

The Company also has agreements with certain of its derivative counterparties that contain a provision where if the Company fails to maintain its status as a well/adequately capitalized institution, then the counterparty has the right to terminate the derivative positions and the Company would be required to settle its obligations under the agreements.

As of **September 30, 2023** **March 31, 2024**, the termination value of derivatives in a net liability position related to these agreements was zero. The Company has minimum collateral posting thresholds with certain of its derivative counterparties, and as of **September 30, 2023** **March 31, 2024**, the Company had met these thresholds. If the Company had breached any of these provisions at **September 30, 2023** **March 31, 2024**, it could have been required to settle its obligations under the agreements at the termination value.

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Note 16 Commitments and Contingencies

In the normal course of business, the Company enters into various off-balance sheet commitments to help meet the financing needs of clients. These financial instruments include commitments to extend credit, commercial and consumer lines of credit and standby letters of credit. The same credit policies are applied to these commitments as the loans in the consolidated statements of financial condition; however, these commitments involve varying degrees of credit risk in excess of the amount recognized in the consolidated statements of financial condition. The total amounts of unused commitments do not necessarily represent future credit exposure or cash requirements, as commitments often expire without being drawn upon. However, the contractual amount of these commitments, offset by any additional collateral pledged, represents the Company's potential credit loss exposure.

Total unfunded commitments at **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023** were as follows:

	September 30, 2023	December 31, 2022	March	December
			31, 2024	31, 2023
Commitments to fund loans	\$ 885,416	\$ 1,124,942	\$ 706,637	\$ 724,928
Credit card lines of credit	6,888	7,167	4,467	6,278
Unfunded commitments under lines of credit	907,916	862,369	840,932	890,530
Commercial and standby letters of credit	9,880	13,859	11,681	13,029
Total unfunded commitments	\$ 1,810,100	\$ 2,008,337	\$ 1,563,717	\$ 1,634,765

Commitments to fund loans—Commitments to fund loans are legally binding agreements to lend to clients in accordance with predetermined contractual provisions providing there have been no violations of any conditions specified in the contract. These commitments are generally at variable interest rates and are for specific periods or contain termination clauses and may require the payment of a fee. The total amounts of unused commitments are not necessarily representative of future credit exposure or cash requirements, as commitments often expire without being drawn upon.

Credit card lines of credit—The Company extends lines of credit to clients through the use of credit cards issued by NBH Bank. These lines of credit represent the maximum amounts allowed to be funded, many of which will not exhaust the established limits, and as such, these amounts are not necessarily representations of future cash requirements or credit exposure.

Unfunded commitments under lines of credit—In the ordinary course of business, the Company extends revolving credit to its clients. These arrangements may require the payment of a fee.

Commercial and standby letters of credit—As a provider of financial services, the Company routinely issues commercial and standby letters of credit, which may be financial standby letters of credit or performance standby letters of credit. These are various forms of "back-up" commitments to guarantee the performance of a client to a third party. While these arrangements represent a potential cash outlay for the Company, the majority of these letters of credit will expire without being drawn upon. Letters of credit are subject to the same underwriting and credit approval process as traditional loans, and as such, many of them have various forms of collateral securing the commitment, which may include real estate, personal property, receivables or marketable securities.

Contingencies

Mortgage loans sold to investors may be subject to repurchase or indemnification in the event of specific default by the borrower or subsequent discovery that underwriting standards were not met. The Company established a reserve liability for expected losses related to these representations and warranties based upon management's evaluation of actual and historic loss history, delinquency trends or other documentation or deficiency findings in the portfolio and economic conditions. Charges against the reserve during the three and nine months ended September 30, 2023 March 31, 2024 and 2023 totaling \$47 \$26 thousand and \$134 \$46 thousand, respectively, were primarily driven by

40 early payoffs. The Company recorded a repurchase reserve included in other liabilities in the consolidated statements of financial condition totaling \$1.2 million for both March 31, 2024 and December 31, 2023.

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early payoffs and repurchases. Charges against the reserve during the three and nine months ended September 30, 2022 totaling \$74 thousand and \$218 thousand, respectively, were primarily driven by early payoffs and repurchases. The repurchase reserve is included in other liabilities in the consolidated statements of financial condition.

The following table summarizes mortgage repurchase reserve activity for the periods presented:

	For the three months ended September 30,		For the nine months ended September 30,		For the three months ended March 31,	
	2023	2022	2023	2022	2024	2023
Beginning balance	\$ 1,315	\$ 1,878	\$ 1,725	\$ 2,102	\$ 1,198	\$ 1,725
Provision charged to (released from) operating expense, net	—	35	(323)	(45)	—	(34)
Provision released from operating expense, net						
Charge-offs	(47)	(74)	(134)	(218)	(26)	(46)
Ending balance	\$ 1,268	\$ 1,839	\$ 1,268	\$ 1,839	\$ 1,172	\$ 1,645

In the ordinary course of business, the Company and NBH Bank may be subject to litigation. Based upon the available information and advice from the Company's legal counsel, management does not believe that any potential, threatened or pending litigation to which it is a party will have a material adverse effect on the Company's liquidity, financial condition or results of operations.

Note 17 Fair Value Measurements

The Company uses fair value measurements to record fair value adjustments to certain assets and liabilities and to disclose the fair value of its financial instruments. Fair value is defined 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. For disclosure purposes, the Company groups its financial and non-financial assets and liabilities into three different levels based on the nature of the instrument and the availability and reliability of the information that is used to determine fair value. The three levels are defined as follows:

- Level 1—Includes assets or liabilities in which the valuation methodologies are based on unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2—Includes assets or liabilities in which the inputs to the valuation methodologies are based on similar assets or liabilities in inactive markets, quoted prices for identical or similar assets or liabilities in inactive markets, and inputs other than quoted prices that are observable, such as interest rates, yield curves, volatilities, prepayment speeds, and other inputs obtained from observable market input.
- Level 3—Includes assets or liabilities in which the inputs to the valuation methodology are based on at least one significant assumption that is not observable in the marketplace. These valuations may rely on management's judgment and may include internally-developed model-based valuation techniques.

Level 1 inputs are considered to be the most transparent and reliable and level 3 inputs are considered to be the least transparent and reliable. The Company assumes the use of the principal market to conduct a transaction of each particular asset or liability being measured and then considers the assumptions that market participants would use when pricing the asset or liability. Whenever possible, the Company first looks for quoted prices for identical assets or liabilities in active markets (level 1 inputs) to value each asset or liability. However, when inputs from identical assets or liabilities on active markets are not available, the Company utilizes market observable data for similar assets and liabilities. The Company maximizes the use of observable inputs and limits the use of unobservable inputs to occasions when observable inputs are not available. The need to use unobservable inputs generally results from the lack of market liquidity of the actual financial instrument or of the underlying collateral. While ~~third-party~~ third party price indications may be available in those cases, limited trading activity can challenge the observability of those inputs.

Changes in the valuation inputs used for measuring the fair value of financial instruments may occur due to changes in current market conditions or other factors. Such changes may necessitate a transfer of the financial instruments to another level in the hierarchy based on the new inputs used. The Company recognizes these transfers at the end of the reporting period that the transfer occurs. During the ~~nine~~three months ended ~~September 30, 2023~~ March 31, 2024 and ~~2022~~2023, there were no transfers of financial instruments between the hierarchy levels.

The following is a description of the valuation methodologies used for assets and liabilities measured at fair value, as well as the general classification of each instrument under the valuation hierarchy:

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Fair Value of Financial Instruments Measured on a Recurring Basis

Investment securities available-for-sale—Investment securities available-for-sale are carried at fair value on a recurring basis. To the extent possible, observable quoted prices in an active market are used to determine fair value and, as such, these securities are classified as level 1. When quoted market prices in active markets for identical assets or liabilities are not available, quoted prices of securities with similar characteristics, discounted cash flows or other pricing characteristics are used to estimate fair values and the securities are then classified as level 2.

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Loans held for sale—The Company has elected to record loans originated and intended for sale in the secondary market at estimated fair value. The portfolio consists primarily of fixed rate residential mortgage loans that are sold within 45 days. The Company estimates fair value based on quoted market prices for similar loans in the secondary market and are classified as level 2.

Interest rate swap derivatives—The Company's derivative instruments are limited to interest rate swaps that may be accounted for as fair value hedges or non-designated hedges. The fair values of the swaps incorporate credit valuation adjustments in order to appropriately reflect nonperformance risk in the fair value measurements. The credit valuation adjustment is the dollar amount of the fair value adjustment related to credit risk and utilizes a probability weighted calculation to quantify the potential loss over the life of the trade. The credit valuation adjustments are calculated by determining the total expected exposure of the derivatives (which incorporates both the current and potential future exposure) and then applying the respective counterparties' credit spreads to the exposure offset by marketable collateral posted, if any. Certain derivative transactions are executed with counterparties who are large financial institutions ("dealers"). International Swaps and Derivative Association Master Agreements ("ISDA") and Credit Support Annexes ("CSA") are employed for all contracts with dealers. These contracts contain bilateral collateral arrangements. The fair value inputs of these financial instruments are determined using discounted

cash flow analysis through the use of third-party models whose significant inputs are readily observable market parameters, primarily yield curves, with appropriate adjustments for liquidity and credit risk, and are classified as level 2.

Mortgage banking derivatives—The Company relies on a third-party pricing service to value its mortgage banking derivative financial assets and liabilities, which the Company classifies as a level 3 valuation. The external valuation model to estimate the fair value of its interest rate lock commitments to originate residential mortgage loans held for sale includes grouping the interest rate lock commitments by interest rate and terms, applying an average **83.9%** **85.0%** estimated pull-through rate based on historical experience, and then multiplying by quoted investor prices determined to be reasonably applicable to the loan commitment groups based on interest rate, terms, and rate lock expiration dates of the loan commitment groups. The Company also relies on an external valuation model to estimate the fair value of its forward commitments to sell residential mortgage loans (i.e., an estimate of what the Company would receive or pay to terminate the forward delivery contract based on market prices for similar financial instruments), which includes matching specific terms and maturities of the forward commitments against applicable investor pricing.

42 The tables below present the financial instruments measured at fair value on a recurring basis as of March 31, 2024 and December 31, 2023 in the consolidated statements of financial condition utilizing the hierarchy structure described above:

	March 31, 2024			
	Level 1	Level 2	Level 3	Total
Assets:				
Investment securities available-for-sale:				
U.S. Treasuries	\$ 72,651	\$ —	\$ —	\$ 72,651
Mortgage-backed securities:				
Residential mortgage pass-through securities issued or guaranteed by U.S. Government agencies or sponsored enterprises	—	193,576	—	193,576
Other residential MBS issued or guaranteed by U.S. Government agencies or sponsored enterprises	—	416,680	—	416,680
Municipal securities	—	79	—	79
Corporate debt	—	1,870	—	1,870
Loans held for sale	—	14,065	—	14,065
Interest rate swap derivatives	—	42,036	—	42,036
Mortgage banking derivatives	—	—	527	527
Total assets at fair value	<u>\$ 72,651</u>	<u>\$ 668,306</u>	<u>\$ 527</u>	<u>\$ 741,484</u>
Liabilities:				
Interest rate swap derivatives	\$ —	\$ 12,698	\$ —	\$ 12,698
Mortgage banking derivatives	—	—	68	68
Total liabilities at fair value	<u>\$ —</u>	<u>\$ 12,698</u>	<u>\$ 68</u>	<u>\$ 12,766</u>

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The tables below present the financial instruments measured at fair value on a recurring basis as of September 30, 2023 and December 31, 2022 in the consolidated statements of financial condition utilizing the hierarchy structure described above:

	September 30, 2023			
	Level 1	Level 2	Level 3	Total
Assets:				
Investment securities available-for-sale:				

U.S. Treasuries	\$ 71,862	\$ —	\$ —	\$ 71,862
Mortgage-backed securities:				
Residential mortgage pass-through securities issued or guaranteed by U.S. Government agencies or sponsored enterprises	—	196,848	—	196,848
Other residential MBS issued or guaranteed by U.S. Government agencies or sponsored enterprises	—	348,942	—	348,942
Municipal securities	—	152	—	152
Corporate debt	—	1,849	—	1,849
Loans held for sale	—	19,048	—	19,048
Interest rate swap derivatives	—	52,584	—	52,584
Mortgage banking derivatives	—	—	435	435
Total assets at fair value	<u>\$ 71,862</u>	<u>\$ 619,423</u>	<u>\$ 435</u>	<u>\$ 691,720</u>
Liabilities:				
Interest rate swap derivatives	\$ —	\$ 15,935	\$ —	\$ 15,935
Mortgage banking derivatives	—	—	57	57
Total liabilities at fair value	<u>\$ —</u>	<u>\$ 15,935</u>	<u>\$ 57</u>	<u>\$ 15,992</u>

	December 31, 2022				December 31, 2023			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets:								
Investment securities available-for-sale:								
U.S. Treasuries	\$ 71,388	\$ —	\$ —	\$ 71,388	\$ 73,044	\$ —	\$ —	\$ 73,044
Mortgage-backed securities:								
Residential mortgage pass-through securities issued or guaranteed by U.S. Government agencies or sponsored enterprises	—	226,131	—	226,131	—	201,809	—	201,809
Other residential MBS issued or guaranteed by U.S. Government agencies or sponsored enterprises	—	405,926	—	405,926	—	351,242	—	351,242
Municipal securities	—	153	—	153	—	79	—	79
Corporate debt	—	1,920	—	1,920	—	1,843	—	1,843
Loans held for sale	—	22,767	—	22,767	—	18,854	—	18,854
Interest rate swap derivatives	—	44,821	—	44,821	—	37,408	—	37,408
Mortgage banking derivatives	—	—	407	407	—	—	287	287
Total assets at fair value	<u>\$ 71,388</u>	<u>\$ 701,718</u>	<u>\$ 407</u>	<u>\$ 773,513</u>	<u>\$ 73,044</u>	<u>\$ 611,235</u>	<u>\$ 287</u>	<u>\$ 684,566</u>
Liabilities:								
Interest rate swap derivatives	\$ —	\$ 12,589	\$ —	\$ 12,589	\$ —	\$ 15,284	\$ —	\$ 15,284
Mortgage banking derivatives	—	—	278	278	—	—	115	115
Total liabilities at fair value	<u>\$ —</u>	<u>\$ 12,589</u>	<u>\$ 278</u>	<u>\$ 12,867</u>	<u>\$ —</u>	<u>\$ 15,284</u>	<u>\$ 115</u>	<u>\$ 15,399</u>

The table below details the changes in level 3 financial instruments during the **nine** **three** months ended **September 30, 2023** **March 31, 2024**:

	Mortgage banking derivatives, net	Mortgage banking derivatives, net
Balance at December 31, 2022	\$ 129	
Loss included in earnings, net	147	
Balance at December 31, 2023	\$ 172	
Gain included in earnings, net	376	
Fees and costs included in earnings, net	102	(89)
Balance at September 30, 2023	<u>\$ 378</u>	
Balance at March 31, 2024	\$ 459	

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Fair Value of Financial Instruments Measured on a Non-recurring Basis

Certain assets may be recorded at fair value on a non-recurring basis as conditions warrant. These non-recurring fair value measurements typically result from the application of lower of cost or fair value accounting or a write-down occurring during the period.

Individually evaluated loans—The Company records individually evaluated loans based on the fair value of the collateral when it is probable that the Company will be unable to collect all contractual amounts due in accordance with the terms of the loan agreement. The Company relies on third-party appraisals and internal assessments, utilizing a discount rate in the range of 6% - 27% 37% with a weighted average discount rate of 11.7% 12.7%, in determining the estimated fair values of these loans. The inputs used to determine the fair values of loans are considered level 3 inputs in the fair value hierarchy. At **September 30, 2023** **March 31, 2024**, the Company recorded a specific reserve of **\$6.1 million** **\$9.8 million** related to **nine** **13** loans with a carrying value balance of **\$22.1 million** **\$38.2 million**. At **September 30, 2022** **March 31, 2023**, the Company recorded a specific reserve of **\$2.9 million** **\$4.4 million** related to nine loans with a carrying balance of **\$7.2 million** **\$12.1 million**.

OREO—OREO is recorded at the fair value of the collateral less estimated selling costs using a range of 6% to 10% with a weighted average discount rate of 6.2% 6.1%. The estimated fair values of OREO are updated periodically and further write-downs may be taken to reflect a new basis. During the three months ended March 31, 2024, there was no impairment related to OREO. The Company recognized \$55 thousand and \$452 \$13 thousand of OREO impairment during the **nine** **three** months ended **September 30, 2023** and 2022, respectively, **March 31, 2023**. The fair values of OREO are derived from third-party third party price opinions or appraisals that generally use an income approach or a market value approach. If reasonable comparable appraisals are not available, the Company may use internally developed models to determine fair values. The inputs used to determine the fair value of OREO properties are considered level 3 inputs in the fair value hierarchy.

Mortgage servicing rights—MSRs represent the value associated with servicing residential real estate loans that have been sold to outside investors with servicing retained. The fair value for servicing assets is determined through discounted cash flow analysis and utilizes a discount rate and weighted average rate rates ranging from 10.0% to 10.5% with a weighted average rate of 10.0% at **September 30, 2023** **March 31, 2024** and prepayment speed assumption ranges of 6.0% 6.2% to 10.6% 13.3% with a weighted average rate of 6.1% 6.3% at **September 30, 2023** **March 31, 2024** as inputs. The weighted average MSRs

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are subject to impairment testing. The carrying values of these MSRs are reviewed quarterly for impairment based upon the calculation of fair value. For purposes of measuring impairment, the MSRs are stratified into certain risk characteristics including note type and note term. If the valuation model reflects a value less than the carrying value, MSRs are adjusted to fair value through a valuation allowance, and the adjustment is included in mortgage banking income in the consolidated statements of operations. During the nine months ended September 30, 2023, the Company recorded a recovery totaling \$66 thousand. There was \$6 thousand of no MSR impairment during the **nine** **three** months ended **September 30, 2022** **March 31, 2024** or 2023. The inputs used to determine the fair values of MSRs are considered level 3 inputs in the fair value hierarchy.

SBA servicing asset—The SBA servicing asset represents the value associated with servicing small business real estate loans that have been sold to outside investors with servicing retained. The fair value for the SBA servicing asset is determined through a discounted cash flow analysis and utilizes a weighted average discount rate of 13.7% 10.2% and a weighted average lifetime constant prepayment rate of 14.1% 15.7%. The SBA servicing asset is amortized over the period of the estimated future net servicing life of the underlying assets, and it is evaluated quarterly for impairment based upon the fair value of the rights as compared to their amortized cost. Impairment is recognized on the income statement to the extent the fair value is less than the capitalized amount of the SBA servicing asset. The Company recorded no impairment for the **nine** **three** months ended **September 30, 2023** **March 31, 2024** or 2022, 2023.

The Company may be required to record fair value adjustments on other available-for-sale and municipal securities valued at par on a non-recurring basis.

The tables below provide information regarding losses from assets recorded at fair value on a non-recurring basis during the **nine****three** months ended **September 30, 2023** **March 31, 2024** and **2022**: 2023:

	September 30, 2023		March 31, 2024	
	Total	Losses from fair value changes	Total	Losses from fair value changes
Individually evaluated loans	\$ 42,642	\$ 1,218	\$ 47,470	\$ 278
Other real estate owned	3,416	55		
Premises and equipment	13,169	244		
Total	\$ 59,227	\$ 1,517		

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	September 30, 2022		March 31, 2023	
	Total	Losses from fair value changes	Total	Losses from fair value changes
Individually evaluated loans	\$ 20,504	\$ 1,338	\$ 19,577	\$ 325
Other real estate owned	3,695	452	3,458	13
Mortgage servicing rights	9,133	6		
Total	\$ 33,332	\$ 1,796	\$ 23,035	\$ 338

The Company did not record any liabilities measured at fair value on a non-recurring basis during the **nine****three** months ended **September 30, 2023** or **2022**, **March 31, 2024** and **2023**.

Note 18 Fair Value of Financial Instruments

The fair value of a financial instrument is the amount that would be exchanged between willing parties, other than in a forced liquidation. Fair value is determined based upon quoted market prices to the extent possible; however, in many instances, there are no quoted market prices for the Company's various financial instruments. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques that may be significantly impacted by the assumptions used, including the discount rate and estimates of future cash flows. Changes in any of these assumptions could significantly affect the fair value estimates. The fair value of the financial instruments listed below does not reflect a premium or discount that could result from offering all of the Company's holdings of financial instruments at one time, nor does it reflect the underlying value of the Company, as ASC Topic 825 excludes certain financial instruments and all non-financial instruments from its disclosure requirements. The estimated fair value amounts have been determined by the Company using available market information and appropriate valuation methodologies and are based on the exit price concept within ASC Topic 825 and applied to this disclosure on a prospective basis. Considerable judgment is required to interpret market data in order to develop the estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Company could realize in a current market exchange.

