

REFINITIV

DELTA REPORT

10-Q

EFSC - ENTERPRISE FINANCIAL SERV
10-Q - JUNE 30, 2024 COMPARED TO 10-Q - MARCH 31, 2024

The following comparison report has been automatically generated

TOTAL DELTAS	693
CHANGES	239
DELETIONS	229
ADDITIONS	225

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

FORM 10-Q

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

For the quarterly period ended **March 31, 2024** **June 30, 2024**.

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

For the transition period from _____ to _____

Commission file number 001-15373

ENTERPRISE FINANCIAL SERVICES CORP

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

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

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

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

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

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

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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

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

Yes ☐ No ☒

As of **April 24, 2024** **July 24, 2024**, the Registrant had **37,491,713** **37,367,430** shares of outstanding common stock, \$0.01 par value per share.

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

ENTERPRISE FINANCIAL SERVICES CORP AND SUBSIDIARIES
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Glossary of Acronyms, Abbreviations and Entities

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

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

PART I - ITEM 1 - FINANCIAL STATEMENTS
ENTERPRISE FINANCIAL SERVICES CORP AND SUBSIDIARIES
Condensed Consolidated Balance Sheets (Unaudited)

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

Total assets				
	Liabilities and Shareholders' Equity			
	Liabilities and Shareholders' Equity			
	Liabilities and Shareholders' Equity			
Noninterest-bearing demand accounts				
Interest-bearing demand accounts				
Money market accounts				
Savings accounts				
Certificates of deposit:	Certificates of deposit:		Certificates of deposit:	
Brokered				
Customer				
Total deposits				
Subordinated debentures and notes				
FHLB advances				
Other borrowings				
Other liabilities				
Other liabilities				
Other liabilities				
Total liabilities				
Commitments and contingent liabilities (Note 5)				
Commitments and contingent liabilities (Note 5)				
Commitments and contingent liabilities (Note 5)				
Shareholders' equity:				
Shareholders' equity:				
Shareholders' equity:				
Preferred stock, \$0.01 par value; 5,000,000 shares authorized; 75,000 shares issued and outstanding, respectively (\$1,000 per share liquidation preference)				
Common stock, \$0.01 par value; 75,000,000 shares authorized; 37,515,186 and 37,416,028 shares issued and outstanding, respectively				
Preferred stock, \$0.01 par value; 5,000,000 shares authorized; 75,000 shares issued and outstanding (\$1,000 per share liquidation preference)				
Common stock, \$0.01 par value; 75,000,000 shares authorized; 37,343,548 and 37,416,028 shares issued and outstanding				
Additional paid in capital				
Additional paid in capital				
Additional paid in capital				
Retained earnings				
Accumulated other comprehensive loss, net				
Total shareholders' equity				
Total liabilities and shareholders' equity				

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

ENTERPRISE FINANCIAL SERVICES CORP AND SUBSIDIARIES

Condensed Consolidated Statements of Income (Unaudited)

	Three months ended March 31,		Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023	2024	2023
(\$ in thousands, except per share data)	(\$ in thousands, except per share data)		(\$ in thousands, except per share data)			
Interest income:						
Loans						
Loans						
Loans						

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

Dividends on preferred stock
Net income available to common shareholders
Earnings per common share
Earnings per common share
Earnings per common share
Basic
Basic
Basic
Diluted

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

ENTERPRISE FINANCIAL SERVICES CORP AND SUBSIDIARIES
 Condensed Consolidated Statements of Comprehensive Income (Unaudited)

		Three months ended March 31,	Three months ended June 30,	Six months ended June 30,				
	(\$ in thousands)				(\$ in thousands)	2024	2023	2024
Net income								
Other comprehensive income (loss), net of tax:								
Change in unrealized gain (loss) on available-for-sale securities								
Change in unrealized gain (loss) on available-for-sale securities								
Change in unrealized gain (loss) on available-for-sale securities								
Reclassification of gain on the sale of available-for-sale securities								
Reclassification of gain on held-to-maturity securities								
Change in unrealized gain (loss) on cash flow hedges								
Change in unrealized loss on cash flow hedges								
Reclassification of loss on cash flow hedges								
Total other comprehensive income (loss), net of tax								
Total comprehensive income								