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The fair value of financial instruments at **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023** are set forth below:

	Level in fair value measurement hierarchy	September 30, 2023		December 31, 2022		Level in fair value measurement hierarchy	March 31, 2024		December 31, 2023	
		Carrying amount	Estimated fair value	Carrying amount	Estimated fair value		Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
ASSETS										
Cash and cash equivalents	Level 1	\$ 291,291	\$ 291,291	\$ 195,505	\$ 195,505	Level 1	\$ 292,931	\$ 292,931	\$ 190,826	\$ 190,826
U.S. Treasury securities	Level 1	71,862	71,862	71,388	71,388	Level 1	72,651	72,651	73,044	73,044
U.S. Treasury securities	Level 1	49,263	47,415	49,045	47,629	Level 1	49,412	48,189	49,338	48,334
Mortgage-backed securities—residential mortgage pass-through securities issued or guaranteed by U.S. Government agencies or sponsored enterprises available-for-sale	Level 2	196,848	196,848	226,131	226,131	Level 2	193,576	193,576	201,809	201,809
Mortgage-backed securities—other residential mortgage-backed securities issued or guaranteed by U.S. Government agencies or sponsored enterprises available-for-sale	Level 2	348,942	348,942	405,926	405,926	Level 2	416,680	416,680	351,242	351,242
Municipal securities available-for-sale	Level 2	152	152	153	153	Level 2	79	79	79	79
Corporate debt available-for-sale	Level 2	1,849	1,849	1,920	1,920	Level 2	1,870	1,870	1,843	1,843

Other available-for-sale securities	Level 3	792	792	771	771	Level 3	810	810	812	812
Mortgage-backed securities—residential mortgage pass-through securities issued or guaranteed by U.S. Government agencies or sponsored enterprises held-to-maturity	Level 2	309,216	260,193	339,815	298,816	Level 2	290,450	253,914	299,337	265,011
Mortgage-backed securities—other residential mortgage-backed securities issued or guaranteed by U.S. Government agencies or sponsored enterprises held-to-maturity	Level 2	242,022	186,634	262,667	213,479	Level 2	230,988	183,673	236,377	190,983
FHLB and FRB stock	Level 2	38,849	38,849	38,390	38,390	Level 2	24,841	24,841	40,890	40,890
Loans receivable	Level 3	7,478,438	7,171,937	7,220,469	6,964,107	Level 3	7,569,052	7,355,053	7,698,758	7,411,687
Loans held for sale	Level 2	19,048	19,048	22,767	22,767	Level 2	14,065	14,065	18,854	18,854
Accrued interest receivable	Level 2	45,213	45,213	34,587	34,587	Level 2	49,585	49,585	44,944	44,944
Interest rate swap derivatives	Level 2	52,584	52,584	45,046	45,046	Level 2	42,036	42,036	37,408	37,408
Mortgage banking derivatives	Level 3	435	435	407	407	Level 3	527	527	287	287
LIABILITIES										
Deposit transaction accounts	Level 2	7,156,514	7,156,514	6,999,226	6,999,226	Level 2	7,521,786	7,521,786	7,208,421	7,208,421
Time deposits	Level 2	992,494	980,150	873,400	845,688	Level 2	995,976	992,649	981,970	972,793

Securities sold under agreements to repurchase	Level 2	20,273	20,273	20,214	20,214	Level 2	19,577	19,577	19,627	19,627
Long-term debt	Level 2	55,000	46,389	55,000	52,430	Level 2	55,000	45,127	55,000	43,760
Federal Home Loan Bank advances	Level 2	316,770	316,770	385,000	385,000	Level 2	—	—	340,000	340,000
Accrued interest payable	Level 2	14,820	14,820	3,201	3,201	Level 2	14,769	14,769	12,239	12,239
Interest rate swap derivatives	Level 2	15,935	15,935	12,589	12,589	Level 2	12,698	12,698	11,884	11,884
Mortgage banking derivatives	Level 3	57	57	278	278	Level 3	68	68	115	115

Note 19 Acquisition Activities

Cambr Solutions, LLC

On April 3, 2023, NBH Bank completed the acquisition of Cambr Solutions, LLC ("Cambr"). Upon closing, Cambr became a stand-alone subsidiary of NBH Bank. The transaction was valued at \$46.5 million in the aggregate. NBH Bank determined that the acquisition constituted a business combination as defined in ASC Topic 805, *Business Combinations*. Accordingly, as of the date of the acquisition, the Company recorded the assets acquired and liabilities assumed at fair value. The Company determined fair values in accordance with the guidance provided in ASC Topic 820, *Fair Value Measurements and Disclosures*. In many cases, the determination of these fair values required management to make estimates about discount rates, future expected cash flows, market conditions and other future events that are highly subjective in nature and subject to change. Actual results could differ materially. **The Company has made the determination of fair values using the best information available at the time; however, purchase accounting is not complete and the assumptions used are subject to change and, if changed, could have a material effect on the Company's financial position and results of operations.**

Cambr is a deposit acquisition and processing platform that generates core deposits from accounts offered through embedded finance companies. At the time of acquisition, Cambr administered approximately \$1.7 billion of deposits comprising more than 500,000 FDIC-insured cash deposit accounts.

Cambr acquisition-related costs totaled \$1.0 million for the year ended December 31, 2023. The results of Cambr are included in the results of the Company subsequent to the acquisition date.

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Cambr acquisition-related costs totaled \$0.1 million and \$1.0 million for the three and nine months ended September 30, 2023, respectively. The results of Cambr are included in the results of the Company subsequent to the acquisition date.

The table below summarizes preliminary net assets acquired (at fair value) and consideration transferred in connection with the Cambr acquisition:

April 3, 2023

Assets:	
Cash and due from banks	\$ 1,224
Other intangibles	18,000
Other assets	6,729
Total assets acquired	25,953
Liabilities:	
Other liabilities	\$ 6,340
Total liabilities assumed	6,340
Identifiable net assets acquired	\$ 19,613
Consideration:	
Cash	\$ 46,524
Total	46,524
Goodwill	\$ 26,911

In connection with the Cambr acquisition, the Company recorded \$26.9 million of goodwill. The amount of goodwill recorded reflects the expanded market presence, synergies and operational efficiencies that are expected to result from the acquisition. The total amount of goodwill expected to be deductible for tax purposes is \$27.8 million. The following is a description of the methods used to determine the fair values of significant assets and liabilities presented above:

Other intangibles—The Company recorded other intangible assets of \$18.0 million, including intangibles related to customer relationships and internally developed technology. The other intangible assets were valued by discounting future cash flows to present value. The discount rates applied were derived using market participant assumptions.

The other intangible assets ~~will be~~ are being amortized over a weighted average period of 9.4 years.

~~The fair value of the acquired assets and liabilities noted in the table may change during the provisional period, which may last up to twelve months subsequent to the acquisition date. The Company may obtain additional information to refine the valuation of the acquired assets and liabilities and adjust the recorded fair value.~~

Prior year acquisitions

~~During 2022, the Company completed the acquisitions of Community Bancorporation, the bank holding company for Rock Canyon Bank, and Bancshares of Jackson Hole, the bank holding company for Bank of Jackson Hole. The Company determined that the acquisitions constitute business combinations as defined in ASC Topic 805, *Business Combinations*. Accordingly, as of the date of the acquisitions, the Company recorded the assets acquired and liabilities assumed at fair value. The Company determined fair values in accordance with the guidance provided in ASC Topic 820, *Fair Value Measurements and Disclosures*. In many cases, the determination of these fair values required management to make estimates about discount rates, future expected cash flows, market conditions and other future events that are highly subjective in nature.~~

~~On September 1, 2022, the Company completed its acquisition of Community Bancorporation, the bank holding company of Utah-based Rock Canyon Bank. Immediately following the completion of the acquisition, RCB merged into NBH Bank. Pursuant to the merger agreement executed in April 2022, the Company paid \$16.1 million of cash consideration and issued 3,096,745 shares of the~~

Company's Class A common stock in exchange for all of the outstanding common stock of Community Bancorporation. The transaction was valued at \$140.4 million in the aggregate, based on the Company's closing price of \$40.13 on August 31, 2022. The acquisition added seven banking centers to the Company's footprint within the Provo and Greater Salt Lake City regions.

RCB acquisition-related costs totaled \$12.3 million for the year ended December 31, 2022, including a Day 1 CECL provision expense of \$5.4 million. The results of RCB are included in the results of the Company subsequent to the acquisition date.

The table below summarizes net assets acquired (at fair value) and consideration transferred in connection with the RCB acquisition:

<u>September 1, 2022</u>		
Assets:		
Cash and due from banks	\$	260,883
Investment securities available-for-sale		402
Non-marketable securities		977
Loans, net		535,197
Loans held for sale		3,069
Premises and equipment		3,413
Core deposit and other intangibles		16,463
Other assets		11,749
Total assets acquired		832,153
Liabilities:		
Total deposits		734,480
Other liabilities		10,115
Total liabilities assumed		744,595
Identifiable net assets acquired	\$	87,558
Consideration:		
NBHC common stock paid, closing price of \$40.13 on August 31, 2022	\$	124,272
Cash		16,141
Total		140,413
Goodwill	\$	52,855

In connection with the RCB acquisition, the Company recorded \$52.9 million of goodwill. The amount of goodwill recorded reflects the expanded market presence, synergies and operational efficiencies that are expected to result from the acquisition. The following is a description of the methods used to determine the fair values of significant assets and liabilities presented above:

Cash and due from banks—The carrying amount of these assets was deemed a reasonable estimate of fair value based on the short-term nature of these assets.

Loans, net—The fair value of loans were based on a discounted cash flow methodology that considered the loans' underlying characteristics including account type, remaining terms of loan, annual interest rates or coupon, interest types, past delinquencies, timing of principal and interest payments, current market rates, loan to value ratios, loss exposure and remaining balance. The discount rates applied were based upon a build-up approach considering the alternative cost of funds, capital charges, servicing costs, and a liquidity premium. Loans were aggregated according to similar characteristics when applying the valuation method.

Core deposit and other intangibles—The Company recorded a core deposit intangible asset of \$13.3 million and a Small Business Administration ("SBA") servicing rights asset of \$3.1 million. The core deposit intangible was valued utilizing a discounted cash flow methodology based upon assumptions regarding retained balances, such as account retention rate and growth rates, interest expense including maintenance costs, and alternative costs of funding. The discount rate applied is consistent to that applied to loans above. The SBA servicing asset was valued using a discounted cash flow methodology that included assumptions for pre-payment speeds and defaults discounted at a market-based discount rate. The valuation methodology was applied to each loan individually based upon its specific characteristics.

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The core deposit intangible will be amortized straight-line over ten years, and the SBA servicing asset will be amortized over the life of the underlying portfolio.

Deposits—By definition, the fair value of demand and saving deposits equals the amount payable. For time deposits acquired, the Company utilized an income approach, discounting the contractual cash flows on the instruments over their remaining contractual lives at prevailing market rates.

Accounting for acquired loans

A Day 1 CECL allowance for credit losses on non-PCD loans was recorded through provision for credit loss expense within the consolidated statements of operations. At the date of acquisition, of the \$537.7 million of loans acquired from RCB, \$11.1 million, or 2.1% of RCB's loan portfolio, were accounted for as PCD loans. The gross contractual amounts receivable of PCD loans, inclusive of all principal and interest, was \$13.8 million, including \$2.1 million of loans previously charged off by RCB. The Company's best estimate of the contractual principal and interest cash flows for PCD loans not expected to be collected was \$4.5 million, including \$2.1 million of loans previously charged off by RCB.

The following table provides a summary of PCD loans purchased as part of the RCB acquisition as of the acquisition date:

	Commercial real estate					Total
	Commercial	non-owner occupied	Residential real estate	Consumer		
Unpaid principal balance	\$ 12,079	\$ 220	\$ 843	\$ 3	\$ 13,145	
PCD allowance for credit loss at acquisition	(2,257)	(2)	(215)	—	—	(2,474)
(Discount) premium on acquired loans	(787)	19	(5)	—	—	(773)
Loans previously charged-off by RCB	(2,051)	—	—	(3)	—	(2,054)
Purchase price of PCD loans	\$ 6,984	\$ 237	\$ 623	—	\$ 7,844	

The Company has determined that it is impractical to report the amounts of revenue and earnings of legacy RCB since the acquisition date due to the integration of certain processes occurring shortly after the acquisition date. Such amounts would require significant estimates that cannot be objectively made.

Bank of Jackson Hole

On October 1, 2022, the Company completed its acquisition of Bancshares of Jackson Hole, the bank holding company of Wyoming-based Bank of Jackson Hole. Pursuant to the merger agreement executed in March 2022, the Company paid \$51.0 million of cash consideration and issued 4,391,964 shares of the Company's Class A common stock in exchange for all of the outstanding common stock of Bancshares of Jackson Hole. The transaction was valued at \$213.4 million in the aggregate, based on the Company's closing price of \$36.99 on September 30, 2022. The acquisition added 12 banking centers with operations in Wyoming and Idaho. Immediately following the closing of the acquisition, BOJH sold substantially of all its assets and liabilities to NBH Bank, with the exception of assets and liabilities related to its trust business. Effective October 1, 2022, BOJH was renamed as Bank of Jackson Hole Trust.

BOJH acquisition-related costs totaled \$24.5 million for the year ended December 31, 2022, including a Day 1 CECL provision expense of \$16.3 million. The results of BOJH are included in the results of the Company subsequent to the acquisition date.

The table below summarizes net assets acquired (at fair value) and consideration transferred in connection with the BOJH acquisition:

<u>October 1, 2022</u>		
Assets:		
Cash and due from banks	\$	40,509
Investment securities		203,728
Non-marketable securities		3,104
Loans, net		1,185,699
Loans held for sale		504
Premises and equipment		30,318
Core deposit and other intangibles		30,696
Other assets		31,970
Total assets acquired		1,526,528
Liabilities:		
Total deposits		1,375,593
Long-term debt		39,229
Fed funds purchased		25
Other liabilities		9,483
Total liabilities assumed		1,424,330
Identifiable net assets acquired	\$	102,198
Consideration:		
NBHC common stock paid, closing price of \$36.99 on September 30, 2022	\$	162,459
Cash		50,989
Total		213,448
Goodwill	\$	111,250

In connection with the BOJH acquisition, the Company recorded \$111.3 million of goodwill. The amount of goodwill recorded reflects the expanded market presence, synergies and operational efficiencies that are expected to result from the acquisition. The Company transferred \$75.3 million of available-for-sale securities to held-to-maturity as of Day 1. The following is a description of the methods used to determine the fair values of significant assets and liabilities presented above:

Cash and due from banks—The carrying amount of these assets was deemed a reasonable estimate of fair value based on the short-term nature of these assets.

Investment securities— The investment securities portfolio was fair valued on Day 1 utilizing third-party pricing services. A portion of the investment securities portfolio was sold upon acquisition, and the remaining securities were transferred to held-to-maturity.

Loans, net—The fair value of loans were based on a discounted cash flow methodology that considered the loans' underlying characteristics including account type, remaining terms of loan, annual interest rates or coupon, interest types, past delinquencies, timing of principal and interest payments, current market rates, loan to value ratios, loss exposure and remaining balance. The discount rates applied were based upon a build-up approach considering the alternative cost of funds, capital charges, servicing costs, and a liquidity premium. Loans were aggregated according to similar characteristics when applying the valuation method.

Core deposit and other intangibles—The Company recorded a core deposit intangible asset of \$29.4 million and a wealth management intangible of \$1.3 million. The core deposit intangible was valued utilizing a discounted cash flow methodology based upon assumptions regarding retained balances, such as account retention rate and growth rates, interest expense including maintenance costs, and alternative costs of funding. The discount rate applied is consistent to that applied to loans above. The fair value for the wealth management client relationships intangible was based on a multi-period excess earnings method ("MPEEM"), which utilized a contributory asset analysis to ascertain a fair return on investment of all the assets used in the production of income associated with the specific intangible asset. The sum of the resulting net, or excess, earnings attributable to the client relationships was then discounted to present value utilizing an appropriate discount rate.

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The core deposit intangible and wealth management intangible will be amortized straight-line over ten years.

Deposits—By definition, the fair value of demand and saving deposits equals the amount payable. For time deposits acquired, the Company utilized an income approach, discounting the contractual cash flows on the instruments over their remaining contractual lives at prevailing market rates.

Long-term debt—The Company fair valued the subordinated debt using a market interest rate based on similar securities at acquisition date. The Company modeled out the future cash flows over the term of the debt using the forward interest rate curve at acquisition date, and then discounted the cash flows using rates from similar transactions at or near acquisition date.

Accounting for acquired loans

A Day 1 CECL allowance for credit losses on the non-PCD loans was recorded through provision for credit loss expense within the consolidated statements of operations. At the date of acquisition, of the \$1.2 billion of loans acquired from BOJH, \$13.9 million, or 1.1% of BOJH's loan portfolio, were accounted for as PCD loans. The gross contractual amounts receivable of PCD loans, inclusive of all principal and interest, was \$14.0 million, including \$0.5 million of loans previously charged off by BOJH. The Company's best estimate of the contractual cash flows for PCD loans not expected to be collected was \$3.8 million.

The following table provides a summary of PCD loans purchased as part of the BOJH acquisition as of the acquisition date:

	Commercial real estate					Total
	Commercial	non-owner occupied	Residential real estate	Consumer		
Unpaid principal balance	\$ 5,061	\$ 8,353	\$ 476	\$ 12	\$ 13,902	
PCD allowance for credit loss at acquisition	(151)	(3,557)	(55)	(1)		(3,764)
(Discount) premium on acquired loans	(336)	(226)	(16)	—		(578)
Purchase price of PCD loans	<u>\$ 4,574</u>	<u>\$ 4,570</u>	<u>\$ 405</u>	<u>\$ 11</u>	<u>\$ 9,560</u>	

The Company has determined that it is impractical to report the amounts of revenue and earnings of legacy BOJH since the acquisition date due to the integration of certain processes occurring shortly after the acquisition date. Such amounts would require significant estimates that cannot be objectively made.

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

The following management's discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and related notes as of and for the three and nine months ended **September 30, 2023** **March 31, 2024**, and with our annual report on [Form](#)

10-K (file number 001-35654), which includes our audited consolidated financial statements and related notes as of and for the years ended **December 31, 2022**, **December 31, 2023**, **2021** **2022** and **2020**, **2021**. This discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions that may cause actual results to differ materially from management's expectations. Factors that could cause such differences are discussed in the section entitled "Cautionary Note Regarding Forward-Looking Statements" located elsewhere in this quarterly report and in Item **1A** "Risk Factors" in the annual report on **Form 10-K**, referenced above, and should be read herewith.

All amounts are in thousands, except share and per share data, or as otherwise noted.

Overview

Our focus is on building relationships by creating a win-win scenario for our clients and our Company. We believe in providing solutions and services to our clients that are based on fairness and simplicity. We have established a solid financial services franchise with a sizable presence for deposit gathering and building client relationships necessary for growth. We **have** executed on strategic acquisition opportunities to expand our presence in attractive markets and to diversify our revenue streams. Additionally, we are innovating and building strategic fintech partnerships with the goal of delivering a comprehensive digital financial ecosystem for our clients. We are focused on providing small and medium-sized businesses with alternative digital access to address borrowing, depository and cash management needs, while also providing information management and access to digital payment tools, under the safety of a regulated bank. We believe that our established presence in our core markets of Colorado, the greater Kansas City region, Utah, Wyoming, Texas, New Mexico and Idaho, as well as our ongoing investment in digital solutions and strategic acquisitions, position us well for growth opportunities. As of **September 30, 2023** **March 31, 2024**, we had \$9.9 billion in assets, **\$7.5 billion** **\$7.6 billion** in loans, **\$8.1 billion** **\$8.5 billion** in deposits, \$1.2 billion in equity and \$0.9 billion in assets under management in our trust and wealth management business.

Operating Highlights and Key Challenges

Recent industry concerns

- We have built a granular and relationship-focused deposit base and our investment securities portfolio has a short average duration and is primarily comprised of government guaranteed mortgage-backed securities.
- Our deposit base has no exposure to venture capital or crypto deposits.
- Approximately 70% of our deposits are FDIC insured.
- Our growth in the last few years has primarily been the result of strategic acquisitions consistent with our long-term business plan.
- We do not originate high-dollar non-amortizing or balloon payment mortgage loans to our clients.

Profitability and returns

- Net income increased 99.7% to \$108.9 million totaled \$31.4 million, or **\$2.85** \$0.82 per diluted share, for the **nine** **three** months ended **September 30, 2023** **March 31, 2024**, compared to net income of \$54.6 million **\$40.3 million**, or **\$1.77** \$1.06 per diluted share, for the **same** period in the prior year. Adjusting for \$13.6 million of pre-tax non-recurring acquisition-related expenses included in the **nine** **three** months **September 30, 2022**, net income increased \$43.9 million, or 67.5%, compared to the same period in the prior year. **ended** **March 31, 2023**.
- The return on average tangible assets was **1.61%** **1.39%** for the **nine** **months** **ended** **September 30, 2023**, **first quarter of 2024**, compared to **1.03%** **1.80%** for the **same** **period** **in** the **prior** **year**. Adjusting for non-recurring acquisition-related expenses, the return on average tangible assets for the **nine** **months** **ended** **September 30, 2022** was **1.23%**, **first quarter of 2023**.
- The return on average tangible common equity was **18.81%** **15.14%** for the **nine** **months** **ended** **September 30, 2023**, **first quarter of 2024**, compared to **10.17%** **20.86%** for the **same** **period** **in** the **prior** **year**. Adjusting for non-recurring acquisition-related expenses, the return on average tangible common equity for the **nine** **months** **ended** **September 30, 2022** was **12.10%**, **first quarter of 2023**.

Strategic execution

- Completed the acquisition of Cambr Solutions, LLC in April 2023, a business-to-business-to-consumer modeled subsidiary that provides granular and diversified cash deposits in a cost-efficient manner. At the acquisition date, Cambr administered approximately \$1.7 billion of deposits comprising more than 500,000 FDIC-insured cash accounts.
- Continued to invest in digital solutions for our clients through our financial eco-system, 2UniFi, for small and medium-sized businesses that we believe will increase access to financial services while reducing the costs of banking services.
- The Company's balance sheet funding mix improved during the first quarter of 2024, and the Company utilized funding provided by deposit growth to pay down \$340.0 million of Federal Home Loan Bank advances.

Loan portfolio

- Total loans ended the quarter at \$7.6 billion compared to \$7.7 billion at December 31, 2023.
- Generated loan fundings totaling \$200.0 million, during the three months ended March 31, 2024, with a weighted average new loan origination rate of 8.8%.
- Maintained a conservatively structured loan portfolio represented by diverse industries and concentrations with most industry sector concentrations at 15% or less of total loans and all concentration levels remain well below our self-imposed limits.

Loan portfolio

Non-owner occupied CRE loans were 166.7% of the Company's risk based capital, or 24.6% of total loans, and no specific property type comprised more than 10.0% of total loans at March 31, 2024.

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- Total Multi-family loans ended the quarter at \$7.5 billion increasing \$258.0 million totaled \$348.5 million, or 4.8% annualized, since December 31, 2022 4.6% of total loans as of March 31, 2024.
- Generated loan fundings totaling \$1.1 billion, during the nine months ended September 30, 2023, with a weighted average new loan origination rate of 8.6%. We do not originate high-dollar non-amortizing or balloon payment mortgage loans to our clients.

Credit quality

- Allowance for credit losses totaled 1.25% 1.29% of total loans at September 30, 2023 March 31, 2024, compared to 1.24% 1.27% at December 31, 2022 December 31, 2023.
- The Company recorded an increase in no provision expense for credit losses during the allowance first quarter of 2024, compared to provision expense for credit losses of \$3.9 million for \$0.9 million during the nine months ended September 30, 2023. For the nine months ended September 30, 2022, the Company recorded an increase in the allowance for credit losses first quarter of \$15.9 million, which included a Day 1 CECL allowance reserve of \$5.2 million for the acquired RCB loan portfolio, a \$2.5 million credit allowance for Day 1 PCD loans and net charge-offs. 2023.
- Credit quality remained strong, as non-performing loans (comprised of non-accrual loans and non-accrual modified loans) totaled 0.44% 0.47% of total loans at March 31, 2024, compared to 0.23% 0.37% at December 31, 2022 December 31, 2023. Non-performing assets to total loans and OREO totaled 0.49% 0.53% at September 30, 2023 March 31, 2024, compared to 0.28% 0.42% at December 31, 2022 December 31, 2023.
- Net charge-offs of \$0.1 million and \$1.1 million were recorded during the three months ended March 31, 2024 and the year ended December 31, 2023, respectively. Annualized net charge-offs to average total loans totaled 0.00% and 0.02% for the nine three months ended September 30, 2023 totaled 0.02%, annualized, compared to 0.03% for March 31, 2024 and the full year ended December 31, 2022 December 31, 2023, respectively.

Client deposit funded balance sheet

- Average total deposits for the first quarter of 2024 increased 6.8% to \$8.2 billion, compared to \$7.7 billion for the first quarter of 2023.
- Average transaction deposits for the nine months ended September 30, 2023 first quarter of 2024 increased **26.7%** 6.8% to **\$6.9 billion** \$7.2 billion, compared to **\$5.5 billion** \$6.8 billion for the same period in the prior year, driven by strategic growth from our recent acquisitions.
- Average total deposits increased \$1.6 billion, or 25.9%, to \$7.9 billion during the nine months ended September 30, 2023, compared to the same period in the prior year, first quarter of 2023.
- The mix of transaction deposits to total deposits was **87.8%** **88.3%** and **87.1%** at September 30, 2023, compared to 88.9% at December 31, 2022, March 31, 2024 and 2023, respectively.
- Cost of deposits totaled 1.18% during 2.15% for the nine months ended September 30, 2023, first quarter of 2024, compared to **0.17%** **0.58%** for the same period in the prior year, first quarter of 2023. Our total deposit beta through this rate cycle remains low at **28%** 37.5%.
- We improved Approximately 79% of our balance sheet funding mix during the second and third quarters deposits were FDIC insured as of 2023 and utilized the funding provided by deposit growth to pay down \$683.2 million of FHLB advances, since March 2023. March 31, 2024.

Liquidity

- On balance sheet liquidity included \$0.3 billion of cash and \$1.3 billion of investment securities as of March 31, 2024.
- Liquidity is monitored and managed to ensure that sufficient funds are available on-demand to meet our business needs. Additionally, we have access to various off-balance sheet third party funding sources including FHLB advances, the Federal Reserve discount window, Cambr deposits, federal funds purchased and the brokered deposit marketplace.
- Our investment securities portfolio has a short average duration and is largely backed by U.S government or government sponsored entities giving us confidence that we will not realize material losses. Regarding the fair value of investment securities, our accumulated other comprehensive loss does not have a material impact on our capital position. Our tangible common equity capital ratio, which includes the accumulated other comprehensive loss, totaled 9.2% as of March 31, 2024, compared to 9.0% as of December 31, 2023.

Revenues

- Fully taxable equivalent ("FTE") net interest income increased \$101.1 million, or 57.5%, to \$276.9 million during totaled \$85.7 million for the nine months ended September 30, 2023, first quarter of 2024, compared to \$96.3 million for the same period in the prior year, first quarter of 2023.
- The FTE net interest margin widened 68 narrowed 61 basis points to **4.12%** 3.78% for the nine three months ended September 30, 2023 March 31, 2024, compared to the same period in the prior year, first quarter of 2023. The yield on earning assets increased **182** 64 basis points, primarily due to multiple increases in the federal funds rate since March 2022. The cost of funds increased **121** 135 basis points to **1.40%** 2.25% for the nine three months ended September 30, 2023 March 31, 2024, compared to the same period in the prior year.
- Non-interest income totaled \$47.9 million \$17.7 million during the nine three months ended September 30, 2023 March 31, 2024, compared to \$53.2 million \$14.7 million for the same period in 2022, three months ended March 31, 2023, driven by lower mortgage banking income due to lower purchase and refinance activity and competition driving tighter gain on sale margins.
- Non-interest income included \$1.5 million of trust income, \$1.3 million increases from gains on SBA loan sales, as well as Cambr income, all of which are new and our diversified sources of fee revenue. During revenue including SBA loan income, trust income, Cambr income, fair value adjustments on company-owned life insurance, swap fee income and a \$0.6 million gain from the sale of a banking center building. Mortgage banking income decreased \$0.6 million during the three and nine months ended September 30,

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2023, the Company recorded zero and \$4.4 million, respectively, in impairments related to venture capital investments, included in other non-interest income in the Company's consolidated statements of operations.

- Service charges and bank card fees increased a combined \$2.8 million, or 11.0%, during the nine months ended September 30, 2023 March 31, 2024, compared to the same period in the prior year.
- During Service charges and bank card fees increased a combined \$0.2 million during the three months ended September 30, 2023 March 31, 2024, compared to the Company executed a sale first quarter of mortgage servicing rights, which generated a gain of \$1.1 million included in mortgage banking income in the consolidated statements of operations, 2023.

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Expenses

- Non-interest expense totaled \$179.9 million \$62.8 million during the nine three months ended September 30, 2023 March 31, 2024, representing an increase of \$36.3 million \$4.5 million, or 25.3% 7.8%, compared to the nine three months ended September 30, 2022, largely driven by an increase in core operating expenses March 31, 2023. Salaries and benefits increased \$3.5 million primarily due to our recent acquisitions. Included in other non-interest expense was an increase of \$4.0 million from FDIC deposit insurance expense as a result of our recent acquisitions and an increase payroll tax credits realized in the FDIC assessment rate effective January first quarter of 2023. Occupancy and equipment increased \$0.9 million, and other intangible assets amortization increased \$0.6 million due to intangible assets acquired through our Cambr acquisition in April of 2023. These increases were partially offset by a decrease of \$0.9 million in professional fees.
- The FTE efficiency ratio, excluding other intangible assets amortization, and acquisition-related expenses, during the nine three months ended September 30, 2023 improved 492 basis points to 53.74% March 31, 2024 totaled 58.82%, compared to 58.66% 54.31% during the nine months year ended September 30, 2022 December 31, 2023.
- Income tax expense totaled \$27.8 million \$7.5 million during the nine three months ended September 30, 2023 March 31, 2024, compared to \$12.0 million \$10.1 million during the nine three months ended September 30, 2022, March 31, 2023 driven by lower pre-tax income. The effective tax rate for the nine months ended September 30, 2023 first quarter 2024 was 20.3% 19.3%, compared to 18.0% 19.1% for the nine months ended September 30, 2022, full year 2023.

Strong capital position

- Capital ratios continue to be strong and in excess of federal bank regulatory agency "well capitalized" thresholds. As of September 30, 2023 March 31, 2024, our consolidated tier 1 leverage ratio was 9.56% 9.99%, and our consolidated common equity tier 1 and consolidated tier 1 risk based capital ratio was 11.61% ratios were 12.35%.
- At September 30, 2023 March 31, 2024, common book value per share was \$30.83, \$32.58. The tangible common book value per share increased \$0.80 \$0.55 to \$21.43 at September 30, 2023, compared to December 31, 2022, \$23.32 during the first quarter of 2024 as 2023's earnings outpaced the impact of the Cambr acquisition quarterly dividend and quarterly dividends. Excluding a \$0.10 increase in accumulated other comprehensive loss, the tangible book value per share increased \$1.12 to \$24.10 at September 30, 2022, compared to December 31, 2022, loss.

Key Challenges

Macroeconomic pressures have resulted in volatility and uncertainty in the banking industry. Increases in interest rates, declines in the fair value of securities, lack of available funding, uninsured deposits and risk from concentrations in loan and deposit segments along with declines in commercial real estate property values are a number of significant challenges confronting us and our industry, drawing increased scrutiny on financial institutions. Liquidity within the financial services sector has tightened, and we expect the intense competition for deposits throughout our markets to continue. While these are widespread challenges for the banking industry, the Company has not experienced a material impact to our financial condition, operations, customer base, liquidity, capital position or risk profile.

Additionally, we face continual challenges implementing our business strategy. These include growing our assets, particularly loans, and deposits amidst intense competition, changing interest rates, adhering to changes in the regulatory environment and identifying and consummating disciplined acquisition and other expansionary opportunities in a very competitive and inflationary environment.

Macroeconomic pressures have resulted in volatility and uncertainty in the banking industry. Increases in interest rates, declines in the fair value of securities, lack of available funding, uninsured deposits and risk from concentrations in loan and deposit segments are drawing focus to financial institutions in the wake of recent bank failures. While these are widespread challenges for the banking industry, the Company has not experienced a material impact to our financial condition, operations, customer base, liquidity, capital position or risk profile.

Management employs risk management policies to monitor and limit exposure to changes in market rates. The Asset Liability Committee, a cross-functional committee comprised of executive management and senior leaders, meets monthly to review, among other things, the sensitivity of the Company's assets and liabilities to interest rate changes, local and national market conditions and interest rates. The Asset Liability Committee also reviews the liquidity, capital, deposit mix, loan mix and investment positions of the Company. The Company's principal objective regarding asset and liability management is to evaluate interest rate risk within the balance sheet and pursue a controlled assumption of interest rate risk while preserving adequate levels of liquidity and capital.

Regarding the fair value of investment securities, our accumulated other comprehensive loss is manageable. Additionally, the investment security portfolio is largely backed by either U.S. government agencies or U.S. government sponsored entities, giving us confidence we will not realize material losses. With respect to liquidity, management believes that the Company's excess cash,

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borrowing capacity and access to various sources of capital and liquidity are sufficient to meet its short-term and long-term needs. We have no significant concentrations in our loan portfolio and deposit base, and we remain well within self-imposed concentration limits, limiting exposure to risk in any particular segment. Our exposure to interest rate risk, unrealized losses in investments, liquidity, loan portfolio, deposit base and uninsured deposits are discussed in more detail below.

We are focused on growing our loan portfolio while adhering to our established underwriting standards and self-imposed concentration limits. A significant portion of our loan portfolio is secured by real estate and any deterioration in real estate values or credit quality or elevated levels of non-performing assets would ultimately have a negative impact on the quality of our loan portfolio. In addition, we may see increased rates of repurchase or indemnification demands or indemnification as a result of self-reporting of identified errors in our mortgage loan portfolio. For instance, as part of our normal review process, we have discovered irregularities in mortgage loan applications in one of our offices that has prompted an investigation. The investigation is not yet complete, however, we do not expect the outcome to materially or adversely affect our business or financial condition or results.

Future growth in our interest income will ultimately be dependent on our ability to originate high-quality loans and other high-quality earning assets such as investment securities as well as our ability to access liquidity and manage our cost of funds. Liquidity is monitored and managed to ensure that sufficient funds are available to meet our business needs. Management believes that the Company's excess cash, borrowing capacity and access to sufficient sources of capital are adequate to meet our short-term and long-term liquidity needs in the foreseeable future. We anticipate having access to other third party funding sources, including the ability to raise funds through FHLB advances, issuance of debt, federal funds purchased and the issuance of shares of our common stock or other equity or equity-related securities.

Cash balances total \$291.3 million as of September 30, 2023 and have increased \$95.8 million from December 31, 2022. Investment securities totaled \$1.2 billion as of September 30, 2023 and decreased \$136.9 million, or 10.1%, compared to December 31, 2022. As of September 30, 2023, our loans outstanding totaled \$7.5 billion, increasing \$258.0 million, or 3.6%, compared to December 31, 2022. During 2023, our weighted average rate on new loans funded at the time of origination was 8.6%, which was higher compared to the weighted average yield from our outstanding originated loans of 4.8% during the same period last year. During the nine months years ended September 30, 2023, December 31, 2023 and 2022, the Federal Reserve increased prevailing interest rates by a total of 100 and 425 basis points, respectively. Our future earnings will be impacted by the Federal Reserve's future interest rate policy decisions. Management employs risk management policies to monitor and limit exposure to changes in market rates, which is discussed in more detail in the Asset/Liability Management and Interest Rate Risk section of Management's Discussion and Analysis.

We maintain a granular and well diversified deposit base with no exposure to venture capital or crypto deposits. Approximately 70% of our deposits were FDIC insured as of September 30, 2023, and our FHLB advances were \$316.8 million, decreasing \$68.2 million compared to December 31, 2022. Average total deposits were \$8.1 billion during the third quarter of 2023, increasing \$0.1 billion compared to the fourth quarter of 2022. The mix of transaction deposits to total deposits was 87.8% at September 30, 2023. Cost of deposits totaled 1.18% at September 30, 2023, and our total cost of funds was 1.40%.

Continued regulation, new liquidity and capital constraints, increased FDIC insurance costs, and a continual need to bolster cybersecurity are adding costs and uncertainty to all U.S. banks and could affect profitability. Also, nontraditional participants in the market may offer increased competition as non-bank payment businesses, including fintechs, are expanding into traditional banking products. While certain external factors are out of our control and may provide obstacles to our business strategy, we are prepared to deal with these challenges and expand our offerings in digital technology, including by partnering with and

investing in fintechs where appropriate. We seek to remain flexible, yet methodical and proactive, in our strategic decision making so that we can quickly respond to market changes and the inherent challenges and opportunities that accompany such changes.

The Company devotes considerable resources to protect the confidentiality, integrity, and availability of its subsidiary Banks' systems and data, including associate and client information. Through coordinated efforts across our information technology, risk management, and third parties, we continuously enhance our suite of cyber-defense and information security capabilities. Further, the Audit & Risk Committee of our Board of Directors is updated quarterly on information security and cybersecurity trends and current efforts, and receives an annual report on the Company's information security risk assessment efforts.

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Performance Overview

In evaluating our consolidated statements of financial condition and results of operations financial statement line items, we evaluate and manage our performance based on key earnings indicators, balance sheet ratios, asset quality metrics and regulatory capital ratios, among others. The table below presents some of the primary performance indicators that we use to analyze our business on a regular basis for the periods indicated:

Key Metrics⁽¹⁾

	As of and for the three months ended			As of and for the nine months ended		As of and for the three months ended		
	September 30,	December 31,	September 30,	September 30,	September 30,	March 31,	December 31,	March 31,
	2023	2022	2022	2023	2022	2024	2023	2023
Return on average assets	1.46%	0.70%	0.84%	1.50%	1.00%	1.28%	1.33%	1.70%
Return on average tangible assets ⁽²⁾	1.58%	0.77%	0.87%	1.61%	1.03%	1.39%	1.44%	1.80%
Return on average tangible assets, adjusted ⁽²⁾⁽³⁾	1.58%	1.55%	1.39%	1.61%	1.23%			
Return on average equity	12.26%	6.13%	7.22%	12.71%	8.64%	10.30%	11.10%	14.60%
Return on average tangible common equity ⁽²⁾	18.38%	9.17%	8.66%	18.81%	10.17%	15.14%	16.56%	20.86%
Return on average tangible common equity, adjusted ⁽²⁾⁽³⁾	18.38%	18.37%	13.76%	18.81%	12.10%			
Loan to deposit ratio (end of period) ⁽¹⁰⁾	91.77%	91.72%	84.10%	91.77%	84.10%			
Loan to deposit ratio (end of period) ⁽³⁾						88.86%	94.00%	96.88%
Non-interest bearing deposits to total deposits (end of period)	30.47%	39.82%	40.21%	30.47%	40.21%	26.92%	28.83%	38.53%
Net interest margin ⁽⁴⁾	3.85%	4.32%	3.93%	4.06%	3.36%	3.70%	3.88%	4.32%
Net interest margin FTE ⁽²⁾⁽⁴⁾⁽⁵⁾	3.92%	4.39%	4.01%	4.12%	3.44%	3.78%	3.95%	4.39%
Interest rate spread FTE ⁽²⁾⁽⁵⁾⁽⁶⁾	3.03%	4.09%	3.86%	3.36%	3.31%	2.81%	3.00%	3.83%
Yield on earning assets ⁽⁷⁾	5.53%	4.72%	4.11%	5.37%	3.54%	5.80%	5.84%	5.17%
Yield on earning assets FTE ⁽²⁾⁽⁵⁾⁽⁷⁾	5.60%	4.79%	4.19%	5.44%	3.62%	5.88%	5.91%	5.24%
Cost of interest bearing liabilities	2.57%	0.70%	0.33%	2.08%	0.31%	3.07%	2.91%	1.41%
Cost of deposits	1.64%	0.33%	0.18%	1.18%	0.17%	2.15%	1.94%	0.58%
Non-interest income to total revenue FTE ⁽⁵⁾	17.81%	12.78%	19.76%	14.74%	23.22%	17.11%	14.98%	13.22%
Non-interest expense to average assets	2.46%	2.84%	2.87%	2.47%	2.63%	2.56%	2.49%	2.46%
Efficiency ratio	56.56%	61.96%	62.39%	56.16%	63.83%	61.77%	58.82%	53.21%
Efficiency ratio excluding other intangible assets amortization and acquisition-related expenses FTE ⁽²⁾⁽³⁾⁽⁵⁾	53.90%	53.76%	52.99%	53.74%	58.66%			
Efficiency ratio excluding other intangible assets amortization FTE ⁽²⁾⁽⁵⁾						58.82%	56.03%	51.30%

Pre-provision net revenue	\$ 46,539	\$ 41,542	\$ 32,511	\$ 140,427	\$ 81,371	\$ 38,890	\$ 43,470	\$ 51,262
Pre-provision net revenue FTE ⁽²⁾⁽⁵⁾	48,114	42,996	33,920	144,859	85,429	40,582	45,137	52,676
Pre-provision net revenue FTE adjusted for acquisition-related expense ⁽²⁾⁽³⁾⁽⁵⁾	48,114	49,807	40,916	144,859	93,685			
Total Loans Asset Quality Data⁽⁸⁾⁽⁹⁾⁽¹⁰⁾								
Total Loans Asset Quality Data⁽³⁾⁽⁸⁾⁽⁹⁾								
Non-performing loans to total loans	0.44%	0.23%	0.26%	0.44%	0.26%	0.47%	0.37%	0.13%
Non-performing assets to total loans and OREO	0.49%	0.28%	0.32%	0.49%	0.32%	0.53%	0.42%	0.18%
Allowance for credit losses to total loans	1.25%	1.24%	1.15%	1.25%	1.15%	1.29%	1.27%	1.23%
Allowance for credit losses to non-performing loans	281.36%	542.35%	447.72%	281.36%	447.72%	272.52%	346.99%	946.40%
Net charge-offs to average loans	0.01%	0.04%	0.01%	0.02%	0.03%	0.00%	0.02%	0.01%

(1) Ratios are annualized.

(2) Ratio represents non-GAAP financial measure. See non-GAAP reconciliations below.

(3) Ratios Total loans are adjusted for acquisition-related expenses. See non-GAAP reconciliation below. net of unearned discounts and fees.

(4) Net interest margin represents net interest income, including accretion income on interest earning assets, as a percentage of average interest earning assets.

(5) Presented on an FTE basis using the statutory rate of 21% for all periods presented. The taxable equivalent adjustments included above are \$1,575, \$1,454 \$1,692, \$1,667 and \$1,409 \$1,414 for the three months ended September 30, 2023 March 31, 2024, December 31, 2022 December 31, 2023 and September 30, 2022, respectively. The taxable equivalent adjustments included above are \$4,432 and \$4,058 for the nine months ended September 30, 2023 and September 30, 2022 March 31, 2023, respectively.

(6) Interest rate spread represents the difference between the weighted average yield on interest earning assets and the weighted average cost of interest bearing liabilities.

(7) Interest earning assets include assets that earn interest/accretion or dividends. Any market value adjustments on investment securities are excluded from interest earning interest-earning assets.

(8) Non-performing loans consist of non-accruing loans and restructured loans on non-accrual.

(9) Non-performing assets include non-performing loans and OREO.

(10) Total loans are net of unearned discounts and fees.

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About Non-GAAP Financial Measures

Certain of the financial measures and ratios we present, including "tangible assets," "average tangible assets," "return on average tangible assets," "tangible common equity," "tangible common equity to tangible assets," "return on average tangible common equity," "tangible common book value," "tangible common book value per share," "tangible common equity to tangible assets," "tangible common book value, excluding accumulated other comprehensive loss, net of tax," "tangible common book value per share,"

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excluding accumulated other comprehensive loss, net of tax," "adjusted non-interest expense," "non-interest expense to average assets, adjusted," "adjusted net income," "adjusted net" net income excluding core deposit other intangible assets amortization expense, after tax," "adjusted earnings per share - diluted," "adjusted return on average tangible assets," "adjusted return on average tangible common equity," "non-interest expense adjusted for intangible assets amortization and acquisition-related expenses," "non-interest expense adjusted for acquisition-related expenses," "efficiency ratio adjusted for excluding other intangible assets amortization, and acquisition-related expenses," "efficiency ratio excluding other intangible assets amortization FTE," "pre-provision net revenue," "pre-provision net revenue adjusted for acquisition-related expenses," "tangible common book value, excluding accumulated other comprehensive loss (income), net of tax," "tangible common book value per share, excluding accumulated other comprehensive loss, (income), net of tax," "adjusted net" net income excluding other intangible assets amortization expense, after tax," "net income adjusted for the impact of other intangible assets amortization expense, and acquisition-related expenses, after tax," "net income excluding the impact of other intangible assets amortization expense, after tax," and "fully taxable equivalent" metrics, are supplemental measures that are not required by, or are not presented in accordance with, U.S. generally accepted accounting principles (GAAP). We refer to these financial measures and ratios as "non-GAAP financial measures." We consider the use of select non-GAAP financial measures and ratios to be useful for financial and operational decision making and useful in evaluating period-to-period comparisons. We believe that these non-GAAP financial measures provide meaningful supplemental information regarding our performance by excluding certain expenditures or assets that we believe are not indicative of our primary business operating results or by presenting certain metrics on an FTE basis. We believe that management and investors benefit from referring to these non-GAAP financial measures in assessing our performance and when planning, forecasting, analyzing and comparing past, present and future periods.

These non-GAAP financial measures should not be considered a substitute for financial information presented in accordance with GAAP and you should not rely on non-GAAP financial measures alone as measures of our performance. The non-GAAP financial measures we present may differ from non-GAAP financial measures used by our peers or other companies. We compensate for these limitations by providing the equivalent GAAP measures whenever we present the non-GAAP financial measures and by including a reconciliation of the impact of the components adjusted for in the non-GAAP financial measure so that both measures and the individual components may be considered when analyzing our performance.