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

ENTERPRISE FINANCIAL SERVICES CORP AND SUBSIDIARIES
 Condensed Consolidated Statements of Shareholders' Equity (Unaudited)

Three months ended March 31, 2024									
Three months ended March 31, 2024									
Three months ended March 31, 2024									
Three and six months ended June 30, 2024									
Three and six months ended June 30, 2024									
Three and six months ended June 30, 2024									
Preferred Stock									
Preferred Stock									
Preferred Stock									
(\$ in thousands, except per share data)									
(\$ in thousands, except per share data)									
(\$ in thousands, except per share data)	Shares	Amount	Shares	Amount	Additional Paid in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity	
Balance at December 31, 2023									

Balance at March 31, 2024
Balance at March 31, 2024
Balance at March 31, 2024
Net income
Net income
Net income
Other comprehensive loss
Other comprehensive loss
Other comprehensive loss
Common stock dividends (\$0.25 per share)
Common stock dividends (\$0.26 per share)
Common stock dividends (\$0.26 per share)
Common stock dividends (\$0.26 per share)
Preferred stock dividends (\$12.50 per share)
Preferred stock dividends (\$12.50 per share)
Preferred stock dividends (\$12.50 per share)
Issuance under equity compensation plans, net
Repurchase of common stock
Issuance under equity compensation plans, net
Repurchase of common stock
Repurchase of common stock
Issuance under equity compensation plans, net
Issuance under equity compensation plans, net
Issuance under equity compensation plans, net
Share-based compensation
Share-based compensation
Share-based compensation
Balance at March 31, 2024
Balance at June 30, 2024
Balance at March 31, 2024
Balance at June 30, 2024
Balance at March 31, 2024
Balance at June 30, 2024
Balance at December 31, 2023
Balance at December 31, 2023
Balance at December 31, 2023
Net income
Net income
Net income
Other comprehensive loss
Other comprehensive loss
Other comprehensive loss
Common stock dividends (\$0.51 per share)
Common stock dividends (\$0.51 per share)
Common stock dividends (\$0.51 per share)
Preferred stock dividends (\$25.00 per share)
Preferred stock dividends (\$25.00 per share)
Preferred stock dividends (\$25.00 per share)
Repurchase of common stock
Repurchase of common stock
Repurchase of common stock
Issuance under equity compensation plans, net
Issuance under equity compensation plans, net
Issuance under equity compensation plans, net
Share-based compensation
Share-based compensation

Share-based compensation

Balance at June 30, 2024

Balance at June 30, 2024

Balance at June 30, 2024

Three months ended March 31, 2023

Three months ended March 31, 2023

Three months ended March 31, 2023

Three and six months ended, June 30, 2023

Three and six months ended, June 30, 2023

Three and six months ended, June 30, 2023

Preferred

Preferred

Preferred

(\$ in thousands, except per share data)

(\$ in thousands, except per share data)

(\$ in thousands, except per share data)					Additional Paid in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity					Additional Paid in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
	Shares	Amount	Shares	Amount					Shares	Amount	Shares	Amount				
Balance at December 31, 2022																
Balance at March 31, 2023																
Net income																
Other comprehensive income																
Other comprehensive income																
Other comprehensive income																
Common stock dividends (\$0.25 per share)																
Preferred stock dividends (\$12.50 per share)																
Issuance under equity compensation plans, net																
Issuance under equity compensation plans, net																
Issuance under equity compensation plans, net																
Share-based compensation																
Share-based compensation																
Share-based compensation																
Balance at March 31, 2023																
Balance at June 30, 2023																