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A reconciliation of our GAAP financial measures to the comparable non-GAAP financial measures is as follows:

Tangible Common Book Value Ratios

	September 30, 2023	December 31, 2022	September 30, 2022	March 31, 2024	December 31, 2023	March 31, 2023
Total shareholders' equity	\$ 1,163,585	\$ 1,092,202	\$ 919,426	\$ 1,231,830	\$ 1,212,807	\$ 1,133,727
Less: goodwill and other intangible assets, net	(366,724)	(327,191)	(186,608)	(362,709)	(364,716)	(325,828)
Add: deferred tax liability related to goodwill	11,876	10,984	10,755	12,539	12,208	11,212
Tangible common equity (non-GAAP)	<u>\$ 808,737</u>	<u>\$ 775,995</u>	<u>\$ 743,573</u>	<u>\$ 881,660</u>	<u>\$ 860,299</u>	<u>\$ 819,111</u>
 Total assets	 \$ 9,866,283	 \$ 9,573,243	 \$ 7,922,921	 \$ 9,967,476	 \$ 9,951,064	 \$ 9,917,223
Less: goodwill and other intangible assets, net	(366,724)	(327,191)	(186,608)	(362,709)	(364,716)	(325,828)
Add: deferred tax liability related to goodwill	11,876	10,984	10,755	12,539	12,208	11,212
Tangible assets (non-GAAP)	<u>\$ 9,511,435</u>	<u>\$ 9,257,036</u>	<u>\$ 7,747,068</u>	<u>\$ 9,617,306</u>	<u>\$ 9,598,556</u>	<u>\$ 9,602,607</u>
 Tangible common equity to tangible assets calculations:	 11.79%	 11.41%	 11.60%	 12.36%	 12.19%	 11.43%
Total shareholders' equity to total assets	(3.29)%	(3.03)%	(2.00)%	(3.19)%	(3.23)%	(2.90)%
Tangible common equity to tangible assets (non-GAAP)	<u>8.50%</u>	<u>8.38%</u>	<u>9.60%</u>	<u>9.17%</u>	<u>8.96%</u>	<u>8.53%</u>
 Tangible common book value per share calculations:	 	 	 	 	 	

Tangible common equity (non-GAAP)	\$ 808,737	\$ 775,995	\$ 743,573	\$ 881,660	\$ 860,299	\$ 819,111
Divided by: ending shares outstanding	37,739,776	37,608,519	33,189,253	37,806,148	37,784,851	37,641,381
Tangible common book value per share (non-GAAP)	\$ 21.43	\$ 20.63	\$ 22.40	\$ 23.32	\$ 22.77	\$ 21.76
Tangible common book value per share, excluding accumulated other comprehensive loss calculations:						
Tangible common equity (non-GAAP)	\$ 808,737	\$ 775,995	\$ 743,573	\$ 881,660	\$ 860,299	\$ 819,111
Accumulated other comprehensive loss, net of tax	100,853	88,204	89,339	80,209	76,401	78,627
Tangible common book value, excluding accumulated other comprehensive loss, net of tax (non-GAAP)	909,590	864,199	832,912	961,869	936,700	897,738
Divided by: ending shares outstanding	37,739,776	37,608,519	33,189,253	37,806,148	37,784,851	37,641,381
Tangible common book value per share, excluding accumulated other comprehensive loss, net of tax (non-GAAP)	\$ 24.10	\$ 22.98	\$ 25.10	\$ 25.44	\$ 24.79	\$ 23.85

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Return on Average Tangible Assets and Return on Average Tangible Equity

	As of and for the three months ended			As of and for the nine months ended			As of and for the three months ended		
	September 30,		December 31,	September 30,	September 30,		September 30,	March 31, December 31, March 31,	
	2023	2022	2022	2023	2022	2022	2024	2023	2023
Net income	\$ 36,087	\$ 16,721	\$ 15,839	\$ 108,927	\$ 54,553	\$ 31,391	\$ 33,121	\$ 40,283	
Add: impact of other intangible assets amortization expense, after tax	1,541	1,049	295	4,128	751	1,534	1,541	1,049	
Net income excluding the impact of other intangible assets amortization expense, after tax (non-GAAP)	\$ 37,628	\$ 17,770	\$ 16,134	\$ 113,055	\$ 55,304	\$ 32,925	\$ 34,662	\$ 41,332	
Net income excluding the impact of other intangible assets amortization expense, after tax	\$ 37,628	\$ 17,770	\$ 16,134	\$ 113,055	\$ 55,304				
Add: acquisition-related adjustments, after tax (non-GAAP) ⁽¹⁾	—	17,825	9,510	—	10,480				
Net income adjusted for the impact of other intangible assets amortization expense and acquisition-related expenses, after tax (non-GAAP) ⁽¹⁾	\$ 37,628	\$ 35,595	\$ 25,644	\$ 113,055	\$ 65,784				
Average assets	\$ 9,788,909	\$ 9,443,630	\$ 7,449,066	\$ 9,725,130	\$ 7,285,934	\$ 9,888,261	\$ 9,889,054	\$ 9,619,456	
Less: average goodwill and other intangible assets, net of deferred tax liability related to goodwill	(356,083)	(314,017)	(131,490)	(342,826)	(117,485)	(351,383)	(353,712)	(315,493)	
Average tangible assets (non-GAAP)	\$ 9,432,826	\$ 9,129,613	\$ 7,317,576	\$ 9,382,304	\$ 7,168,449	\$ 9,536,878	\$ 9,535,342	\$ 9,303,963	
Average shareholders' equity	\$ 1,168,199	\$ 1,082,840	\$ 870,849	\$ 1,146,210	\$ 844,241	\$ 1,226,283	\$ 1,184,164	\$ 1,119,118	
Less: average goodwill and other intangible assets, net of deferred tax liability related to goodwill	(356,083)	(314,017)	(131,490)	(342,826)	(117,485)	(351,383)	(353,712)	(315,493)	
Average tangible common equity (non-GAAP)	\$ 812,116	\$ 768,823	\$ 739,359	\$ 803,384	\$ 726,756	\$ 874,900	\$ 830,452	\$ 803,625	

Return on average assets	1.46%	0.70%	0.84%	1.50%	1.00%	1.28%	1.33%	1.70%
Return on average tangible assets (non-GAAP)	1.58%	0.77%	0.87%	1.61%	1.03%	1.39%	1.44%	1.80%
Adjusted return on average tangible assets (non-GAAP)	1.58%	1.55%	1.39%	1.61%	1.23%			
Return on average equity	12.26%	6.13%	7.22%	12.71%	8.64%	10.30%	11.10%	14.60%
Return on average tangible common equity (non-GAAP)	18.38%	9.17%	8.66%	18.81%	10.17%	15.14%	16.56%	20.86%
Adjusted return on average tangible common equity (non-GAAP)	18.38%	18.37%	13.76%	18.81%	12.10%			
(1) Acquisition-related adjustments:								
Provision expense adjustments:								
Day 1 CECL provision expense	\$ —	\$ 16,348	\$ 5,358	\$ —	\$ 5,358			
Non-interest expense adjustments:								
Acquisition-related expenses	—	6,811	6,996	—	8,256			
Tax expense impact	—	(5,334)	(2,844)	—	(3,134)			
Acquisition-related adjustments, after tax (non-GAAP)	\$ —	\$ 17,825	\$ 9,510	\$ —	\$ 10,480			

Fully Taxable Equivalent Yield on Earning Assets and Net Interest Margin

	As of and for the three months ended				As of and for the nine months ended	
	September 30,		December 31,	September 30,	September 30,	September 30,
	2023	2022	2022	2023	2022	
Interest income	\$ 126,110	\$ 103,958	\$ 72,369	\$ 360,712	\$ 180,730	
Add: impact of taxable equivalent adjustment	1,575	1,454	1,409	4,432	4,058	
Interest income FTE (non-GAAP)	\$ 127,685	\$ 105,412	\$ 73,778	\$ 365,144	\$ 184,788	
Net interest income	\$ 87,777	\$ 95,066	\$ 69,091	\$ 272,450	\$ 171,769	
Add: impact of taxable equivalent adjustment	1,575	1,454	1,409	4,432	4,058	
Net interest income FTE (non-GAAP)	\$ 89,352	\$ 96,520	\$ 70,500	\$ 276,882	\$ 175,827	
Average earning assets	\$ 9,039,864	\$ 8,729,482	\$ 6,982,048	\$ 8,981,033	\$ 6,829,975	
Yield on earning assets	5.53%	4.72%	4.11%	5.37%	3.54%	
Yield on earning assets FTE (non-GAAP)	5.60%	4.79%	4.19%	5.44%	3.62%	
Net interest margin	3.85%	4.32%	3.93%	4.06%	3.36%	
Net interest margin FTE (non-GAAP)	3.92%	4.39%	4.01%	4.12%	3.44%	

	As of and for the three months ended		
	March 31,		March 31,
	2024	2023	2023
Interest income	\$ 131,732	\$ 134,703	\$ 113,533
Add: impact of taxable equivalent adjustment	1,692	1,667	1,414
Interest income FTE (non-GAAP)	\$ 133,424	\$ 136,370	\$ 114,947
Net interest income	\$ 84,030	\$ 89,501	\$ 94,889
Add: impact of taxable equivalent adjustment	1,692	1,667	1,414
Net interest income FTE (non-GAAP)	\$ 85,722	\$ 91,168	\$ 96,303
Average earning assets	\$ 9,127,330	\$ 9,147,977	\$ 8,902,740
Yield on earning assets	5.80%	5.84%	5.17%
Yield on earning assets FTE (non-GAAP)	5.88%	5.91%	5.24%
Net interest margin	3.70%	3.88%	4.32%

Net interest margin FTE (non-GAAP)	3.78%	3.95%	4.39%
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Efficiency Ratio and Pre-Provision Net Revenue

	As of and for the three months ended			As of and for the nine months ended	
	September 30,		December 31,	September 30,	September 30,
	2023	2022	2022	2023	2022
Net interest income	\$ 87,777	\$ 95,066	\$ 69,091	\$ 272,450	\$ 171,769
Add: impact of taxable equivalent adjustment	1,575	1,454	1,409	4,432	4,058
Net interest income FTE (non-GAAP)	<u>\$ 89,352</u>	<u>\$ 96,520</u>	<u>\$ 70,500</u>	<u>\$ 276,882</u>	<u>\$ 175,827</u>
Non-interest income	\$ 19,365	\$ 14,138	\$ 17,358	\$ 47,853	\$ 53,174
Non-interest expense	\$ 60,603	\$ 67,662	\$ 53,938	\$ 179,876	\$ 143,572
Less: other intangible assets amortization	(2,008)	(1,363)	(383)	(5,378)	(975)
Less: acquisition-related expenses (non-GAAP)	—	(6,811)	(6,996)	—	(8,256)
Non-interest expense adjusted for other intangible assets amortization and acquisition-related expenses (non-GAAP)	<u>\$ 58,595</u>	<u>\$ 59,488</u>	<u>\$ 46,559</u>	<u>\$ 174,498</u>	<u>\$ 134,341</u>
Non-interest expense	\$ 60,603	\$ 67,662	\$ 53,938	\$ 179,876	\$ 143,572
Less: acquisition-related expenses (non-GAAP)	—	(6,811)	(6,996)	—	(8,256)
Non-interest expense adjusted for acquisition-related expenses (non-GAAP)	<u>\$ 60,603</u>	<u>\$ 60,851</u>	<u>\$ 46,942</u>	<u>\$ 179,876</u>	<u>\$ 135,316</u>
Efficiency ratio	56.56%	61.96%	62.39%	56.16%	63.83%
Efficiency ratio excluding other intangible assets amortization and acquisition-related expenses FTE (non-GAAP)	53.90%	53.76%	52.99%	53.74%	58.66%
Pre-provision net revenue (non-GAAP)	\$ 46,539	\$ 41,542	\$ 32,511	\$ 140,427	\$ 81,371
Pre-provision net revenue, FTE (non-GAAP)	48,114	42,996	33,920	144,859	85,429
Pre-provision net revenue FTE, adjusted for acquisition-related expenses (non-GAAP)	48,114	49,807	40,916	144,859	93,685

Adjusted Net Income and Earnings Per Share

	As of and for the three months ended			As of and for the nine months ended	
	September 30,		December 31,	September 30,	September 30,
	2023	2022	2022	2023	2022
Adjustments to net income:					
Net income	\$ 36,087	\$ 16,721	\$ 15,839	\$ 108,927	\$ 54,553
Add: Acquisition-related adjustments, after tax (non-GAAP)	—	17,825	9,510	—	10,480
Adjusted net income (non-GAAP)	<u>\$ 36,087</u>	<u>\$ 34,546</u>	<u>\$ 25,349</u>	<u>\$ 108,927</u>	<u>\$ 65,033</u>
Adjustments to earnings per share:					

Earnings per share - diluted	\$ 0.94	\$ 0.44	\$ 0.50	\$ 2.85	\$ 1.77
Add: Acquisition-related adjustments, after tax (non-GAAP)	—	0.47	0.30	—	0.34
Adjusted earnings per share - diluted (non-GAAP)	<u>\$ 0.94</u>	<u>\$ 0.91</u>	<u>\$ 0.80</u>	<u>\$ 2.85</u>	<u>\$ 2.11</u>

	As of and for the three months ended		
	March 31,	December 31,	March 31,
	2024	2023	2023
Net interest income	\$ 84,030	\$ 89,501	\$ 94,889
Add: impact of taxable equivalent adjustment	1,692	1,667	1,414
Net interest income FTE (non-GAAP)	<u>\$ 85,722</u>	<u>\$ 91,168</u>	<u>\$ 96,303</u>
Non-interest income	\$ 17,694	\$ 16,064	\$ 14,665
Non-interest expense	\$ 62,834	\$ 62,095	\$ 58,292
Less: other intangible assets amortization	(2,008)	(2,008)	(1,363)
Non-interest expense excluding other intangible assets amortization (non-GAAP)	<u>\$ 60,826</u>	<u>\$ 60,087</u>	<u>\$ 56,929</u>
Efficiency ratio	61.77%	58.82%	53.21%
Efficiency ratio excluding other intangible assets amortization FTE (non-GAAP)	58.82%	56.03%	51.30%
Pre-provision net revenue (non-GAAP)	\$ 38,890	\$ 43,470	\$ 51,262
Pre-provision net revenue, FTE (non-GAAP)	40,582	45,137	52,676

Application of Critical Accounting Policies and Significant Estimates

We use accounting principles and methods that conform to GAAP and general banking practices. We are required to apply significant judgment and make material estimates in the preparation of our financial statements and with regard to various accounting, reporting and disclosure matters. Assumptions and estimates are required to apply these principles where actual measurement is not possible or practical. The most significant of these estimates relate to the determination of the ACL.

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Allowance for credit losses

The determination of the ACL, which represents management's estimate of lifetime credit losses inherent in our loan portfolio at the balance sheet date, involves a high degree of judgment and complexity. The Company estimates the collective ACL by first disaggregating the loan portfolio into segments based upon broad characteristics such as primary use and underlying collateral. Within these segments, the portfolio is further disaggregated into classes of loans with similar attributes and risk characteristics. The collective ACL is determined at the class level, analyzing loss history based upon specific loss drivers and risk factors affecting each loan class. The Company utilizes a discounted cash flow ("DCF") model that incorporates forecasts of certain national macroeconomic factors (reasonable and supportable forecasts) which drive the losses predicted in establishing the Company's collective ACL. Management

accounts for the inherent uncertainty of the underlying economic forecast by reviewing and weighting alternate forecast scenarios. For periods beyond the reasonable and supportable forecast period, the Company reverts to historical long-term average loss rates on a straight-line basis. Additionally, the collective ACL calculation includes subjective adjustments for qualitative risk factors that are likely to cause estimated credit losses to differ from historical experience. Changes in these assumptions, estimates or the conditions surrounding them may have a material impact on our financial condition.

Future Accounting Pronouncements

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*. The update requires public business entities to disclose specific categories related to rate reconciliation. It also requires more detailed information for reconciling items, provided certain quantitative thresholds are met. The amendments in this update are effective for fiscal years beginning after December 15, 2024 and are to be applied on a prospective basis. Early adoption is permitted. The Company is evaluating the impact from ASU 2023-09, and does not expect the adoption of this pronouncement to have a material impact on its financial statements apart from the inclusion of additional disclosures.

On March 6, 2024, the U.S. Securities and Exchange Commission ("SEC") adopted a new set of rules that require a wide range of climate-related disclosures, including material climate-related risks, information on any climate-related targets or goals that are material to the registrant's business, results of operations, or financial condition, Scope 1 and Scope 2 Greenhouse Gas emissions on a phased-in basis by certain larger registrants when those emissions are material and the filing of an attestation report covering the same, and disclosure of the financial statement effects of severe weather events and other natural conditions including costs and losses. Compliance dates under the final rule are phased in by registrant category. Multiple lawsuits have been filed challenging the SEC's

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new climate rules, which have been consolidated and will be heard in the U.S. Court of Appeals for the Eighth Circuit. On April 4, 2024, the SEC issued an order staying the final rules until judicial review is complete.

Financial Condition

Total assets were \$9.9 billion at **September 30, 2023** **March 31, 2024**, compared to \$9.6 billion at December 31, 2022, an increase of \$293.0 million increasing \$16.4 million, or 3.1% 0.2%, from December 31, 2023. Cash and cash equivalents increased \$95.8 million \$102.1 million, or 49.0% 53.5%, from **December 31, 2022** December 31, 2023, and investment securities decreased \$136.9 million increased \$42.6 million, or 10.1% 3.5%. Total loans increased \$258.0 million Loans totaled \$7.6 billion at March 31, 2024, or 4.8% annualized, compared to \$7.7 billion at December 31, 2023, and the allowance for credit losses increased \$3.9 million decreased \$0.3 million to \$93.4 million \$97.6 million at **September 30, 2023** **March 31, 2024**. At **September 30, 2023**, During the first quarter of 2024, lower cost demand, savings, and money market deposits ("transaction deposits") totaled \$7.2 billion increased \$313.4 million, or 17.5% annualized, to \$7.5 billion, compared to \$7.0 billion at December 31, 2022 December 31, 2023. Total deposits increased \$0.3 billion \$327.4 million, or 16.1% annualized, to \$8.1 billion \$8.5 billion at **September 30, 2023** **March 31, 2024**, compared to **December 31, 2022**. FHLB advances totaled \$316.8 million at **September 30, 2023** and \$385.0 million at December 31, 2022 December 31, 2023.

Investment securities

Available-for-sale

Total Available-for-sale investment securities available-for-sale decreased 12.2% during totaled \$685.7 million at March 31, 2024, compared to \$628.8 million at December 31, 2023, an increase of \$56.8 million, or 9.0%. During the **nine** three months ended **September 30, 2023** to \$0.6 billion March 31, 2024, purchases of available-for sale securities totaled \$106.6 million. Purchases There were no purchases of available-for-sale securities during the **nine** three months ended **September 30, 2023** March 31, 2023. Maturities and 2022 paydowns of available-for-sale securities totaled zero \$45.7 million and \$260.2 million, respectively. Paydowns and maturities totaled \$71.3 million and \$116.0 million \$22.5 million during the **nine** three months ended **September 30, 2023** March 31, 2024 and 2022, 2023, respectively.

Our available-for-sale Available-for-sale investment securities portfolio is are summarized in the following table as follows as of the dates indicated. The weighted average yield was calculated based on amortized cost. Yields on tax exempt securities have not been adjusted for tax exempt status.

	September 30, 2023				December 31, 2022				March 31, 2024				December 31, 2023			
	Amortized		Weighted		Amortized		Weighted		Amortized		Weighted		Amortized		Weighted	
	cost	value	Percent of portfolio	average yield	cost	value	Percent of portfolio	average yield	cost	value	Percent of portfolio	average yield	cost	value	Percent of portfolio	average yield
Treasury securities	\$ 74,386	\$ 71,862	11.6%	2.54%	\$ 74,031	\$ 71,388	10.1%	2.54%	\$ 74,125	\$ 72,651	10.6%	3.55%	\$ 74,508	\$ 73,044	11.1%	3.55%
Mortgage-backed securities:																
Residential mortgage pass-through securities issued or guaranteed by U.S. Government agencies or sponsored enterprises	240,292	196,848	31.7%	1.73%	263,939	226,131	32.0%	1.72%	226,494	193,576	28.2%	1.71%	233,264	201,809	32.0%	1.71%
Other residential MBS issued or guaranteed by U.S. Government agencies or sponsored enterprises	430,853	348,942	56.2%	1.70%	478,866	405,926	57.5%	1.69%	485,221	416,680	60.8%	2.10%	417,155	351,242	55.5%	2.10%
Municipal securities	155	152	0.1%	3.17%	155	153	0.0%	3.17%	80	79	0.0%	3.17%	80	79	0.0%	3.17%
Corporate debt	2,000	1,849	0.3%	5.87%	2,000	1,920	0.3%	5.87%	2,000	1,870	0.3%	5.87%	2,000	1,843	0.0%	5.87%
Other securities	792	792	0.1%	0.00%	771	771	0.1%	0.00%	810	810	0.1%	0.00%	812	812	0.0%	0.00%
Total investment securities available-for-sale	\$ 748,478	\$ 620,445	100.0%	1.80%	\$ 819,762	\$ 706,289	100.0%	1.79%	\$ 788,730	\$ 685,666	100.0%	2.14%	\$ 727,819	\$ 628,829	100.0%	2.14%

As of **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**, nearly all of the available-for-sale investment portfolio was backed by mortgages. The residential mortgage pass-through securities portfolio is comprised of both fixed rate and adjustable rate FHLBC, FNMA and GNMA securities. The other mortgage-backed securities are comprised of securities backed by FHLBC, FNMA and GNMA securities.

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Mortgage-backed securities may have actual maturities that differ from contractual maturities depending on the repayment characteristics and experience of the underlying financial instruments. The estimated weighted average life of the available-for-sale mortgage-backed securities portfolio was **5.5** **4.9** years and **5.4** **5.2** years at **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**, respectively. This estimate is based on assumptions and actual results may differ. At **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**, the duration of the total available-for-sale investment portfolio was **4.4** **4.1** years for both periods and **4.3** years, respectively.

At **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**, adjustable rate securities comprised **13.1%** **11.9%** and **11.5%** **13.0%**, respectively, of the available-for-sale MBS portfolio. The remainder of the portfolio was comprised of fixed rate amortizing securities with 10 to 30 year contractual maturities, with a weighted average coupon of **1.74%** **2.16%** per annum and **1.75%** **1.73%** per annum at **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**, respectively.

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The available-for-sale investment portfolio included **\$128.0 million** **\$103.1 million** of unrealized losses and **\$14 thousand** of unrealized gains at **September 30, 2023** **March 31, 2024**. At **December 31, 2022** **December 31, 2023**, the available-for-sale investment portfolio included **\$113.5 million** **\$99.0 million** of unrealized losses. We believe any unrealized losses are a result of prevailing interest rates, and as such, we do not believe that any of the securities with unrealized losses were impaired. Management believes that default of the available-for-sale securities is highly unlikely. FHLMC, FNMA and GNMA guaranteed mortgage-backed securities and U.S. Treasury securities have a long history of zero credit losses, an explicit guarantee by the U.S. government (although limited for FNMA and FHLMC securities) and yields that generally trade based on market views of prepayment and liquidity risk rather than credit risk.

Our investment security portfolio consists of high-quality securities, which are largely backed by either U.S. government agencies or U.S. government sponsored entities. We regularly model liquidity stress scenarios to assess potential liquidity issues. The results of our stress testing on our debt security portfolio at **September 30, 2023** **March 31, 2024**, illustrated that we would continue to meet all capital adequacy requirements, even in an up to 200 basis point rate shock scenario requirements.

Held-to-maturity

Held-to-maturity investment securities decreased 7.8% totaled \$570.9 million at March 31, 2024, compared to \$585.1 million at December 31, 2023, a decrease of \$14.2 million, or 2.4%. There were no purchases of held-to-maturity securities during the **nine** **three** months ended **September 30, 2023** to **\$0.6 billion** **March 31, 2024**. **Purchases** During the three months ended March 31, 2023, purchases of held-to-maturity securities totaled \$2.5 million. Maturities and paydowns of held-to-maturity securities totaled \$14.4 million and \$16.2 million during the **nine** **three** months ended **September 30, 2023** **March 31, 2024** and **2022** totaled \$2.5 million and \$91.6 million, respectively. Paydowns and maturities totaled \$53.9 million and \$93.2 million during the nine months ended **September 30, 2023** and **2022, 2023**, respectively.

Held-to-maturity investment securities are summarized as follows as of the dates indicated:

	September 30, 2023				December 31, 2022				March 31, 2024				December 31, 2023			
	Weighted				Weighted				Weighted				Weighted			
	Amortized	Fair	Percent of	average	Amortized	Fair	Percent of	average	Amortized	Fair	Percent of	average	Amortized	Fair	Percent	portf
	cost	value	portfolio	yield	cost	value	portfolio	yield	cost	value	portfolio	yield	cost	value	portf	8
Treasury securities	\$ 49,263	\$ 47,415	8.2%	3.14%	\$ 49,045	\$ 47,629	7.5%	3.14%	\$ 49,412	\$ 48,189	8.7%	3.14%	\$ 49,338	\$ 48,334	8	
Mortgage-backed securities:																

Residential mortgage pass- through securities issued or guaranteed by U.S. Government agencies or sponsored enterprises	309,216	260,193	51.5%	2.20%	339,815	298,816	52.2%	2.29%	290,450	253,914	50.9%	2.20%	299,337	265,011	51
Other residential MBS issued or guaranteed by U.S. Government agencies or sponsored enterprises	242,022	186,634	40.3%	1.60%	262,667	213,479	40.3%	1.60%	230,988	183,673	40.4%	1.60%	236,377	190,983	40
Total investment securities held-to- maturity	\$ 600,501	\$ 494,242	100.0%	2.04%	\$ 651,527	\$ 559,924	100.0%	2.07%	\$ 570,850	\$ 485,776	100.0%	2.04%	\$ 585,052	\$ 504,328	100

The residential mortgage pass-through and other residential MBS held-to-maturity investment portfolios are comprised of fixed rate FHLMC, FNMA and GNMA securities.

The fair value of the held-to-maturity investment portfolio included \$106.3 million \$85.1 million of unrealized losses and \$42 thousand of unrealized gains at September 30, 2023 March 31, 2024. At December 31, 2022 December 31, 2023, the held-to-maturity investment portfolio included \$91.8 million \$81.0 million of unrealized losses and \$0.2 million of unrealized gains.

The Company does not measure expected credit losses on a financial asset, or groups of financial assets, in which historical credit loss information adjusted for current conditions and reasonable and supportable forecasts results in an expectation that nonpayment of the amortized cost basis is zero. Management evaluated held-to-maturity securities noting they are backed by loans guaranteed by either U.S. government agencies or U.S. government sponsored entities, and management believes that default is highly unlikely given this governmental backing and long history without credit losses. Additionally, management notes that yields on which the portfolio

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generally trades are based upon market views of prepayment and liquidity risk and not credit risk. The Company has no intention to sell the securities and believes it will not be required to sell the securities before the recovery of their amortized cost.

Mortgage-backed securities may have actual maturities that differ from contractual maturities depending on the repayment characteristics and experience of the underlying financial instruments. The estimated weighted average expected life of the held-to-maturity mortgage-backed securities portfolio as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 was 6.1 5.8 years and 6.0 5.7 years, respectively. This estimate is based on

assumptions and actual results may differ. The duration of the total held-to-maturity investment portfolio was 4.8 years as of September 30, 2023 for both March 31, 2024 and December 31, 2022 December 31, 2023.

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Non-marketable securities

The carrying balance of non-marketable securities are summarized as follows as of the dates indicated:

	September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023
Federal Reserve Bank stock	\$ 24,062	\$ 18,096	\$ 24,062	\$ 24,062
Federal Home Loan Bank stock	14,787	20,294	779	16,828
Convertible preferred stock			24,415	25,000
Equity method investments	23,968	21,659	24,183	24,587
Convertible preferred stock	25,000	29,000		
Total	\$ 87,817	\$ 89,049	\$ 73,439	\$ 90,477

Non-marketable securities included FRB stock, FHLB stock and other non-marketable securities. During the nine months ended September 30, 2023 March 31, 2024, purchases of non-marketable securities totaling \$10.3 million, and proceeds from non-marketable securities totaled \$27.1 million. Purchases consisted primarily of FHLB stock, totaled \$93.9 million and proceeds of non-marketable securities, consisting consisted of redemptions of FHLB stock, totaled \$90.3 million. The changes stock. Changes in the Company's FHLB stock holdings are were directly correlated to FHLB line of credit advances and paydowns. During the nine months ended September 30, 2022 March 31, 2023, purchases totaling \$11.5 million were comprised of other non-marketable securities totaled \$35.9 million, and proceeds from other non-marketable securities totaled \$0.1 million \$4.7 million.

FRB and FHLB stock

At September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, the Company held FRB stock and FHLB stock for regulatory or debt facility purpose purposes. These are restricted securities which, lacking a market, are carried at cost. There have been no identified events or changes in circumstances that may have an adverse effect on the FRB and FHLB stock carried at cost.

Other non-marketable securities

Other non-marketable securities consist of equity method investments and convertible preferred stock without a readily determinable fair value. During the three and nine months ended September 30, 2023, March 31, 2024 and 2023, the Company recorded zero net unrealized losses on equity method investments totaling \$49.7 thousand and \$4.0 million \$0.2 million, respectively, in impairments on convertible preferred stock related to venture capital investments, included respectively. These gains and losses were recorded in other non-interest income in the Company's consolidated statements of operations. No impairments were recorded during 2022. During the three and nine months ended September 30, 2023, the Company recorded net unrealized losses on equity method investments totaling zero and \$0.4 million, respectively. During the three and nine months ended September 30, 2022, the Company recorded net unrealized losses on equity method investments totaling \$1.3 million and \$1.4 million, respectively. These losses were recorded in other non-interest income in the Company's consolidated statements March 31, 2024 or 2023.

[Table of operations](#). The Company continues to invest with fintech solution providers to support our digital ecosystem buildout, support our core bank products and offerings, and to leverage efficiencies and technological solutions in our shared services areas. [Contents](#)

Loans overview

At **September 30, 2023** **March 31, 2024**, our loan portfolio was comprised of new loans that we have originated and loans that were acquired in connection with our acquisitions.

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The table below shows the loan portfolio composition at the respective dates:

	September 30, 2023 vs.		
	December 31, 2022		
	September 30, 2023	December 31, 2022	% Change
Originated:			
Commercial:			
Commercial and industrial	\$ 1,784,188	\$ 1,841,313	(3.1)%
Municipal and non-profit	1,012,967	959,305	5.6%
Owner-occupied commercial real estate	827,679	656,361	26.1%
Food and agribusiness	258,609	284,714	(9.2)%
Total commercial	3,883,443	3,741,693	3.8%
Commercial real estate non-owner occupied	1,026,133	841,657	21.9%
Residential real estate	897,804	827,030	8.6%
Consumer	16,700	16,986	(1.7)%
Total originated	5,824,080	5,427,366	7.3%
Acquired:			
Commercial:			
Commercial and industrial	156,012	183,522	(15.0)%
Municipal and non-profit	305	321	(5.0)%
Owner-occupied commercial real estate	247,701	256,979	(3.6)%
Food and agribusiness	61,551	69,265	(11.1)%
Total commercial	465,569	510,087	(8.7)%
Commercial real estate non-owner occupied	787,926	854,393	(7.8)%
Residential real estate	398,187	424,251	(6.1)%
Consumer	2,676	4,372	(38.8)%
Total acquired	1,654,358	1,793,103	(7.7)%
Total loans	\$ 7,478,438	\$ 7,220,469	3.6%

	March 31, 2024 vs.		
	December 31, 2023		
	March 31, 2024	December 31, 2023	% Change
Originated:			
Commercial:			
Commercial and industrial	\$ 1,777,328	\$ 1,825,425	(2.6)%
Municipal and non-profit	1,062,287	1,083,457	(2.0)%
Owner-occupied commercial real estate	875,303	879,686	(0.5)%
Food and agribusiness	241,654	265,902	(9.1)%

Total commercial	3,956,572	4,054,470	(2.4)%
Commercial real estate non-owner occupied	1,092,780	1,071,529	2.0%
Residential real estate	923,103	919,139	0.4%
Consumer	14,936	16,686	(10.5)%
Total originated	5,987,391	6,061,824	(1.2)%
Acquired:			
Commercial:			
Commercial and industrial	132,532	141,484	(6.3)%
Municipal and non-profit	294	299	(1.7)%
Owner-occupied commercial real estate	234,486	244,087	(3.9)%
Food and agribusiness	57,896	58,695	(1.4)%
Total commercial	425,208	444,565	(4.4)%
Commercial real estate non-owner occupied	767,419	785,221	(2.3)%
Residential real estate	387,101	404,648	(4.3)%
Consumer	1,933	2,500	(22.7)%
Total acquired	1,581,661	1,636,934	(3.4)%
Total loans	\$ 7,569,052	\$ 7,698,758	(1.7)%

The Company maintains a granular and well-diversified loan portfolio with self-imposed concentration limits. The loan portfolio increased \$258.0 million At March 31, 2024, or 4.8% annualized, from December 31, 2022 loans totaled \$7.6 billion, compared to September 30, 2023. Loan fundings during the nine months ended September 30, 2023 totaled \$1.1 billion, led by commercial loan fundings of \$568.1 million \$7.7 billion at December 31, 2023.

Our commercial and industrial loan portfolio is highly diversified across industry sectors and geography. At September 30, 2023 March 31, 2024, there were no industry sectors representing more than 10.0% 15.0% of our total loan portfolio. Key segments included government/non-profit loans of \$728.9 million \$780.0 million, or 9.7% 10.3% of total loans, and health care/hospital loans of \$400.7 million \$423.0 million, or 5.4% 5.6% of total loans.

Non-owner occupied CRE loans were 171.0% 166.7% of the Company's risk based capital, or 24.3% 24.6% of total loans, and no specific property type comprised more than 10.0% of total loans. The Company maintains little exposure to non-owner occupied CRE retail properties and office properties, comprising 1.9% 3.4% of total loans. Multi-family loans totaled \$329.7 million \$348.5 million, or 4.4% of total loans, and office loans totaled \$98.6 million, or 1.3% 4.6% of total loans, as of September 30, 2023 March 31, 2024.

The agriculture industry continues to be impacted by elevated and volatile commodity prices and intermittent disruptions in supply chains. Our food and agribusiness portfolio is only 4.3% 4.0% of total loans and is well-diversified across food production, crop and livestock types. Crop and livestock loans represent 1.1% 1.0% of total loans. We have maintained relationships with food and agribusiness clients that generally possess low leverage and, correspondingly, low bank debt to assets, minimizing any potential credit losses in the future.

New loan origination is a direct result of our ability to recruit and retain top banking talent, connect with clients in our markets and provide needed services at competitive rates. Loan fundings totaled \$1.6 billion \$1.3 billion over the past 12 months, led by commercial loan fundings of \$0.8 billion. Fundings are defined as closed-end funded loans and revolving lines of credit advances, net of any current period paydowns. Management utilizes this more conservative definition of fundings to better approximate the impact of fundings on loans outstanding and ultimately net interest income.

	Third quarter	Second quarter	First quarter	Fourth quarter	Third quarter	First quarter	Fourth quarter	Third quarter	Second quarter	First
	2023	2023	2023	2022	2022	2024	2023	2023	2023	2023
Commercial:										
Commercial and industrial	\$ 89,297	\$ 111,717	\$ 107,013	\$ 177,693	\$ 201,106	\$ 53,978	\$ 135,954	\$ 89,297	\$ 111,717	\$ 107,013
Municipal and non-profit	18,657	39,331	22,526	20,393	20,845	14,564	79,650	18,657	39,331	22,526
Owner occupied commercial real estate	67,322	62,649	33,912	40,912	65,125	35,128	75,631	67,322	62,649	33,912
Food and agribusiness	16,191	6,017	(6,564)	28,518	76,293	(7,204)	10,646	16,191	6,017	16,191
Total commercial	191,467	219,714	156,887	267,516	363,369	96,466	301,881	191,467	219,714	156,887
Commercial real estate non-owner occupied	88,434	99,984	185,875	133,271	166,739	73,789	107,738	88,434	99,984	185,875
Residential real estate	42,514	40,814	49,406	95,067	99,951	29,468	48,925	42,514	40,814	49,406
Consumer	1,689	1,777	1,717	1,396	1,505	234	1,849	1,689	1,777	1,717
Total	\$ 324,104	\$ 362,289	\$ 393,885	\$ 497,250	\$ 631,564	\$ 199,957	\$ 460,393	\$ 324,104	\$ 362,289	\$ 393,885

Included in **fundings** the table above are **quarterly** net **(paydowns)** **fundings** **(paydowns)** under revolving lines of credit totaling **\$59,523**, **\$16,954**, **(\$12,877)**, **\$13,766** and **(\$7,096)**, **\$96,903** and **\$124,834** for the dates noted, in the table above, respectively.

The tables below show the contractual maturities of our total loans for the dates indicated:

	September 30, 2023					March 31, 2024					
	Due after 5										
	Due within		Due after 1 but		but	Due after		Due within		Due after 1 but	
	1 year	within 5 years	years	15 Years	Total	1 year	within 5 years	within 15 years	15 Years	Total	
Commercial:											
Commercial and industrial	\$227,396	\$ 1,383,588	\$ 318,570	\$ 10,646	\$ 1,940,200	\$312,780	\$ 1,286,252	\$ 297,935	\$ 12,893	\$ 1,909,860	
Municipal and non-profit	29,737	130,718	504,931	347,886	1,013,272	15,706	158,602	554,593	333,680	1,062,581	
Owner occupied commercial real estate	71,602	384,580	511,713	107,485	1,075,380	85,783	411,434	510,668	101,904	1,109,789	
Food and agribusiness	113,850	111,626	77,262	17,422	320,160	115,079	72,135	97,203	15,133	299,550	
Total commercial	442,585	2,010,512	1,412,476	483,439	4,349,012	529,348	1,928,423	1,460,399	463,610	4,381,780	
Commercial real estate non-owner occupied	331,628	924,190	545,684	12,557	1,814,059	415,015	926,889	505,543	12,752	1,860,199	
Residential real estate	59,623	184,198	345,570	706,600	1,295,991	45,744	201,994	330,958	731,508	1,310,204	
Consumer	6,402	11,176	1,793	5	19,376	5,090	10,105	1,670	4	16,869	
Total loans	\$840,238	\$ 3,130,076	\$2,305,523	\$1,202,601	\$7,478,438	\$995,197	\$ 3,067,411	\$ 2,298,570	\$1,207,874	\$7,569,052	

	December 31, 2022				
	Due within		Due after 1 but		Due after
	1 year	within 5 years	within 15 years	15 Years	Total
Commercial:					
Commercial and industrial	\$ 234,028	\$ 1,421,752	\$ 353,909	\$ 15,146	\$ 2,024,835
Municipal and non-profit	1,184	134,012	513,872	310,558	959,626
Owner occupied commercial real estate	61,598	261,305	478,104	112,333	913,340
Food and agribusiness	83,254	203,910	46,624	20,191	353,979
Total commercial	380,064	2,020,979	1,392,509	458,228	4,251,780

Commercial real estate non-owner occupied	234,962	863,842	579,843	17,403	1,696,050
Residential real estate	72,035	169,024	372,638	637,584	1,251,281
Consumer	6,142	12,494	2,721	1	21,358
Total loans	\$ 693,203	\$ 3,066,339	\$ 2,347,711	\$ 1,113,216	\$ 7,220,469

	December 31, 2023					
	Due within		Due after 1 but		Due after 5 but	
	1 year	within 5 years	within 15 years	15 Years	Total	
Commercial:						
Commercial and industrial	\$ 282,560	\$ 1,377,991	\$ 295,659	\$ 10,699	\$ 1,966,909	
Municipal and non-profit	36,505	158,561	561,112	327,578	1,083,756	
Owner occupied commercial real estate	86,299	413,032	518,950	105,492	1,123,773	
Food and agribusiness	121,595	93,227	94,591	15,184	324,597	
Total commercial	526,959	2,042,811	1,470,312	458,953	4,499,035	
Commercial real estate non-owner occupied	395,426	921,056	527,645	12,623	1,856,750	
Residential real estate	58,323	188,452	350,519	726,493	1,323,787	
Consumer	6,459	10,871	1,851	5	19,186	
Total loans	\$ 987,167	\$ 3,163,190	\$ 2,350,327	\$ 1,198,074	\$ 7,698,758	

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The stated interest rate (which excludes the effects of non-refundable loan origination and commitment fees, net of costs and the accretion of fair value marks) of total loans with maturities over one year is as follows at the dates indicated:

	September 30, 2023						March 31, 2024					
	Fixed		Variable		Total		Fixed		Variable		Total	
	Weighted		Weighted		Weighted		Weighted		Weighted		Weighted	
	Balance	average rate	Balance	average rate	Balance	average rate	Balance	average rate	Balance	average rate	Balance	average rate
Commercial												
Commercial and industrial	\$ 653,446	5.17%	\$ 1,059,358	8.19%	\$ 1,712,804	7.04%	\$ 619,777	5.47%	\$ 977,302	8.32%	\$ 1,597,079	7.
Municipal and non-profit ⁽¹⁾	1,000,752	3.60%	22,018	5.44%	1,022,770	3.79%	1,055,149	3.87%	20,868	5.45%	1,076,017	4.
Owner occupied commercial real estate	411,588	4.69%	592,189	6.94%	1,003,777	6.10%	387,178	4.69%	636,828	7.24%	1,024,006	6.
Food and agribusiness	35,232	5.68%	171,078	8.00%	206,310	7.60%	31,295	5.75%	153,177	8.05%	184,472	7.
Total commercial	2,101,018	4.38%	1,844,643	7.74%	3,945,661	6.01%	2,093,399	4.58%	1,788,175	7.88%	3,881,574	6.
Commercial real estate non-owner occupied	509,644	4.40%	972,787	6.60%	1,482,431	5.84%	498,716	4.54%	946,469	6.59%	1,445,185	5.

Residential real estate	540,808	4.03%	695,561	5.18%	1,236,369	4.68%	548,096	4.22%	716,363	5.34%	1,264,459	4.
Consumer	9,905	5.75%	3,069	8.28%	12,974	6.35%	8,246	5.98%	3,533	8.26%	11,779	6.
Total loans with > 1 year maturity	<u>\$3,161,375</u>	4.33%	<u>\$3,516,060</u>	6.92%	<u>\$6,677,435</u>	5.73%	<u>\$3,148,457</u>	4.51%	<u>\$3,454,540</u>	7.00%	<u>\$6,602,997</u>	5.

	December 31, 2022						December 31, 2023					
	Fixed		Variable		Total		Fixed		Variable		Total	
	Weighted		Weighted		Weighted		Weighted		Weighted		Weighted	
	Balance	average rate										
Commercial and industrial	\$ 726,568	4.62%	\$1,064,239	7.00%	\$1,790,807	6.04%	\$ 644,128	5.37%	\$1,040,219	8.30%	\$1,684,347	7.
Municipal and non-profit(1)	965,635	3.50%	22,483	4.77%	988,118	3.63%	1,048,816	3.81%	21,029	5.46%	1,069,845	3.
Owner occupied commercial real estate	417,675	4.51%	434,066	6.00%	851,741	5.33%	401,464	4.67%	636,010	7.12%	1,037,474	6.
Food and agribusiness	49,961	5.26%	220,764	7.19%	270,725	6.83%	33,539	5.73%	169,464	8.07%	203,003	7.
Total commercial	2,159,839	4.14%	1,741,552	6.75%	3,901,391	5.35%	2,127,947	4.52%	1,866,722	7.84%	3,994,669	6.
Commercial real estate non-owner occupied	569,788	4.28%	891,299	5.88%	1,461,087	5.25%	533,105	4.54%	928,219	6.55%	1,461,324	5.
Residential real estate	500,170	3.75%	679,075	4.88%	1,179,245	4.40%	550,974	4.16%	714,490	5.29%	1,265,464	4.
Consumer	11,480	4.98%	3,736	7.21%	15,216	5.52%	8,931	5.88%	3,796	8.32%	12,727	6.
Total loans with > 1 year maturity	<u>\$3,241,277</u>	4.11%	<u>\$3,315,662</u>	6.13%	<u>\$6,556,939</u>	5.15%	<u>\$3,220,957</u>	4.47%	<u>\$3,513,227</u>	6.98%	<u>\$6,734,184</u>	5.

(1) Included in municipal and non-profit fixed rate loans are loans totaling ~~\$337,431~~ \$352,509 and ~~\$340,081~~ \$351,015 that have been swapped to variable rates at current market pricing at ~~September 30, 2023~~ March 31, 2024 and ~~December 31, 2022~~ December 31, 2023, respectively. Included in the municipal and non-profit segment are tax exempt loans totaling ~~\$817,252~~ \$846,930 and ~~\$772,908~~ \$868,842 with an FTE weighted average rate of ~~4.28%~~ 4.54% and ~~4.08%~~ 4.31% at ~~September 30, 2023~~ March 31, 2024 and ~~December 31, 2022~~ December 31, 2023, respectively.

Asset quality

Asset quality is fundamental to our success and remains a strong point, driven by our disciplined adherence to our self-imposed concentration limits across industry sector and real estate property type. Accordingly, for the origination of loans, we have established a credit policy that allows for responsive, yet controlled lending with credit approval requirements that are scaled to loan size. Within the scope of the credit policy, each prospective loan is reviewed in order to determine the appropriateness and the adequacy of the loan characteristics and the security or collateral prior to making a loan. We have established underwriting standards and loan origination procedures that require appropriate documentation, including financial data and credit reports. For loans secured by real property, we require property appraisals, title insurance or a title opinion, hazard insurance and flood insurance, in each case where appropriate.

Additionally, we have implemented procedures to timely identify loans that may become problematic in order to ensure the most beneficial resolution for the Company. Asset quality is monitored by our credit risk management department and evaluated based on quantitative and subjective factors such as the timeliness of contractual payments received. Additional factors that are considered, particularly with commercial loans over \$500,000, include the financial condition and liquidity of individual borrowers and guarantors, if any, and the value of our collateral. To facilitate the oversight of asset quality, loans are categorized based on the number of days past due and on an internal risk rating system, and both are discussed in more detail below.

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The Company's policy is to review each prospective credit to determine the appropriateness and the adequacy of security or collateral prior to making a loan. In the event of borrower default, we may seek the Company seeks recovery in compliance with state lending laws, the respective loan agreements, and credit monitoring and remediation procedures that may include modifying a loan from its original terms, for economic or legal reasons, to provide a concession by the Company to the borrower from their original terms due to borrower financial difficulties in order to facilitate repayment. Such restructured modified loans are considered TDMs. troubled debt modifications ("TDM"). TDMs may include principal forgiveness, interest rate reductions, other-than-insignificant-payment delays, term extensions or any combination thereof. Assets that have been foreclosed on or acquired through deed-in-lieu of foreclosure are classified as OREO until sold, and are carried at the fair value of the collateral less estimated costs to sell, with any initial valuation adjustments charged to the ACL and any subsequent declines in carrying value charged to impairments on OREO.

Non-performing assets and past due loans

Non-performing assets consist of non-accrual loans and OREO. Interest income that would have been recorded had non-accrual loans performed in accordance with their original contract terms during the three and nine months ended September 30, 2023 March 31, 2024 and 2023 was \$0.8 million \$0.6 million and \$1.6 million, respectively, and \$0.2 million and \$0.4 million during the three and nine months ended September 30, 2022 \$0.1 million, respectively.

Past due status is monitored as an indicator of credit deterioration. Loans are considered past due or delinquent when the contractual principal or interest due in accordance with the terms of the loan agreement remains unpaid after the due date of the scheduled payment. Loans that are 90 days or more past due are put on non-accrual status unless the loan is well secured and in the process of collection.