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

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

<div> <div>ENTERPRISE FINANCIAL SERVICES CORP AND SUBSIDIARIES</div> <div>Condensed Consolidated Statements of Cash Flows (Unaudited)</div> </div>				
		Three months ended March 31,	Six months ended June 30,	
(\$ in thousands)	(\$ in thousands)	2024	2023 (\$ in thousands)	2024 2023
Cash flows from operating activities:	Cash flows from operating activities:		Cash flows from operating activities:	
Net income				
Adjustments to reconcile net income to net cash provided by operating activities				
Depreciation				
Depreciation				
Depreciation				
Provision for credit losses				
Deferred income taxes				
Net amortization of discount/premiums on debt securities				
Net amortization on loan discount/premiums				
Amortization of intangible assets				
Amortization of servicing assets				
Mortgage loans originated-for-sale				
Proceeds from mortgage loans sold				
Loss (gain) on:				
Sale of investment securities				
Sale of investment securities				
Sale of investment securities				
Sale of SBA loans				
Sale of other real estate				
Sale of state tax credits				
Sale of state tax credits				
Sale of fixed assets				

Sale of state tax credits					
Share-based compensation					
Share-based compensation					
Share-based compensation					
Net change in other assets and liabilities					
Net change in other assets and liabilities					
Net change in other assets and liabilities					
Net cash provided by operating activities					
Net cash provided by operating activities					
Net cash provided by operating activities					
Cash flows from investing activities:	Cash flows from investing activities:		Cash flows from investing activities:		
Net increase in loans					
Net increase in loans					
Net increase in loans					
Proceeds received from:					
Proceeds received from:					
Proceeds received from:					
Sale of debt securities, available-for-sale					
Sale of debt securities, available-for-sale					
Sale of debt securities, available-for-sale					
Paydown or maturity of debt securities, available-for-sale					
Paydown or maturity of debt securities, held-to-maturity					
Redemption of other investments					
Sale of SBA loans					
Sale of state tax credits held for sale					
Sale of other real estate					
Sale of fixed assets					
Payments for the purchase of:					
Payments for the purchase of:					
Payments for the purchase of:					
Available-for-sale debt securities					
Available-for-sale debt securities					
Available-for-sale debt securities					
Held-to-maturity debt securities					
Other investments					
State tax credits held for sale					
State tax credits held for sale					
State tax credits held for sale					
Fixed assets					
Net cash used in investing activities					
		Three months ended March 31,		Six months ended June 30,	
(\$ in thousands)	(\$ in thousands)	2024	2023	(\$ in thousands)	2024 2023
Cash flows from financing activities:	Cash flows from financing activities:			Cash flows from financing activities:	
Net decrease in noninterest-bearing deposit accounts					
Net increase in interest-bearing deposit accounts					
Net increase in FHLB advances					
Repayments of notes payable					
Repayments of notes payable					
Repayments of notes payable					
Net decrease in other borrowings					

Net decrease in other borrowings		
Net decrease in other borrowings		
Cash dividends paid on common stock		
Repurchase of common stock		
Cash dividends paid on common stock		
Repurchase of common stock		
Repurchase of common stock		
Cash dividends paid on common stock		
Cash dividends paid on preferred stock		
Other		
Net cash provided by financing activities		
Net cash provided by financing activities		
Net cash provided by financing activities		
Net decrease in cash and cash equivalents		
Net increase (decrease) in cash and cash equivalents		
Cash and cash equivalents, beginning of period		
Cash and cash equivalents, end of period		
Supplemental disclosures of cash flow information:	Supplemental disclosures of cash flow information:	Supplemental disclosures of cash flow information:
Cash paid during the period for:	Cash paid during the period for:	Cash paid during the period for:
Interest		
Income taxes		
Noncash investing and financing transactions:		
Transfer to other bank owned assets		
Transfer to other bank owned assets		
Transfer to other bank owned assets		
Right-of-use assets obtained in exchange for lease obligations		
Right-of-use assets obtained in exchange for lease obligations		
Right-of-use assets obtained in exchange for lease obligations		

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Business and Consolidation

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

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

Basis of Financial Statement Presentation

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

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

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

Recent Accounting Pronouncements

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

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

income-housing tax credit (“LIHTC”) structures. This amendment also eliminates certain LIHTC-specific guidance

aligning the accounting with other equity investments in tax credit structures. The amendments in this update are effective for fiscal years beginning after December 15, 2023, and interim periods within those fiscal years. The adoption of ASU 2023-02 did not have a material effect on the consolidated financial statements.

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

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

NOTE 2 - EARNINGS PER SHARE

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

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

	Three months ended March 31,	
	2024	2023
(in thousands, except per share data)	(in thousands, except per share data)	
(in thousands, except per share data)		
(in thousands, except per share data)		
Net income available to common shareholders		
Net income available to common shareholders		
Net income available to common shareholders		
Weighted average common shares outstanding		

Weighted average common shares outstanding
Weighted average common shares outstanding
Additional dilutive common stock equivalents
Additional dilutive common stock equivalents
Additional dilutive common stock equivalents
Weighted average diluted common shares outstanding
Weighted average diluted common shares outstanding
Weighted average diluted common shares outstanding
Basic earnings per common share:
Basic earnings per common share:
Basic earnings per common share:
Diluted earnings per common share:
Diluted earnings per common share:
Diluted earnings per common share:
For the three and six months ended March 31, 2024 and 2023, June 30, 2024, common stock equivalents of approximately 581,000 634,000 and 311,000, 621,000, respectively, were excluded from the earnings per share calculations because their effect would have been anti-dilutive. Comparatively, there were 462,000 and 411,000 common stock equivalents excluded in the three and six months ended June 30, 2023, respectively.

NOTE 3 - INVESTMENTS

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

	March 31, 2024			June 30, 2024						
	(\$ in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	(\$ in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale securities:										
Obligations of U.S. Government-sponsored enterprises										
Obligations of U.S. Government-sponsored enterprises										
Obligations of U.S. Government-sponsored enterprises										
Obligations of states and political subdivisions										
Agency mortgage-backed securities										
U.S. Treasury bills										
Corporate debt securities										
Total securities available for sale										
Held-to-maturity securities:										
Obligations of states and political subdivisions										
Obligations of states and political subdivisions										
Obligations of states and political subdivisions										
Agency mortgage-backed securities										
Corporate debt securities										
Total securities held-to-maturity										
Allowance for credit losses										
Total securities held-to-maturity, net										
Total securities held-to-maturity, net										
Total securities held-to-maturity, net										

December 31, 2023

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

The balance of held-to-maturity securities in the "Amortized Cost" column in the table above includes a cumulative net unamortized unrealized gain of \$13.3 million \$12.5 million and \$14.1 million at March 31, 2024 June 30, 2024 and December 31, 2023, respectively. Such amounts are amortized over the remaining life of the securities.

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

The amortized cost and estimated fair value of debt securities at March 31, 2024 June 30, 2024, by contractual maturity, are shown below. Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties. The weighted average life of the mortgage-backed securities is approximately five four years.

(\$ in thousands)	Available for sale		Available for sale		Held to maturity		Available for sale		Held to maturity	
	(\$ in thousands)	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value	(\$ in thousands)	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
Due in one year or less										
Due after one year through five years										
Due after five years through ten years										
Due after ten years										
Agency mortgage-backed securities										

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

(\$ in thousands)	March 31, 2024						June 30, 2024							
	Less than 12 months		12 months or more		Total		Less than 12 months		12 months or more		Total		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	Fair Value	Unrealized Losses
	(\$ in thousands)		(\$ in thousands)		(\$ in thousands)		(\$ in thousands)		(\$ in thousands)		(\$ in thousands)		(\$ in thousands)	

Obligations of U.S. Government-sponsored enterprises

Obligations of states and political subdivisions

Agency mortgage-backed securities

U.S. Treasury bills

Corporate debt securities

		December 31, 2023				December 31, 2023													
		Less than 12 months		12 months or more			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		
(\$ in thousands)	(\$ in thousands)								(\$ in thousands)										
Obligations of U.S. Government-sponsored enterprises																			
Obligations of states and political subdivisions																			
Agency mortgage-backed securities																			
U.S. Treasury bills																			
Corporate debt securities																			