The following table sets forth the non-performing assets and past due loans as of the dates presented:

	September 30, 2023	December 31, 2022
Non-accrual loans:		
Non-accrual loans, excluding modified loans	\$ 19,740	\$ 14,034
Modified loans on non-accrual ⁽¹⁾	13,472	2,478
Non-performing loans	33,212	16,512
OREO	3,416	3,731
Total non-performing assets	<u>\$ 36,628</u>	<u>\$ 20,243</u>
Loans 30-89 days past due and still accruing interest	\$ 8,144	\$ 2,986
Loans 90 days or more past due and still accruing interest	154	95
Non-accrual loans	33,212	16,512
Total past due and non-accrual loans	<u>\$ 41,510</u>	<u>\$ 19,593</u>
Accruing modified loans ⁽¹⁾	\$ 6,059	\$ 4,654
Allowance for credit losses	93,446	89,553
Non-performing loans to total loans	0.44%	0.23%
Total 90 days past due and still accruing interest and non-accrual loans to total loans	0.45%	0.23%
Total non-performing assets to total loans and OREO	0.49%	0.28%
ACL to non-performing loans	281.36%	542.35%

(1) Reflects loan modifications as defined under ASU 2022-02, *Financial Instruments—Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures* adopted in the first quarter of 2023. The prior period includes troubled debt restructured loans consistent with historical disclosures.

During the nine months ended September 30, 2023, total non-performing loans totaled \$33.2 million, increasing \$16.7 million from December 31, 2022. Total non-performing assets to total loans and OREO totaled 0.49% at September 30, 2023, compared to 0.28% at December 31, 2022.

During the first quarter of 2024, total non-performing loans increased \$7.6 million from December 31, 2023. Loans 30-89 days past due and still accruing interest were 0.11% 0.05% and 0.04% 0.16% of total loans at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively. Loans 90 days or more past due and still accruing interest were zero percent of total loans for both September 30, 2023 and December 31, 2022, 0.01% at March 31, 2024 and December 31, 2023, respectively.

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Allowance for credit losses

The ACL represents the amount that we believe is necessary to absorb estimated lifetime credit losses inherent in the loan portfolio at the balance sheet date and involves a high degree of judgment and complexity. The Company utilizes a DCF model developed within a third-party software tool to establish expected lifetime credit losses for the loan portfolio. The ACL is calculated as the difference between the amortized cost basis and the projections from the DCF analysis. The DCF model allows for individual life of loan cash flow modeling, excluding extensions and renewals, using loan-specific interest rates and repayment schedules including estimated prepayment rates and loss recovery timing delays. The model incorporates forecasts of certain national macro-economic factors, including unemployment rates, home price index ("HPI"), retail sales and gross domestic product ("GDP"), which drive correlated loss rates. The determination and application of the ACL accounting policy involves judgments, estimates and uncertainties that are

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subject to change. For periods beyond the reasonable and supportable forecast period, we revert to historical long-term average loss rates on a straight-line basis.

We measure expected credit losses for loans on a pooled basis when similar risk characteristics exist. We have identified four primary loan segments within the ACL model that are further stratified into 11 loan classes to provide more granularity in analyzing loss history and to allow for more definitive qualitative adjustments based upon specific risk factors affecting each loan class. Generally, the underlying risk of loss for each of these loan segments will follow certain norms/trends in various economic environments. Loans that do not share risk characteristics are evaluated on an individual basis and are not included in the collective evaluation. Following are the loan classes within each of the four primary loan segments:

Commercial	Non-owner occupied commercial real estate	Residential real estate	Consumer
Commercial and industrial	Construction	Senior lien	Consumer
Owner occupied commercial real estate	Acquisition and development	Junior lien	
Food and agribusiness	Multifamily		
Municipal and non-profit	Non-owner occupied		

Loans on non-accrual, in bankruptcy and TDMs with a balance greater than \$250,000 are excluded from the pooled analysis and are evaluated individually. If management determines that foreclosure is probable, expected credit losses are evaluated based on the criteria listed below, adjusted for selling costs as appropriate. Typically, these loans consist of commercial, commercial real estate and agriculture loans and exclude homogeneous loans such as residential real estate and consumer loans. Specific allowances are determined by collectively analyzing:

- the **borrower's** resources, ability and willingness to repay in accordance with the terms of the loan agreement;
- the likelihood of receiving financial support from any guarantors;
- the adequacy and present value of future cash flows, less disposal costs, of any collateral; and
- the impact current economic conditions may have on the **borrower's** financial condition and liquidity or the value of the collateral.

The collective resulting ACL for loans is calculated as the sum of the general reserves, specific reserves on individually evaluated loans, and qualitative factor adjustments. While these amounts are calculated by individual loan or on a pool basis by segment and class, the entire ACL is available for any loan that, in our judgment, should be charged-off. The determination and application of the ACL accounting policy involves judgments, estimates, and uncertainties that are subject to change. Changes in these assumptions, estimates or the conditions surrounding them may have a material impact on our financial condition, liquidity or results of operations.

Net charge-offs on loans during the three and nine months ended **September 30, 2023** **March 31, 2024** totaled **\$0.3 million** and **\$0.8 million** **\$0.1 million**, respectively, and the ratio of annualized net charge-offs to average total loans totaled **0.01%** and **0.02%**, respectively. **0.00%**. During the first quarter of 2024, the Company recorded a decrease in the allowance for credit losses of **\$0.3 million**. Specific reserves on loans totaled **\$9.8 million** at March 31, 2024.

Net charge-offs on loans during the three and nine months ended **September 30, 2023** **March 31, 2023** totaled **\$0.3 million**, and the ratio of annualized net charge-offs to average total loans totaled **0.01%**. During the first quarter of 2023, the Company recorded an increase in the allowance for credit losses of **\$1.1 million** and **\$4.7 million**, respectively, **\$1.0 million** driven by loan growth and an increase in required reserves. **growth**. Specific reserves on loans totaled **\$6.1 million** **\$4.4 million** at **September 30, 2023**.

Net charge-offs on loans during the three and nine months ended September 30, 2022 were **\$0.2 million** and **\$1.1 million**, respectively. The Company recorded an increase in the allowance for credit losses of **\$15.0 million** during the three months ended September 30, 2022. During the nine months ended September 30, 2022, the Company recorded an increase in the allowance for credit losses of **\$17.0 million**, driven by loan growth, higher reserve requirements from changes in the CECL model's underlying macro-economic

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forecast and Day 1 reserve requirements for the acquired RCB portfolio. Specific reserves on loans totaled **\$2.9 million** at September 30, 2022 **March 31, 2023**.

The Company has elected to exclude AIR from the ACL calculation. As of **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**, AIR from loans totaled **\$41.7 million** **\$45.9 million** and **\$31.8 million** **\$42.4 million**, respectively. When a loan is placed on non-accrual, any recorded AIR is reversed against interest income.

Total ACL

After considering the above mentioned factors, we believe that the ACL of **\$93.4 million** **\$97.6 million** is adequate to cover estimated lifetime losses inherent in the loan portfolio at **September 30, 2023** **March 31, 2024**. However, it is likely that future adjustments to the ACL will be necessary. Any changes to the underlying assumptions, circumstances or estimates, including but not limited to changes in the underlying macro-economic forecast, used in determining the ACL, could negatively or positively affect the Company's results of operations, liquidity or financial condition.

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The following **schedules present, schedule presents**, by class stratification, the changes in the ACL during the periods listed:

	As of and for the three months ended			
	September 30, 2023		September 30, 2022	
	Total loans	% NCOs ⁽¹⁾	Total loans	% NCOs ⁽¹⁾
Beginning allowance for credit losses	\$ 92,581		\$ 50,860	
Day 1 CECL provision expense	—		5,201	
PCD allowance for credit loss at acquisition	—		2,474	
Charge-offs:				
Commercial	(239)	0.00%	—	0.00%
Commercial real estate non owner-occupied	—	0.00%	—	0.00%
Residential real estate	—	0.00%	—	0.00%
Consumer	(301)	0.01%	(253)	0.02%
Total charge-offs	(540)		(253)	
Recoveries	280		66	
Net charge-offs	(260)	0.01%	(187)	0.01%
Provision expense for credit losses	1,125		7,275	
Ending allowance for credit losses	\$ 93,446		\$ 65,623	
Average total loans outstanding during the period	\$ 7,443,869		\$ 5,114,044	

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	As of and for the nine months ended				As of and for the three months ended	
	September 30, 2023		September 30, 2022		March 31, 2024	March 31, 2023
	Total loans	% NCOs ⁽¹⁾	Total loans	% NCOs ⁽¹⁾	Total loans	% NCOs ⁽¹⁾
Beginning balance	\$ 89,553		\$ 49,694		\$ 97,947	\$ 89,553
Day 1 CECL provision expense	—		5,201			
PCD allowance for credit loss at acquisition	—		2,474			
Charge-offs:						
Commercial	(242)	0.00%	(754)	0.02%	(24)	0.00%
Commercial real estate non-owner occupied	—	0.00%	—	0.00%	—	0.00%
Residential real estate	(46)	0.00%	(2)	0.00%	—	0.00%
Consumer	(930)	0.02%	(582)	0.01%	(254)	0.01%
Total charge-offs	(1,218)		(1,338)		(278)	(325)
Recoveries	386		256		188	65
Net charge-offs	(832)	0.02%	(1,082)	0.03%	(90)	0.00%
Provision expense for credit losses	4,725		9,336			
Provision (release) expense for credit losses					(250)	1,050
Ending allowance for credit losses	\$ 93,446		\$ 65,623		\$ 97,607	\$ 90,343
Ratio of ACL to total loans outstanding at period end	1.25%		1.15%		1.29%	1.23%

Ratio of ACL to total non-performing loans at period end	281.36%	447.72%	272.52%	946.40%
Total loans	\$ 7,478,438	\$ 5,721,985	\$ 7,569,052	\$ 7,345,298
Average total loans outstanding during the period	7,347,380	4,784,064	7,632,635	7,257,639
Non-performing loans	33,212	14,657	35,817	9,546

(1) Ratio of annualized net charge-offs to average total loans.

The following tables present the allocation of the ACL and the percentage of the total amount of loans in each loan category listed as of the dates presented:

	September 30, 2023				March 31, 2024			
	Total loans	% of total loans	ACL as a %		Total loans	% of total loans	ACL as a %	
			Related ACL	of total ACL			Related ACL	of total ACL
Commercial	\$ 4,349,012	58.1%	\$ 45,291	48.5%	\$ 4,381,780	57.9%	\$ 46,315	47.4%
Commercial real estate non-owner occupied	1,814,059	24.3%	28,468	30.5%	1,860,199	24.6%	30,838	31.6%
Residential real estate	1,295,991	17.3%	19,291	20.6%	1,310,204	17.3%	20,100	20.6%
Consumer	19,376	0.3%	396	0.4%	16,869	0.2%	354	0.4%
Total	\$ 7,478,438	100.0%	\$ 93,446	100.0%	\$ 7,569,052	100.0%	\$ 97,607	100.0%

	December 31, 2022				December 31, 2023			
	Total loans	% of total loans	ACL as a %		Total loans	% of total loans	ACL as a %	
			Related ACL	of total ACL			Related ACL	of total ACL
Commercial	\$ 4,251,780	58.9%	\$ 37,608	42.0%	\$ 4,499,035	58.4%	\$ 45,304	46.3%
Commercial real estate non-owner occupied	1,696,050	23.5%	32,050	35.8%	1,856,750	24.1%	32,665	33.3%
Residential real estate	1,251,281	17.3%	19,306	21.5%	1,323,787	17.2%	19,550	20.0%
Consumer	21,358	0.3%	589	0.7%	19,186	0.3%	428	0.4%
Total	\$ 7,220,469	100.0%	\$ 89,553	100.0%	\$ 7,698,758	100.0%	\$ 97,947	100.0%

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Deposits

Deposits from banking clients serve as a primary funding source for our banking operations, and our ability to gather and manage deposit levels is critical to our success. Deposits not only provide a lower-cost funding source for our loans, but also provide a foundation for the client relationships that are critical to future loan growth. We maintain a granular and well diversified deposit base with no exposure to venture capital or crypto deposits. The following table presents information regarding our deposit composition at [September 30, 2023](#) [March 31, 2024](#) and [December 31, 2022](#) [December 31, 2023](#):

	September 30, 2023	December 31, 2022	Increase (decrease)		March 31, 2024	December 31, 2023	Increase (decrease)	
			Amount	% Change			Amount	% Change
Non-interest bearing demand deposits	\$ 2,483,174	30.5%	\$ 3,134,716	39.9%	\$ (651,542)	(20.8)%	\$ 2,292,917	26.9%
Interest bearing demand deposits	1,358,445	16.7%	913,852	11.6%	444,593	48.7%	1,427,856	16.8%
Savings accounts	670,921	8.2%	885,488	11.2%	(214,567)	(24.2)%	652,560	7.6%
Money market accounts	2,643,974	32.4%	2,065,170	26.2%	578,804	28.0%	3,148,453	37.0%
Total transaction deposits	7,156,514	87.8%	6,999,226	88.9%	157,288	2.2%	7,521,786	88.3%
Time deposits < \$250,000	710,750	8.7%	670,197	8.5%	40,553	6.1%	709,695	8.3%
Time deposits ≥ \$250,000	281,744	3.5%	203,203	2.6%	78,541	38.7%	286,281	3.4%
Total time deposits	992,494	12.2%	873,400	11.1%	119,094	13.6%	995,976	11.7%
Total deposits	\$ 8,149,008	100.0%	\$ 7,872,626	100.0%	\$ 276,382	3.5%	\$ 8,517,762	100.0%
					\$ 8,190,391	100.0%	\$ 327,371	4.0%

The following table shows uninsured time deposits by scheduled maturity as of **September 30, 2023** **March 31, 2024**:

		September 30, 2023		March 31, 2024
		\$		
Three months or less			59,944	\$ 56,465
Over 3 months through 6 months			32,692	34,052
Over 6 months through 12 months			56,442	73,727
Thereafter			75,348	60,643
Total uninsured time deposits			\$ 224,426	\$ 224,887

At **September 30, 2023** **March 31, 2024** and **December 31, 2022**, **December 31, 2023**, time deposits that were scheduled to mature within 12 months totaled **\$666.3 million** **\$746.1 million** and **\$469.8 million** **\$689.0 million**, respectively. Of the time deposits scheduled to mature within 12 months at **September 30, 2023** **March 31, 2024**, **\$203.4 million** **\$222.2 million** were in denominations of \$250,000 or more, and **\$462.9 million** **\$523.9 million** were in denominations less than \$250,000. Approximately **70%** **79%** of our total deposits were FDIC insured at **September 30, 2023** and **December 31, 2022** **March 31, 2024**. Additionally, the Company participates in the IntraFi Cash Service program, which allows depositors to receive reciprocal FDIC insurance coverage. The Company had **\$852.4 million** **\$930.9 million** and **\$268.8 million** **\$944.3 million** of deposits in the program as of **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**, respectively.

Long-term debt

The Company holds a subordinated note purchase agreement to issue and sell a fixed-to-floating rate note totaling \$40.0 million. The balance on the note at **September 30, 2023** **March 31, 2024** and **December 31, 2023**, net of long-term debt issuance costs totaling \$0.3 million, totaled \$39.7 million. Interest expense totaling \$0.3 million and **\$0.9 million** **\$0.3 million** was recorded in the consolidated statements of operations during the three and nine months ended **September 30, 2023**, respectively, consistent with the same periods in **2022**, **March 31, 2024** and **2023**, respectively.

The note is subordinated, unsecured and matures on November 15, 2031. Payments consist of interest only. Interest expense on the note is payable semi-annually in arrears and will bear interest at 3.00% per annum until November 15, 2026 (or any earlier redemption date). From November 15, 2026 until November 15, 2031 (or any earlier redemption date) payments will be made quarterly in arrears, and the interest rate shall reset quarterly to an interest rate per annum equal to the then current three-month term SOFR plus 203 basis points. The Company deployed the net proceeds from the sale of the note for general corporate purposes. Prior to November 5, 2026, the Company may redeem the note only under certain limited circumstances. Beginning on November 5, 2026 through maturity, the note may be redeemed, at the Company's option, on any scheduled interest payment date. Any redemption by the Company would be at a redemption price equal to 100% of the principal amount of the note being redeemed, together with any accrued and unpaid interest on the note being redeemed up to but excluding the date of redemption. The note is not subject to redemption at the option of the holder.

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As part of the acquisition of BOJH on October 1, 2022, the Company assumed three subordinated note purchase agreements to issue and sell fixed-to-floating rates totaling \$15.0 million. The balance on the notes at **September 30, 2023** **March 31, 2024**, net of a fair value adjustment

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related to the acquisition totaling \$0.4 million, totaled \$14.6 million. At December 31, 2023, the balance on the notes, net of the fair value adjustment from the acquisition totaling \$0.5 million, totaled \$14.5 million. Interest expense related to the notes totaling \$0.1 million and \$0.4 million \$0.1 million was recorded in the consolidated statements of operations during the three and nine months ended **September 30, 2023**, **March 31, 2024** and **2023**, respectively.

The three notes, containing similar terms, are subordinated, unsecured and mature on June 15, 2031. Payments consist of interest only. Interest expense on the notes is payable semi-annually in arrears and will bear interest at 3.75% per annum until June 15, 2026 (or any earlier redemption date). From June 15, 2026 until June 15, 2031 (or any earlier redemption date) payments will be made quarterly in arrears, and the interest rate shall reset quarterly to an interest rate per annum equal to the then current three-month term SOFR plus 306 basis points. Prior to June 15, 2026, the Company may redeem the notes only under certain limited circumstances. Beginning on June 15, 2026 through maturity, the notes may be redeemed, at the Company's option, on any scheduled interest payment date. Any redemption by the Company would be at a redemption price equal to 100% of the principal amount of the notes being redeemed, together with any accrued and unpaid interest on the notes being redeemed up to but excluding the date of redemption. The notes are not subject to redemption at the option of the holder.

Other borrowings

As of **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**, the Company sold securities under agreements to repurchase totaling \$20.3 million and \$20.2 million, respectively, \$19.6 million for both periods. In addition, as a member of the FHLB, the Company has access to a line of credit and term financing from the FHLB with total available credit of \$1.7 billion \$1.8 billion at **September 30, 2023** **March 31, 2024**. The Company may utilize the FHLB line of credit as a funding mechanism for originated loans and loans held for sale. The Banks had no outstanding borrowings with the FHLB at **March 31, 2024**. At both **September 30, 2023** and **December 31, 2022** **December 31, 2023**, the Company had \$316.8 million and \$385.0 million \$340.0 million of outstanding borrowings with the FHLB, respectively. FHLB. The Company may pledge investment securities and loans as collateral for FHLB advances. There were no investment securities pledged at **September 30, 2023** **March 31, 2024** or **December 31, 2022** **December 31, 2023**. Loans pledged were \$2.5 billion and \$2.0 billion \$2.6 billion at **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**, respectively. The Company incurred \$4.4 million \$3.2 million and \$17.1 million \$7.1 million of interest expense related to FHLB advances or other short-term borrowings for the three and nine months ended **September 30, 2023**, **March 31, 2024** and **2023**, respectively. The Company incurred no interest expense related to FHLB advances or other short-term borrowings for the three and nine months ended **September 30, 2022**.

Regulatory Capital

Our subsidiary banks and the holding company are subject to the regulatory capital adequacy requirements of the Federal Reserve Board and the FDIC, as applicable. Failure to meet the minimum capital requirements can initiate certain mandatory and possibly further discretionary actions by regulators that could have a material adverse effect on us. At **March 31, 2024** and **December 31, 2023**, our subsidiary banks and the consolidated holding company exceeded all capital ratio requirements under prompt corrective action and other regulatory requirements, as further detailed in note 10 of our consolidated financial statements.

Results of Operations

Our net income depends largely on net interest income, which is the difference between interest income from interest earning assets and interest expense on interest bearing liabilities. Our results of operations are also affected by provisions for credit losses and non-interest income, such as service charges, bank card income, swap fee income, and gain on sale of mortgages. Our primary operating expenses, aside from interest expense, consist of salaries and benefits,

occupancy costs, telecommunications data processing expense, FDIC deposit insurance and intangible assets amortization. Any expenses related to the resolution of problem assets are also included in non-interest expense.

Overview of results of operations

During Net income totaled \$31.4 million, or \$0.82 per diluted share, during the three months ended September 30, 2023, net income increased \$20.2 million, or 127.8%, to \$36.1 million March 31, 2024, compared to \$40.3 million, or \$1.06 per diluted share, during the three months ended September 30, 2022 March 31, 2023. During the nine months ended September 30, 2023, The decrease in net income increased \$54.4 million, or 99.7%, to \$108.9 million, compared to the nine months ended September 30 2022. Earnings per diluted share for the three and nine months ended September 30, 2023 were \$0.94 and \$2.85, respectively. The increases over the same periods in the prior year were was largely driven by organic balance sheet growth, strategic acquisition growth and increases lower net interest income due to an increase in cost of funds outpacing the Federal Reserve Bank's increase in interest rates. income. The return on average tangible assets was 1.58% 1.39% and 1.61% 1.80% during the three and nine months ended September 30, 2023, March 31, 2024 and 2023, respectively, and 0.87% and 1.03% during the three and nine months ended September 30, 2022. The return on average tangible common equity was 18.38% 15.14% and 18.81% during the three and nine months ended September 30, 2023 20.86%, respectively, and 8.66% and 10.17% during the three and nine months ended September 30, 2022, respectively.

The three months ended September 30, 2022 included \$9.5 million of non-recurring acquisition-related expenses, after tax, related to our 2022 acquisitions. Adjusting for these expenses in the prior period, net income for the third quarter of 2023 increased \$10.7 million, or 42.4%, and fully taxable equivalent pre-provision net revenue increased \$7.2 million, or 17.6%. The adjusted return on average tangible assets was 1.39%, and the adjusted return on average tangible common equity was 13.76% for the three months ended September 30, 2022.

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The nine months ended September 30, 2022 included \$10.5 million of non-recurring acquisition-related expenses, after tax, related to our 2022 acquisitions. Adjusting for these expenses in the prior period, net income for the first nine months of 2023 increased \$43.9 million or 67.5%, and fully taxable equivalent pre-provision net revenue increased \$51.2 million, or 54.6%. The adjusted return on average tangible assets was 1.23%, and the adjusted return on average tangible common equity was 12.10% for the nine months ended September 30, 2022.

Net interest income

We regularly review net interest income metrics to provide us with indicators of how the various components of net interest income are performing. We regularly review: (i) our loan mix and the yield on loans; (ii) the investment portfolio and the related yields; (iii) our deposit mix and the cost of deposits; and (iv) net interest income simulations for various forecast periods.

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The table below presents the components of net interest income on a FTE basis for the three months ended September 30, 2023 and 2022. The effects of trade-date accounting of investment securities for which the cash had not settled are not considered interest earning assets and are excluded from this presentation for time frames prior to their cash settlement, as are the market value adjustments on the investment securities available-for-sale and loans.

	For the three months ended				For the three months ended			
	September 30, 2023				September 30, 2022			
	Average balance	Interest	Average rate	Average balance	Interest	Average rate		
Interest earning assets:								
Originated loans FTE ⁽¹⁾⁽²⁾⁽³⁾	\$ 5,803,157	\$ 92,813	6.35%	\$ 4,834,206	\$ 58,153	4.77%		
Acquired loans	1,671,595	26,115	6.20%	295,893	6,581	8.82%		
Loans held for sale	22,154	383	6.86%	39,532	551	5.53%		
Investment securities available-for-sale	761,892	3,783	1.99%	865,875	4,247	1.96%		
Investment securities held-to-maturity	611,712	2,685	1.76%	605,356	2,212	1.46%		
Other securities	39,115	701	7.17%	14,909	212	5.69%		
Interest earning deposits	130,239	1,205	3.67%	326,277	1,822	2.22%		
Total interest earning assets FTE⁽²⁾	\$ 9,039,864	\$ 127,685	5.60%	\$ 6,982,048	\$ 73,778	4.19%		
Cash and due from banks	\$ 104,308			\$ 81,112				
Other assets	737,568			440,516				
Allowance for credit losses	(92,831)			(54,610)				
Total assets	\$ 9,788,909			\$ 7,449,066				
Interest bearing liabilities:								
Interest bearing demand, savings and money market deposits	\$ 4,535,183	\$ 27,211	2.38%	\$ 3,058,463	\$ 1,829	0.24%		
Time deposits	992,755	6,212	2.48%	799,759	1,116	0.55%		
Securities sold under agreements to repurchase	19,288	6	0.12%	22,183	7	0.13%		
Long-term debt, net	54,074	519	3.81%	39,543	326	3.27%		
Federal Home Loan Bank advances	316,723	4,385	5.49%	—	—	0.00%		
Total interest bearing liabilities	\$ 5,918,023	\$ 38,333	2.57%	\$ 3,919,948	\$ 3,278	0.33%		
Demand deposits	\$ 2,553,619			\$ 2,557,286				
Other liabilities	149,068			100,983				
Total liabilities	\$ 8,620,710			\$ 6,578,217				
Shareholders' equity	1,168,199			870,849				
Total liabilities and shareholders' equity	\$ 9,788,909			\$ 7,449,066				
Net interest income FTE ⁽²⁾		\$ 89,352				\$ 70,500		
Interest rate spread FTE ⁽²⁾			3.03%				3.86%	
Net interest earning assets	\$ 3,121,841			\$ 3,062,100				
Net interest margin FTE ⁽²⁾			3.92%				4.01%	
Average transaction deposits	\$ 7,088,802			\$ 5,615,749				
Average total deposits	8,081,557			6,415,508				
Ratio of average interest earning assets to average interest bearing liabilities	152.75%			178.12%				

The table below presents the components of net interest income on a FTE basis for the three months ended March 31, 2024 and 2023.

	For the three months ended				For the three months ended			
	March 31, 2024				March 31, 2023			
	Average balance	Interest	Average rate	Average balance	Interest	Average rate		
Interest earning assets:								
Originated loans FTE ⁽¹⁾⁽²⁾⁽³⁾	\$ 6,046,849	\$ 100,914	6.71%	\$ 5,514,704	\$ 79,167	5.82%		
Acquired loans	1,611,521	24,289	6.06%	1,771,224	27,023	6.19%		
Loans held for sale	12,017	225	7.53%	21,753	346	6.45%		
Investment securities available-for-sale	751,168	4,103	2.18%	810,257	3,989	1.97%		
Investment securities held-to-maturity	579,160	2,514	1.74%	646,646	2,871	1.78%		
Other securities	35,036	616	7.03%	51,366	898	6.99%		
Interest earning deposits	91,579	763	3.35%	86,790	653	3.05%		
Total interest earning assets FTE⁽²⁾	\$ 9,127,330	\$ 133,424	5.88%	\$ 8,902,740	\$ 114,947	5.24%		

Cash and due from banks	\$ 102,583		\$ 118,607	
Other assets	756,230		687,940	
Allowance for credit losses	(97,882)		(89,831)	
Total assets	\$ 9,888,261		\$ 9,619,456	
Interest bearing liabilities:				
Interest bearing demand, savings and money market deposits	\$ 4,947,811	\$ 36,413	2.96%	\$ 3,766,203 \$ 7,759 0.84%
Time deposits	990,041	7,584	3.08%	922,521 3,290 1.45%
Securities sold under agreements to repurchase	18,929	6	0.13%	20,045 6 0.12%
Long-term debt, net	54,229	518	3.84%	53,918 518 3.90%
Federal Home Loan Bank advances	228,236	3,181	5.61%	597,833 7,071 4.80%
Total interest bearing liabilities	\$ 6,239,246	\$ 47,702	3.07%	\$ 5,360,520 \$ 18,644 1.41%
Demand deposits	\$ 2,280,997			\$ 3,004,643
Other liabilities	141,735			135,175
Total liabilities	8,661,978			8,500,338
Shareholders' equity	1,226,283			1,119,118
Total liabilities and shareholders' equity	\$ 9,888,261			\$ 9,619,456
Net interest income FTE ⁽²⁾		\$ 85,722		\$ 96,303
Interest rate spread FTE ⁽²⁾			2.81%	3.83%
Net interest earning assets	\$ 2,888,084			\$ 3,542,220
Net interest margin FTE ⁽²⁾			3.78%	4.39%
Average transaction deposits	\$ 7,228,808			\$ 6,770,846
Average total deposits	8,218,849			7,693,367
Ratio of average interest earning assets to average interest bearing liabilities	146.29%			166.08%

- (1) Originated loans are net of deferred loan fees, less costs, which are included in interest income over the life of the loan.
- (2) Presented on an FTE basis using the statutory tax rate of 21% for all periods presented. The taxable equivalent adjustments included above are \$1,575 \$1,692 and \$1,409 \$1,414 for the three months ended September 30, 2023 March 31, 2024 and 2022, 2023, respectively.
- (3) Loan fees included in interest income totaled \$2,719 \$2,951 and \$2,205 \$2,899 for the three months ended September 30, 2023 March 31, 2024 and 2022, 2023, respectively.

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Net interest income totaled \$87.8 million \$84.0 million and \$69.1 million \$94.9 million during the three months ended September 30, 2023 March 31, 2024 and 2022, 2023, respectively. Net interest income on an FTE basis totaled \$89.4 million \$85.7 million and \$70.5 million \$96.3 million during the three months ended September 30, 2023 March 31, 2024 and 2022, 2023, respectively. During the three months ended September 30, 2023, the FTE net interest margin narrowed 9 basis points to 3.92%, compared to the three months ended September 30, 2022. The yield on earning assets increased 141 63 basis points, driven by an increase in earning assets and increases in the Federal Reserve Bank's Reserve's interest rates. The cost of funds increased 160 basis points to 1.80% during During the three months ended September 30, 2023 March 31, 2024, the cost of funds totaled 2.25%, compared to 0.90%, for the three months ended September 30, 2022, same period during 2023.

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Average loans comprised \$7.5 billion \$7.7 billion, or 82.7% 83.9%, of total average interest earning assets during the three months ended September 30, 2023. Average loans increased \$2.3 billion, or 45.7% March 31, 2024, compared to \$7.3 billion, or 81.8%, during the three months ended September 30, 2022 March 31, 2023. During the three months ended September 30, 2022, average loans comprised \$5.1 billion, or 73.5%, of total average interest earning assets. The increase in average loan balances was driven by a \$1.4 billion increase in average acquired loans from the 2022 acquisitions and a \$1.0 billion increase in average originated loans, organic loan originations.

Average investment securities comprised 15.2% 14.6% and 21.1% 16.4% of total interest earning assets during the three months ended September 30, 2023 March 31, 2024 and 2022, 2023, respectively. Average interest bearing cash balances totaled \$130.2 million \$91.6 million during the three months ended September 30, 2023 March 31, 2024, compared to \$326.3 million \$86.8 million for the same period in the prior year as the excess cash liquidity has been deployed into higher-yielding earning assets, year.

Average balances of interest bearing liabilities increased \$2.0 billion \$0.9 billion during the three months ended September 30, 2023 March 31, 2024, compared to the three months ended September 30, 2022, driven by organic balance sheet and strategic acquisition growth, March 31, 2023. The increase was driven by higher interest bearing demand, savings and money market deposits totaling \$1.5 billion, FHLB advances totaling \$316.7 million, time deposits totaling \$193.0 million and long term debt totaling \$14.5 million. The increase was partially offset by a decrease in securities sold under agreements to repurchase of \$2.9 million.

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The table below presents the components of net interest income on a FTE basis for the nine months ended September 30, 2023 and 2022:

	For the nine months ended				For the nine months ended			
	September 30, 2023				September 30, 2022			
	Average balance	Average interest	Average rate	Average balance	Average interest	Average rate		
Interest earning assets:								
Originated loans FTE ⁽¹⁾⁽²⁾⁽³⁾	\$ 5,656,309	\$ 258,528	6.11%	\$ 4,598,705	\$ 148,025	4.30%		
Acquired loans	1,718,523	79,526	6.19%	191,089	13,552	9.48%		
Loans held for sale	23,494	1,189	6.77%	70,384	2,188	4.16%		
Investment securities available-for-sale	786,087	11,655	1.98%	839,235	10,904	1.73%		
Investment securities held-to-maturity	629,507	8,364	1.77%	585,023	6,291	1.43%		
Other securities	46,480	2,513	7.21%	14,698	632	5.73%		
Interest earning deposits	120,633	3,369	3.73%	530,841	3,196	0.80%		
Total interest earning assets FTE⁽²⁾	\$ 8,981,033	\$ 365,144	5.44%	\$ 6,829,975	\$ 184,788	3.62%		
Cash and due from banks	\$ 110,902			\$ 78,710				
Other assets	724,305			428,374				
Allowance for credit losses	(91,110)			(51,125)				
Total assets	\$ 9,725,130			\$ 7,285,934				
Interest bearing liabilities:								
Interest bearing demand, savings and money market deposits	\$ 4,197,603	\$ 55,070	1.75%	\$ 2,996,317	\$ 4,760	0.21%		
Time deposits	965,750	14,545	2.01%	804,110	3,201	0.53%		
Securities sold under agreements to repurchase	19,863	17	0.11%	22,236	20	0.12%		

Long-term debt, net	53,997	1,555	3.85%	39,516	980	3.32%
Federal Home Loan Bank advances	449,060	17,075	5.08%	—	—	0.00%
Total interest bearing liabilities	\$ 5,686,273	\$ 88,262	2.08%	\$ 3,862,179	\$ 8,961	0.31%
Demand deposits	\$ 2,751,537			\$ 2,487,522		
Other liabilities	141,110			91,992		
Total liabilities	8,578,920			6,441,693		
Shareholders' equity	1,146,210			844,241		
Total liabilities and shareholders' equity	\$ 9,725,130			\$ 7,285,934		
Net interest income FTE ⁽²⁾	\$ 276,882			\$ 175,827		
Interest rate spread FTE ⁽²⁾			3.36%			3.31%
Net interest earning assets	\$ 3,294,760			\$ 2,967,796		
Net interest margin FTE ⁽²⁾			4.12%			3.44%
Average transaction deposits	\$ 6,949,140			\$ 5,483,839		
Average total deposits	7,914,890			6,287,949		
Ratio of average interest earning assets to average interest bearing liabilities	157.94%			176.84%		

(1) Originated loans are net of deferred loan fees, less costs, which are included in interest income over the life of the loan.

(2) Presented on a fully taxable equivalent basis using the statutory tax rate of 21% for all periods presented. The taxable equivalent adjustments included above are \$4,432 and \$4,058 for the nine months ended September 30, 2023 and 2022, respectively.

(3) Loan fees included in interest income totaled \$8,120 and \$7,155 for the nine months ended September 30, 2023 and 2022, respectively.

Net interest income totaled \$272.5 million and \$171.8 million during the nine months ended September 30, 2023 and 2022, respectively. Net interest income on a FTE basis totaled \$276.9 million and \$175.8 million during the nine months ended September 30, 2023 and 2022, respectively. During the nine months ended September 30, 2023, the FTE net interest margin widened 68 basis points to 4.12%, compared to the nine months ended September 30, 2022. The yield on earning assets increased 182 basis points, primarily driven by increases in the earning assets and increases in the Federal Reserve Bank's interest rates. The cost of funds increased 121 basis points to 1.40% during the nine months ended September 30, 2023, compared to the nine months ended September 30, 2022.

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Average loans comprised \$7.4 billion, or 82.1%, of total average interest earning assets during the nine months ended September 30, 2023, compared to \$4.8 billion, or 70.1%, of total average interest earning assets during the nine months ended September 30, 2022. The increase in average loan balances was driven by a \$1.5 billion increase in average acquired loans from the 2022 acquisitions and a \$1.1 billion increase in average originated loans. Year-to-date loan fundings through September 30, 2023 totaled \$1.1 billion.

Average investment securities comprised 15.8% and 20.9% of total interest earning assets during the nine months ended September 30, 2023 and 2022, respectively, driven by changes in our earning assets mix.

Average balances of interest bearing liabilities increased \$1.8 billion during the nine months ended September 30, 2023, compared to the nine months ended September 30, 2022, driven by organic balance sheet and strategic acquisition growth. The increase was driven by higher interest bearing demand, savings and money market deposits totaling \$1.2 billion, FHLB advances totaling \$449.1 million, and time deposits totaling \$161.6 million and long-term debt totaling \$14.5 million of \$67.5 million. The increase was partially offset by a decrease in securities sold under agreements to repurchase FHLB advances of \$2.4 million. The cost of deposits increased 101 basis points to 1.18% during the nine months ended September 30, 2023, compared to 0.17% during the nine months ended September 30, 2022 \$369.6 million.

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The following table summarizes the changes in net interest income on an FTE basis by major category of interest earning assets and interest bearing liabilities, identifying changes related to volume and changes related to rates for the three and nine months ended **September 30, 2023** **March 31, 2024**, compared to the three and nine months ended **September 30, 2022** **March 31, 2023**:

	Three months ended September 30, 2023			Nine months ended September 30, 2023			Three months ended March 31, 2024		
	compared to			compared to			compared to		
	Three months ended September 30, 2022			Nine months ended September 30, 2022			Three months ended March 31, 2023		
	Volume	Rate	Net	Volume	Rate	Net	Volume	Rate	Net
Interest income:									
Originated loans FTE ⁽¹⁾⁽²⁾⁽³⁾	\$ 15,497	\$ 19,163	\$ 34,660	\$ 48,339	\$ 62,164	\$ 110,503	\$ 8,881	\$ 12,866	\$ 21,747
Acquired loans	21,492	(1,958)	19,534	70,683	(4,709)	65,974	(2,407)	(327)	(2,734)
Loans held for sale	(300)	132	(168)	(2,373)	1,374	(999)	(182)	61	(121)
Investment securities available-for-sale	(516)	52	(464)	(788)	1,539	751	(323)	437	114
Investment securities held-to-maturity	28	445	473	591	1,482	2,073	(293)	(64)	(357)
Other securities	434	55	489	1,718	163	1,881	(287)	5	(282)
Interest earning deposits	(1,814)	1,197	(617)	(11,456)	11,629	173	40	70	110
Total interest income	\$ 34,821	\$ 19,086	\$ 53,907	\$ 106,714	\$ 73,642	\$ 180,356	\$ 5,429	\$ 13,048	\$ 18,477
Interest expense:									
Interest bearing demand, savings and money market deposits	\$ 8,860	\$ 16,522	\$ 25,382	\$ 15,760	\$ 34,550	\$ 50,310	\$ 8,696	\$ 19,958	\$ 28,654
Time deposits	1,208	3,888	5,096	2,434	8,910	11,344	517	3,777	4,294
Securities sold under agreements to repurchase	(1)	—	(1)	(2)	(1)	(3)	3	(3)	—
Long-term debt, net	139	54	193	417	158	575	(5,151)	1,261	(3,890)
Federal Home Loan Bank advances	4,385	—	4,385	17,075	—	17,075	4,065	24,993	29,058
Total interest expense	\$ 14,591	\$ 20,464	\$ 35,055	\$ 35,684	\$ 43,617	\$ 79,301	\$ 1,364	\$ (11,945)	\$ (10,581)
Net change in net interest income	\$ 20,230	\$ (1,378)	\$ 18,852	\$ 71,030	\$ 30,025	\$ 101,055	\$ 1,364	\$ (11,945)	\$ (10,581)

- (1) Originated loans are net of deferred loan fees, less costs, which are included in interest income over the life of the loan.
- (2) Presented on an FTE basis using the statutory tax rate of 21% for all periods presented. The taxable equivalent adjustments included above are **\$1,575** **\$1,692** and **\$1,409** **\$1,414** for the three months ended **September 30, 2023** **March 31, 2024** and **2022**, respectively. The taxable equivalent adjustments included above are **\$4,432** and **\$4,058** for the nine months ended **September 30, 2023** and **2022, 2023**, respectively.
- (3) Loan fees included in interest income totaled **\$2,719** **\$2,951** and **\$2,205** **\$2,899** for the three months ended **September 30, 2023** **March 31, 2024** and **2022**, respectively. Loan fees included in interest income totaled **\$8,120** and **\$7,155** for the nine months ended **September 30, 2023** and **2022, 2023**, respectively.

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Below is a breakdown of average deposits and the average rates paid during the periods indicated:

	For the three months ended				For the nine months ended				For the three months ended			
	September 30, 2023		September 30, 2022		September 30, 2023		September 30, 2022		March 31, 2024		March 31, 2023	
	Average		Average		Average		Average		Average		Average	
	Average	rate	Average	rate	Average	rate	Average	rate	Average	rate	Average	rate
	balance	paid	balance	paid	balance	paid	balance	paid	balance	paid	balance	paid
Non-interest bearing demand	\$ 2,553,619	0.00%	\$ 2,557,286	0.00%	\$ 2,751,537	0.00%	\$ 2,487,522	0.00%	\$ 2,280,997	0.00%	\$ 3,004,643	0.00%
Interest bearing demand	1,336,562	2.44%	592,133	0.26%	1,186,197	1.92%	589,918	0.21%	1,417,972	2.99%	926,529	0.98%
Money market accounts	2,503,368	2.85%	1,674,240	0.26%	2,246,463	2.10%	1,619,744	0.24%	2,873,648	3.42%	1,993,541	0.97%
Savings accounts	695,253	0.58%	792,090	0.18%	764,943	0.47%	786,655	0.15%	656,191	0.86%	846,133	0.37%
Time deposits	992,755	2.48%	799,759	0.55%	965,750	2.01%	804,110	0.53%	990,041	3.08%	922,521	1.45%
Total average deposits	<u>\$ 8,081,557</u>	<u>1.64%</u>	<u>\$ 6,415,508</u>	<u>0.18%</u>	<u>\$ 7,914,890</u>	<u>1.18%</u>	<u>\$ 6,287,949</u>	<u>0.17%</u>	<u>\$ 8,218,849</u>	<u>2.15%</u>	<u>\$ 7,693,367</u>	<u>0.58%</u>

Provision for credit losses

The provision for credit losses represents the amount of expense that is necessary to bring the ACL to a level that we deem appropriate to absorb estimated lifetime losses inherent in the loan portfolio **and estimated losses inherent in unfunded loans** as of the balance sheet date. The determination of the ACL, and the resultant provision for credit losses, is subjective and involves significant estimates and assumptions. **Provision**

The Company recorded no provision expense for credit loss for the three months ended March 31, 2024. During the three months ended March 31, 2023, the Company recorded a provision expense for credit losses of \$1.1 million and \$3.7 million was recorded during the three and nine months ended September 30, 2023 \$0.9 million, respectively. Included in the provision driven by loan growth. The allowance for credit losses was zero and \$1.0 million totaled 1.29% of provision release for unfunded loan commitments during the three and nine months ended September 30, 2023 total loans at March 31, 2024, respectively. The three and nine months

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ended September 30, 2023 provision was driven by loan growth and higher reserve requirements. Net charge-offs on loans during the three and nine months ended September 30, 2023 were \$0.3 million and \$0.8 million, respectively, and compared to the allowance for credit losses totaled 1.25% of total loans 1.23% at September 30, 2023.

Provision for credit losses of \$12.7 million and \$14.9 million was recorded during the three and nine months ended September 30, 2022, respectively. Included in the provision for credit losses was \$0.2 million and \$0.4 million of provision expense for unfunded loan commitments during the three and nine months ended September 30, 2022, respectively. The three and nine months ended September 30, 2022 provision was driven by record loan growth, higher reserve requirements from changes in the CECL model's underlying macro-economic forecast and \$5.4 million of Day 1 reserve requirements for the acquired RCB portfolio. Net charge-offs on loans during the three and nine months ended September 30, 2022 were \$0.2 million and \$1.1 million, respectively, and the allowance for credit losses totaled 1.15% of total loans at September 30, 2022 March 31, 2023.

Non-interest income

The table below details the components of non-interest income for the periods presented:

	For the three months ended September 30,		For the nine months ended September 30,		Three months		Nine months		For the three months ended March 31, 2024 vs 2023			
									2024	2023	Amount	% Change
	2023	2022	2023	2022	Amount	% Change	Amount	% Change	2024	2023	Amount	% Change
Service charges	\$ 4,849	\$ 4,326	\$ 13,394	\$ 11,992	\$ 523	12.1%	\$ 1,402	11.7%	\$ 4,391	\$ 4,101	\$ 290	7.1%
Bank card fees	4,993	4,681	14,721	13,345	312	6.7%	1,376	10.3%	4,578	4,637	(59)	(1.3)%
Mortgage banking income	4,688	4,474	11,614	21,088	214	4.8%	(9,474)	(44.9)%	2,655	3,216	(561)	(17.4)%
Bank-owned life insurance income	882	573	2,559	1,645	309	53.9%	914	55.6%	733	645	88	13.6%
Other non-interest income	3,953	3,304	5,565	5,104	649	19.6%	461	9.0%	5,337	2,066	3,271	158.3%
Total non-interest income	\$ 19,365	\$ 17,358	\$ 47,853	\$ 53,174	\$ 2,007	11.6%	\$ (5,321)	(10.0)%	\$ 17,694	\$ 14,665	\$ 3,029	20.7%

Non-interest income increased to \$19.4 million for the three months ended September 30, 2023. During the three months ended September 30, 2023, non-interest income increased \$3.0 million, or 20.7%, compared to \$17.4 million for the three months ended September 30, 2022, first quarter of 2023. The increase was driven by our diversified sources of fee revenue. Other non-interest income increased \$3.3 million and included increases in SBA loan income, trust income, Cambr income, fair value adjustments on company-owned life insurance, swap fee income and a \$0.6 million gain from the sale of a banking center building. Service charges and bank card fees increased \$0.8 million, driven by growth in our depositor base. Other non-interest income increased \$0.6 million during the three months ended September 30, 2023, compared to the three months ended September 30, 2022, primarily driven by \$0.6 million from a gain on sale of SBA loans, \$0.5 million of trust income, as well as Cambr fee income. Mortgage banking income increased \$0.2 million during the three months ended September 30, 2023 and included a \$1.1 million gain from the sale of mortgage servicing rights, partially offset by lower mortgage banking income due to lower refinance and purchase activity and competition driving tighter gain on sale margins. During the three months ended September 30, 2022, other non-interest income included higher gains on fixed asset sales and income from non-marketable securities, compared to the three months ended September 30, 2023.