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

Accrued interest on held-to-maturity debt securities totaled \$7.1 million, \$6.9 million and \$6.5 million at March 31, 2024, June 30, 2024 and December 31, 2023, respectively, and is excluded from the estimate of expected credit losses. The estimate of expected credit losses considers historical credit loss information adjusted for current conditions and reasonable and supportable forecasts. The ACL on held-to-maturity securities was \$0.4 million, \$0.3 million at March 31, 2024, June 30, 2024 and \$0.8 million at December 31, 2023.

There were no sales of available-for-sale securities during neither the three and six months ended June 30, 2024, nor the three months ended March 31, 2024, June 30, 2023. The Company sold \$28.4 million of available-for-sale securities during the three six months ended March 31, 2023, June 30, 2023 for a gain of \$0.4 million.

Other Investments

At **March 31, 2024** **June 30, 2024** and December 31, 2023, other investments totaled **\$74.1 million** **\$72.0 million** and \$66.2 million, respectively. As a member of the FHLB system administered by the Federal Housing Finance Agency, the Bank is required to maintain a minimum investment in capital stock with the FHLB consisting of membership stock and activity-based stock. The FHLB capital stock of **\$14.3 million** **\$12.2 million** at **March 31, 2024** **June 30, 2024** and \$7.8 million at December 31, 2023 is recorded at cost, which represents redemption value, and is included in other investments in the consolidated balance sheets. The remaining amounts in other investments primarily include investments in Small Business Investment Companies, Community Development Financial Institutions, private equity investments, and the Company's investment in unconsolidated trusts used to issue trust preferred securities to third parties.

NOTE 4 - LOANS

The following table presents a summary of loans by category:

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

The loan balance includes a net premium on acquired loans of **\$9.0 million** **\$9.2 million** and **\$9.6 million** **\$9.6 million** at **March 31, 2024** **June 30, 2024** and December 31, 2023, respectively. At **March 31, 2024** **June 30, 2024** and December 31, 2023, loans and securities of **\$5.4 billion** **\$5.5 billion** and \$4.8 billion, respectively, were pledged to FHLB and the Federal Reserve Bank.

Accrued interest totaled **\$71.2 million** **\$70.1 million** and \$66.7 million at **March 31, 2024** **June 30, 2024** and December 31, 2023, respectively, and was reported in "Other Assets" on the consolidated balance sheets.

SBA 7(a) guaranteed loans sold during the **three** **six** months ended **March 31, 2024** **June 30, 2024** totaled **\$23.1 million** **\$23.1 million**, resulting in a gain on sale of **\$1.4 million** **\$1.4 million**. SBA 7(a) guaranteed loans sold during the **three** **six** months ended **March 31, 2023** **June 30, 2023** totaled \$8.8 million, resulting in a gain on sale of \$0.5 million. **There were no sales in the three months ended June 30, 2024 and 2023, respectively.**

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

A summary of the activity, by loan category, in the ACL on loans for the three and six months ended **March 31, 2024** **June 30, 2024** and 2023 is as follows:

(\$ in thousands)	(\$ in thousands)	Commercial and industrial	CRE - investor owned	CRE - owner occupied	Construction and land development	Residential real estate	Other	Total	(\$ in thousands)	Commercial and industrial	CRE - investor owned	CRE - owner occupied	Construction and land development	Residential real estate	Other	Total
Allowance for credit losses on loans:																
Balance at December 31, 2023																
Balance at December 31, 2023																
Balance at December 31, 2023																
Balance at March 31, 2024																
Balance at March 31, 2024																
Balance at March 31, 2024																

Provision (benefit) for credit losses
Charge-offs
Recoveries
Balance at March 31, 2024
Balance at June 30, 2024

(\$ in thousands)

(\$ in thousands)

(\$ in thousands)	Commercial and industrial	CRE - investor owned	CRE - owner occupied	Construction and land development	Residential real estate	Other	Total	Commercial and industrial	CRE - investor owned	CRE - owner occupied	Construction and land development	Residential real estate	Other	Total
Allowance for credit losses on loans:														
Balance at December 31, 2022														
Balance at December 31, 2022														
Balance at December 31, 2022														
Balance at December 31, 2023														
Balance at December 31, 2023														
Balance at December 31, 2023														
Provision (benefit) for credit losses														
Charge-offs														
Recoveries														
Balance at March 31, 2023														
Balance at June 30, 2024														

(\$ in thousands)	Commercial and industrial	CRE - investor owned	CRE - owner occupied	Construction and land development	Residential real estate	Other	Total
Allowance for credit losses on loans:							
Balance at March 31, 2023	\$ 59,149	\$ 36,266	\$ 22,328	\$ 8,889	\$ 6,997	\$ 4,666	\$ 138,295
Provision (benefit) for credit losses	3,857	(2,420)	299	3,898	618	(255)	5,997
Charge-offs	(3,289)	(7)	—	—	(421)	(251)	(3,968)
Recoveries	601	37	73	8	227	49	995
Balance at June 30, 2023	<u>\$ 60,318</u>	<u>\$ 33,876</u>	<u>\$ 22,700</u>	<u>\$ 12,795</u>	<u>\$ 7,421</u>	<u>\$ 4,209</u>	<u>\$ 141,319</u>

(\$ in thousands)	Commercial and industrial	CRE - investor owned	CRE - owner occupied	Construction and land development	Residential real estate	Other	Total
Allowance for credit losses on loans:							
Balance at December 31, 2022	\$ 53,835	\$ 36,191	\$ 22,752	\$ 11,444	\$ 7,928	\$ 4,782	\$ 136,932
Provision (benefit) for credit losses	8,940	(2,198)	(141)	1,320	(533)	(292)	7,096
Charge-offs	(3,996)	(177)	—	(9)	(523)	(443)	(5,148)
Recoveries	1,539	60	89	40	549	162	2,439
Balance at June 30, 2023	<u>\$ 60,318</u>	<u>\$ 33,876</u>	<u>\$ 22,700</u>	<u>\$ 12,795</u>	<u>\$ 7,421</u>	<u>\$ 4,209</u>	<u>\$ 141,319</u>

The ACL on sponsor finance loans, which is included in the categories above, represented \$22.7 million \$19.9 million and \$23.0 million, \$23.0 million, respectively, as of March 31, 2024 June 30, 2024 and December 31, 2023.

The CECL methodology incorporates various economic scenarios. The Company utilizes three forecasts in the model: Moody's baseline, a stronger near-term growth upside and a moderate recession downside forecast. The Company weights these scenarios at 40%, 30%, and 30%, respectively, which added approximately \$12.8 million \$14.6 million to the ACL on loans over the baseline model at March 31, 2024 June 30, 2024. The baseline forecast incorporates an expectation that the federal funds rate has peaked at the range of 5.25% to 5.50% and will begin falling in the latter half of 2024. It is also assumed that the bank failures in early 2023 were not an indication of a broader problem in the industry. The Company has also recognized various risks posed by loans in certain segments, including the commercial office and agricultural sectors, by allocating additional reserves to those segments. Some of the key risks to the forecasts that could result in future provision for credit losses are market reactions to the Federal Reserve policy actions that could push the economy into a recession, persistently higher inflation, tightening in the credit markets, and further weakness in the financial system.

In addition to the CECL methodology, the Company incorporates qualitative adjustments into the ACL on loans to capture credit risks inherent within the loan portfolio that are not captured in the CECL model. Included in these risks are 1) changes in lending policies and procedures, 2) actual and expected changes in business and economic conditions, 3) changes in the nature and volume of the portfolio, 4) changes in lending management, 5) changes in volume and the severity of past due loans, 6) changes in the quality of the loan review system, 7) changes in the value of underlying collateral, 8) the existence and effect of concentrations of credit and 9) other factors such as the regulatory, legal and competitive environments and events such as natural disasters and pandemics. At March 31, 2024 June 30, 2024, the ACL on loans included a qualitative adjustment of approximately \$40.3 million \$42.2 million. Of this amount, approximately \$14.4 million \$12.6 million was allocated to Sponsor Finance loans due to their mostly unsecured nature.