Non-interest income totaled \$47.9 million for the nine months ended September 30, 2023, compared to \$53.2 million for the nine months ended September 30, 2022. Mortgage banking income decreased \$9.5 million, driven by lower purchase and refinance activity and competition driving tighter gain on sale margins, and was partially offset by a \$1.1 million gain from the sale of mortgage servicing rights. Service charges and bank card fees increased \$2.8 million due to growth in our depositor base. Other non-interest income increased \$0.5 million during the nine months ended September 30, 2023, compared to the same period in the prior year. During the nine months ended September 30, 2023, other non-interest income included \$1.5 million of trust income and a \$1.3 million gain from the sale of SBA loans, as well as Cambr fee income. Trust income, SBA loan sales and Cambr fee income, are new and diversified sources of fee revenue. Increases in other non-interest income during the nine months ended September 30, 2023 were partially offset by \$4.4 million in impairments related to venture capital investments classified as non-marketable securities, \$0.6 million.

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Non-interest expense

The table below details the components of non-interest expense for the periods presented:

For the three months ended September 30,	For the nine months ended September 30,		Three months		Nine months		For the three months ended March 31, 2024 vs 2023		
							2024	2023	Amount
	2023	2022	2023	2022	Amount	% Change	2024	2023	Amount

	2023	2022	2023	2022	Amount	% Change	Amount	% Change	2024	2023	Amount	% Change
Salaries and benefits	\$ 35,027	\$ 30,540	\$ 103,231	\$ 88,652	\$ 4,487	14.7%	\$ 14,579	16.4%	\$ 36,520	\$ 32,989	\$ 3,531	10.7%
Occupancy and equipment	9,167	8,026	27,366	21,087	1,141	14.2%	6,279	29.8%	9,941	9,073	868	9.6%
Data processing	3,546	2,899	10,257	7,733	647	22.3%	2,524	32.6%	4,066	3,752	314	8.4%
Marketing and business development	1,037	979	2,997	2,326	58	5.9%	671	28.8%	962	870	92	10.6%
FDIC deposit insurance	1,686	508	5,433	1,476	1,178	231.9%	3,957	268.1%	1,345	2,178	(833)	(38.2)%
Bank card expenses	1,667	1,409	4,260	4,075	258	18.3%	185	4.5%	1,349	1,328	21	1.6%
Professional fees	2,215	5,810	7,951	8,110	(3,595)	(61.9)%	(159)	(2.0)%	1,646	2,590	(944)	(36.4)%
Other non-interest expense	4,250	3,384	13,003	9,138	866	25.6%	3,865	42.3%	4,997	4,149	848	20.4%
Other intangible assets amortization	2,008	383	5,378	975	1,625	424.3%	4,403	451.6%	2,008	1,363	645	47.3%
Total non-interest expense	\$ 60,603	\$ 53,938	\$ 179,876	\$ 143,572	\$ 6,665	12.4%	\$ 36,304	25.3%	\$ 62,834	\$ 58,292	\$ 4,542	7.8%

During the three months ended September 30, 2023 March 31, 2024, non-interest expense increased \$6.7 million \$4.5 million, or 12.4% 7.8%, compared to the three months ended September 30, 2022, first quarter of 2023. Salaries and benefits increased \$3.5 million primarily due to an increase payroll tax credits realized in core operating expenses driven the first quarter of 2023. Occupancy and equipment increased \$0.9 million, and other intangible assets amortization increased \$0.6 million due to intangible assets acquired through our Cambr acquisition in April of 2023. These increases were partially offset by acquisitions. During the three months ended September 30, 2023, a decrease of \$0.9 million in professional fees and a \$0.8 million reduction in FDIC deposit insurance expense increased \$1.2 million, compared to the three months ended September 30, 2022, as a result of recent acquisitions and an increase in the FDIC assessment rate effective January 2023. Included in the third quarter of 2022 were non-recurring acquisition-related expenses of \$7.0 million.

During the nine months ended September 30, 2023, non-interest expense increased \$36.3 million, or 25.3%, compared to the nine months ended September 30, 2022, primarily due to an increase in core operating expenses driven by our recent acquisitions. During the nine months ended September 30, 2023, FDIC deposit insurance expense increased \$4.0 million, compared to the nine months ended September 30, 2022, as a result of recent acquisitions and an increase in the FDIC assessment rate effective January 2023. Included in the first nine months of 2023 and 2022 were non-recurring acquisition-related expenses of \$1.0 million and \$8.3 million, respectively, expense.

Income taxes

Income tax expense totaled \$9.3 million and \$27.8 million was \$7.5 million for the three and nine months ended September 30, 2023 March 31, 2024, respectively. Income compared to an income tax expense of \$10.1 million for the three and nine months ended September 30, 2022 was \$4.0 million and \$12.0 million, respectively. The increases over the prior periods were driven by higher pre-tax income. March 31, 2023. The effective tax rate for the three and nine months ended September 30, 2023 March 31, 2024 was 20.5% and 20.3% 19.3%, respectively, compared to 20.1% and 18.0% 20.0% for the same periods in the prior year. three months ended March 31, 2023.

Additional information regarding income taxes can be found in note 2019 of our audited consolidated financial statements in our 2022 2023 Annual Report on Form 10-K.

Liquidity and Capital Resources

Liquidity

Liquidity risk management is an important element in our asset/liability management. Liquidity is monitored and managed to ensure that sufficient funds are available to operate our business and pay our obligations to depositors and other creditors, while providing ample available funds for opportunistic and strategic investments. The Company's corporate treasury team measures liquidity needs through daily cash monitoring, weekly cash projections and monthly liquidity measures reviewed in conjunction with Board-approved liquidity policy limits. We also regularly conduct Board-approved contingency funding plan stress tests to assess potential liquidity outflows or funding problems resulting from economic disruptions, volatility in the financial markets, unexpected credit events or other significant occurrences deemed problematic by management. These scenarios are incorporated into our contingency funding plan, which provides the basis for the identification of our liquidity needs and are monitored monthly by our Asset and Liability

Committee. As of **September 30, 2023** **March 31, 2024**, the Banks had sufficient liquidity to cover all expected and unexpected uses of cash as modeled by various short-term and long-term liquidity stress scenarios.

Our primary sources of funds include but are not limited to cash on hand, the investment securities portfolio, federal funds purchased, deposits, funds provided from operations, prepayments and maturities of loans.

On-balance sheet liquidity is represented by our cash and cash equivalents, and unencumbered investment securities, and is detailed in the table below as of **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**:

	September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023
Cash and due from banks	\$ 291,291	\$ 195,505	\$ 292,931	\$ 190,826
Unencumbered investment securities, at fair value	414,316	476,250	408,009	338,555
Total	\$ 705,607	\$ 671,755	\$ 700,940	\$ 529,381

Total on-balance sheet liquidity increased **\$33.9 million** **\$171.6 million** at **September 30, 2023** **March 31, 2024** compared to **December 31, 2022**. The increase was **December 31, 2023**, due to higher cash and due from banks of **\$95.8 million**, partially offset by **\$61.9 million** lower **\$102.1 million** and higher unencumbered **available-for-sale and held-to-maturity securities balances**. As of **September 30, 2023**, approximately, **\$805.8 million** of investment securities were pledged to secure client deposits and repurchase agreements, of **\$69.5 million**.

We have access to various off-balance sheet third party funding sources including the ability to access immediate funding through FHLB advances, the Federal Reserve discount window, Cambr deposits and the brokered deposit marketplace, whereby deposits could be purchased in a wholesale market as an alternate source of funding. We anticipate having access to capital markets including the ability to issue debt or issue shares of our common stock or other equity or equity-related securities.

The Company had pledged \$2.5 billion of loans as collateral to the FHLB at **September 30, 2023** **March 31, 2024** and **\$2.0 billion** **\$2.6 billion** at **December 31, 2022**, respectively. **December 31, 2023**. FHLB borrowing availability, lines of credit and other short-term borrowing availability totaled **\$1.7 billion** **\$1.8 billion** at **September 30, 2023** **March 31, 2024**. At **September 30, 2023** **March 31, 2024**, the Company had **\$316.8 million** no outstanding borrowings with the FHLB. At December 31, 2023, the Company had **\$340.0 million** of outstanding borrowings with the FHLB.

Additionally, we have access to the Federal Reserve's Bank Term Funding Program ("BTFP"). The BTFP is a recently established facility in response to recent liquidity concerns within the banking industry to help assure that banks have the ability to meet the needs of depositors. Under the program, eligible depository institutions can obtain loans of up to one year in length by pledging U.S. Treasuries, agency debt and mortgage-backed securities, and other qualifying assets as collateral.

The Company's acquisition of Cambr Solutions, LLC in April 2023 also **adds added** a funding source by providing on-demand access to bring deposits onto our balance sheet. We anticipate that the sources of liquidity discussed above will provide adequate funding and liquidity for at least a 12-month period, and we may utilize any combination of these funding sources for long-term liquidity needs if deemed prudent.

Our primary uses of funds are loan fundings, investment security purchases, withdrawals of deposits, capital expenditures, operating expenses, and share repurchases.

At present, financing activities primarily consist of changes in deposits and repurchase agreements, and advances from the FHLB, in addition to the payment of dividends and the repurchase of our common stock. Maturing time deposits represent a potential use of funds. As of **September 30, 2023** **March 31, 2024**, **\$666.3 million** **\$746.1 million** of time deposits were scheduled to mature within 12 months. Based on the current interest rate environment and market conditions, our consumer banking strategy is to focus on attracting and maintaining both lower cost transaction accounts and time deposits.

During 2021, the Company entered into a subordinated note purchase agreement to issue and sell a fixed-to-floating note. The Company deployed the net proceeds from the sale of the note for general corporate purposes. **At September 30, 2023, the balance on the note, net of long-term debt issuance costs totaling \$0.3 million, totaled \$39.7 million.** The note is not subject to redemption at the option of the holder. Additionally, as part of the acquisition of BOJH on October 1, 2022, the Company assumed three subordinated note purchase agreements to issue and sell fixed-to-floating rate notes. The balance on **all subordinated notes totaled \$54.3 million** at **March 31, 2024**. **At December 31, 2023, the balance on the notes, at September 30, 2023, net of the fair value adjustment from the acquisition totaling \$0.5 million, totaled \$14.5 million** **\$54.2 million.**

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Exclusive from the investing activities related to acquisitions, our primary investing activities are loan fundings and pay-offs and paydowns of loans and purchases and sales of investment securities. At **September 30, 2023** **March 31, 2024**, pledgeable investment securities represented a significant source of liquidity. Our available-for-sale investment securities are carried at fair value and our held-to-maturity securities are carried at amortized cost. Our collective investment securities portfolio totaled **\$1.2 billion** **\$1.3 billion** at **September 30, 2023** **March 31, 2024**, inclusive of pre-tax net unrealized losses of **\$128.0 million** **\$103.1 million** on the available-for-sale securities portfolio. Additionally, our held-to-maturity securities portfolio had **\$106.3 million** **\$85.1 million** of pre-tax net unrealized losses at **September 30, 2023** **March 31, 2024**. The gross unrealized gains and losses are detailed in note 3 of our consolidated financial statements. As of **September 30, 2023** **March 31, 2024**, our investment securities portfolio consisted primarily of MBS, all of which were issued or guaranteed by U.S. Government agencies or sponsored enterprises. The anticipated repayments and marketability of these securities offer substantial resources and flexibility to meet new loan demand, reinvest in the investment securities portfolio, or provide optionality for reductions in our deposit funding base.

For additional information regarding our operating, investing and financing cash flows, see our consolidated statements [68](#)

[Table of cash flows in the accompanying consolidated financial statements](#) [Contents](#)

Capital

Under the Basel III requirements, at **September 30, 2023** **March 31, 2024**, the Company, NBH Bank and Bank of Jackson Hole Trust met all capital adequacy requirements, and the Banks had regulatory capital ratios in excess of the levels established for well-capitalized institutions. For more information on regulatory capital, see note 10 in our consolidated financial statements.

Our shareholders' equity is impacted by earnings, changes in unrealized gains and losses on securities, net of tax, stock-based compensation activity, share repurchases, shares issued in connection with acquisitions and the payment of dividends.

The Board of Directors has from time to time authorized multiple programs to repurchase shares of the Company's common stock either in open market or in privately negotiated transactions in accordance with applicable regulations of the SEC. On May 9, 2023, the Company's Board of Directors authorized a new program to repurchase up to \$50.0 million of the Company's stock. The remaining authorization under the **2023** program as of **September 30, 2023** **March 31, 2024** was \$50.0 million.

On November 7, 2023 May 1, 2024, our Board of Directors declared a quarterly dividend of \$0.27 \$0.28 per common share, payable on December 15, 2023 June 14, 2024 to shareholders of record at the close of business on November 24, 2023 May 31, 2024.

Asset/Liability Management and Interest Rate Risk

The Board of Directors meets as often as necessary, but no less than quarterly, to review financial statements, public filings, significant accounting policy changes and any risk management issues. The Board also oversees the performance of our internal audit function as well as serves as an independent and objective body to monitor and assess our compliance with legal and regulatory requirements as well as internal control systems. Management and the Board of Directors are responsible for managing interest rate risk and employing risk management policies that monitor and limit this exposure. Interest rate risk is measured using net interest income simulations and market value of portfolio equity analyses. These analyses use various assumptions, including the nature and timing of interest rate changes, yield curve shape, prepayments on loans and securities, deposit decay rates, pricing decisions on loans and deposits, and reinvestment/replacement of asset and liability cash flows.

Interest rate risk results from following:

- *Repricing risk* — timing differences in the repricing and maturity of interest-earning assets and interest-bearing liabilities;
- *Option risk* — changes in the expected maturities of assets and liabilities, such as borrowers' ability to prepay loans at any time and depositors' ability to redeem certificates of deposit before maturity;
- *Yield curve risk* — changes in the yield curve where interest rates increase or decrease in a nonparallel fashion; and
- *Basis risk* — changes in spread relationships between different yield curves.

The principal objective of the Company's asset and liability management function is to evaluate the interest rate risk within the balance sheet and pursue a controlled assumption of interest rate risk while maximizing earnings and preserving adequate levels of liquidity and capital. The asset and liability management function is under the guidance of the Asset Liability Committee, with direction from the Board a cross-functional committee comprised of Directors. The Asset Liability Committee executive management and senior leaders, meets monthly to review, among other things, the sensitivity of the Company's

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assets and liabilities to interest rate changes, local and national market conditions and interest rates. The Asset Liability Committee also reviews the liquidity, capital, deposit mix, loan mix and investment positions of the Company. The Company's principal objective regarding asset and liability management is to evaluate interest rate risk within the balance sheet and pursue a controlled assumption of interest rate risk while preserving adequate levels of liquidity and capital.

Instantaneous parallel rate shift scenarios are modeled and utilized to evaluate risk and establish exposure limits for acceptable changes in net interest margin. These scenarios, known as rate shocks, simulate an instantaneous change in interest rates and utilize various assumptions, including, but not limited to, prepayments on loans and securities, deposit decay rates, pricing decisions on loans and deposits, reinvestment and replacement of asset and liability cash flows.

We also analyze the economic value of equity as a secondary measure of interest rate risk. This is a complementary measure to net interest income where the calculated value is the result of the market value of assets less the market value of liabilities. The economic value of equity is a longer term view of interest rate risk because it measures the present value of the future cash flows. The impact of changes in interest rates on this calculation is analyzed for the risk to our future earnings and is used in conjunction with the analyses on net interest income.

Our interest rate risk model indicated that the Company was in a fairly relatively neutral position in terms of interest rate sensitivity at September 30, 2023 March 31, 2024. At September 30, 2023 March 31, 2024, our asset liability sensitivity position decreased increased slightly from December 31, 2022 December 31, 2023, primarily driven by

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balance sheet mix change, mainly due to shifting of non-interest bearing deposits into **interest bearing accounts**, **interest-bearing deposits**. The table below illustrates the impact of an immediate and sustained 200 and 100 basis point increase and a 100 and 200 basis point decrease in interest rates on net interest income based on the interest rate risk model at **March 31, 2024** at the respective dates:

Hypothetical shift in interest rates (in bps)	% change in projected net interest income		% change in projected net interest income	
	September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023
200	0.19%	2.60%	(0.19)%	(0.18)%
100	0.11%	1.31%	(0.05)%	(0.06)%
(100)	(0.32)%	(2.93)%	(0.23)%	(0.09)%
(200)	(1.19)%	(8.24)%	(0.61)%	(0.33)%

Many assumptions are used to calculate the impact of interest rate fluctuations. Actual results may be significantly different than our projections due to several factors, including the timing and frequency of rate changes, market conditions and the shape of the yield curve. The computations of interest rate risk shown above do not include actions that management may undertake to manage the risks in response to anticipated changes in interest rates and actual results may also differ due to any actions taken in response to the changing rates.

As part of the asset/liability management strategy to manage primary market risk exposures expected to be in effect in future reporting periods, management has executed interest rate derivatives primarily using floors and collars. For further discussion of the Company's derivative contracts refer to note 15. The strategy with respect to liabilities has been to continue to emphasize transaction deposit growth, particularly non-interest or low interest bearing non-maturing deposit accounts while building long-term client relationships. Non-maturing deposit accounts totaled **87.8% 88.3%** of total deposits at **September 30, 2023** **March 31, 2024**, compared to **88.9% 88.0%** at **December 31, 2022** **December 31, 2023**. We currently have no brokered time deposits.

Impact of Inflation and Changing Prices

The primary impact of inflation on our operations is reflected in increasing operating costs and non-interest expense. Unlike most industrial companies, virtually all of our assets and liabilities are monetary in nature. As a result, changes in interest rates have a more significant impact on our performance than do changes in the general rate of inflation and changes in prices. Interest rate changes do not necessarily move in the same direction, nor have the same magnitude, as changes in the prices of goods and services. Although not as critical to the banking industry as many other industries, inflationary factors may have some impact on our ability to grow, total assets, earnings and capital levels. While we plan to continue our disciplined approach to expense management, an inflationary environment may cause wage pressures and general increases in our cost of doing business, which may increase our non-interest expense.

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Off-Balance Sheet Activities

In the normal course of business, we are a party to various contractual obligations, commitments and other off-balance sheet activities that contain credit, market, and operational risk that are not required to be reflected in our consolidated financial statements. The most significant of these are the loan commitments that we enter into to meet the financing needs of clients, including commitments to extend credit, commercial and consumer lines of credit and standby letters of credit. As of **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**, we had loan commitments totaling **\$1.8 billion** and **\$2.0 billion**, respectively, **\$1.6 billion** for both periods, and standby letters of credit that totaled **\$9.9 million** **\$11.7 million** and **\$13.9 million** **\$13.0 million**,

respectively. Unused commitments do not necessarily represent future credit exposure or cash requirements, as commitments often expire without being drawn upon.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information called for by this item is provided under the caption *Asset/Liability Management and Interest Rate Risk* in Part I, Item 2-Management's Discussion and Analysis of Financial Condition and Results of Operations and is incorporated herein by reference.

Item 4. CONTROLS AND PROCEDURES

Our management, with the participation of our principal executive officer and principal financial officer, conducted an evaluation of the effectiveness of our disclosure controls and procedures, as such term is defined in Rule 13a-15(e) under the Securities Exchange

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Act of 1934, as of **September 30, 2023** **March 31, 2024**. Based on this evaluation, our principal executive officer and our principal financial officer concluded that our disclosure controls and procedures were effective as of **September 30, 2023** **March 31, 2024**.

During the most recently completed fiscal quarter, there were no changes made in the Company's internal controls over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

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PART II: OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

From time to time, we are a party to various litigation matters incidental to the conduct of our business. We are not presently party to any legal proceedings the resolution of which we believe would have a material adverse effect on our business, prospects, financial condition, liquidity, results of operation, cash flows or capital levels.

Item 1A. RISK FACTORS

There have been no material changes to the risk factors disclosed in Item 1A. Risk Factors described in the Corporation's 2022 Annual Report on Form 10-K, other than as set out in the Company's Quarterly Report on Form 10-Q for the quarter year ended March 31, 2023, in Item 1A of Part II, December 31, 2023.

Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

	Maximum
Total number of	approximate dollar

Period	Total number of shares purchased	Average price paid per share	shares purchased as part of publicly announced plans or programs	value of shares that may yet be purchased under the plans or programs (2)
July 1 - September 30, 2023 ⁽¹⁾				50,000,000
Total				

Period	Total number of shares purchased	Average price paid per share	shares purchased as part of publicly announced plans or programs	value of shares that may yet be purchased under the plans or programs (2)	Maximum Total number of shares purchased as part of publicly announced plans purchased under the plans or programs (2)	approximate dollar value of shares that may yet be
February 1 - February 29, 2024 ⁽¹⁾	570	33.70	—	50,000,000		
March 1 - March 31, 2024 ⁽¹⁾	7,167	33.75	—	50,000,000		
Total	7,737	33.74	—	50,000,000		

(1) Represents shares purchased other than through publicly announced plans purchased pursuant to the Company's stock incentive plans at the then current market value in satisfaction of stock option exercise prices, settlements of restricted stock and tax withholdings.

(2) On May 9, 2023, the Company's Board of Directors authorized a new program to repurchase up to \$50.0 million of the Company's stock from time to time in either the open market or through privately negotiated transactions. The remaining authorization under the **2023** program as of **September 30, 2023** **March 31, 2024** was \$50.0 million.

Item 5. OTHER INFORMATION

None.

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Item 6. EXHIBITS

3.1	Second Amended and Restated Certificate of Incorporation (incorporated herein by reference to Exhibit 3.1 to our Form S-1 filed on November 1, 2018, as amended on November 1, 2020)
3.2	Second Amended and Restated By-Laws (incorporated herein by reference to Exhibit 3.2 to our Quarterly Report on Form 10-Q for the quarter ended December 31, 2018)
31.1	Certification of CEO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of CFO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32	Certifications of CEO and CFO pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	XBRL Instance ■ the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation
101.DEF	XBRL Taxonomy Extension Definition
101.LAB	XBRL Taxonomy Extension Labels
101.PRE	XBRL Taxonomy Extension Presentation
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

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SIGNATURES

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

National Bank Holdings Corporation

National Bank Holdings Corporation

By

/s/ Aldis Birkans

Aldis Birkans
Chief Financial Officer
(principal financial officer)

Date: November 7, 2023 May 1, 2024

Exhibit 31.1

Certifications of CEO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, G. Timothy Laney, Chief Executive Officer, certify that:

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

- c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
- d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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

- a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
- b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: **November 7, 2023** **May 1, 2024**

/s/ G. Timothy Laney

G. Timothy Laney
Chairman, President and Chief Executive Officer

Exhibit 31.2

Certifications of CFO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Aldis Birkans, Chief Financial Officer, certify that:

- 1. I have reviewed this quarterly report on Form 10-Q of National Bank Holdings Corporation;
- 2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: **November 7, 2023** **May 1, 2024**

/s/ Aldis Birkans

Aldis Birkans
Chief Financial Officer

Exhibit 32

Certifications of CEO and CFO 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 National Bank Holdings Corporation (the "Company") on Form 10-Q for the period ended **September 30, 2023** **March 31, 2024**, as filed with the Securities and Exchange Commission (the "Report"), each of the undersigned officers certifies pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge: (1) this 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 operation of the Company.

Date: **November 7, 2023** **May 1, 2024**

/s/ G. Timothy Laney

G. Timothy Laney

Chairman, President and Chief Executive Officer

Date: **November 7, 2023** **May 1, 2024**

/s/ Aldis Birkans

Aldis Birkans

Chief Financial Officer

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