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

	March 31, 2024
	March 31, 2024
	March 31, 2024
	June 30, 2024
	June 30, 2024
	June 30, 2024

Term Loans by
Origination Year

(\$ in thousands)

(\$ in thousands)

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

	December 31, 2023									
	Term Loans by Origination Year									
(\$ in thousands)	2023	2022	2021	2020	2019	Prior	Revolving Loans Converted to Term Loans	Revolving Loans	Total	
Commercial and industrial	\$ 600	\$ 2,999	\$ 1,940	\$ 2,539	\$ —	\$ —	\$ 12,533	\$ 15,178	\$ 35,789	

Real estate:									
Commercial - investor owned	—	—	170	—	4,692	7	—	—	4,869
Construction and land development	—	—	—	—	—	9	—	—	9
Residential	—	—	—	—	—	480	176	—	656
Other	—	3	459	—	—	319	12	—	793
Total charge-offs by origination year	<u>\$ 600</u>	<u>\$ 3,002</u>	<u>\$ 2,569</u>	<u>\$ 2,539</u>	<u>\$ 4,692</u>	<u>\$ 815</u>	<u>\$ 12,721</u>	<u>\$ 15,178</u>	<u>\$ 42,116</u>
Total gross charge-offs by performing status									1,099
Total gross charge-offs									<u>\$ 43,215</u>

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

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

		March 31, 2024							
		March 31, 2024							
		March 31, 2024							
		June 30, 2024							
		June 30, 2024							
		June 30, 2024							
		</							

Other
Other
Total

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

The nonperforming loan balances at **March 31, 2024** **June 30, 2024** and December 31, 2023 exclude government guaranteed balances of **\$9.6** **\$12.9** million and **\$10.7 million**, **\$10.7 million** respectively.

Interest income recognized on nonaccrual loans was immaterial during the three **and six** months ended **March 31, 2024** **June 30, 2024** and 2023.

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

		March 31, 2024				June 30, 2024			Type of Collateral
(\$ in thousands)	(\$ in thousands)	Commercial Real Estate	Residential Real Estate	Blanket Lien	(\$ in thousands) Other	Commercial Real Estate	Residential Real Estate	Blanket Lien	Other
Commercial and industrial									
Real estate:									
Commercial - investor owned									
Commercial - investor owned									
Commercial - investor owned									
Commercial - owner occupied									
Construction and land development									
Total									
Total									
Total									

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

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

	March 31, 2024					June 30, 2024				
(\$ in thousands)	30-89 Days Past Due	90 or More Days Past Due	Total Past Due	Current	Total	30-89 Days Past Due	90 or More Days Past Due	Total Past Due	Current	Total
Commercial and industrial										
Real estate:										
Commercial - investor owned										
Commercial - investor owned										
Commercial - investor owned										
Commercial - owner occupied										
Construction and land development										
Residential										
Other										
Loans, before unearned loan fees										
Unearned loan fees, net										
Total										

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

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

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

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

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

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

	Term Extension	Payment Delay	Total
	Three months ended	Three months ended	Three months ended

	March 31, 2024	Percent of Total Loan Class	March 31, 2024	Percent of Total Loan Class	March 31, 2024	Percent of Total Loan Class
(\$ in thousands)						
Commercial and industrial	\$ 44,641	0.94 %	\$ 567	0.01 %	\$ 45,208	0.95 %
Real estate:						
Commercial - investor owned	8,409	0.34 %	—	— %	8,409	0.34 %
Commercial - owner occupied	94	NM	—	— %	94	NM
Residential	7,644	2.08 %	—	— %	7,644	2.08 %
Total	\$ 60,788		\$ 567		\$ 61,355	

	Term Extension	
	Three months ended	
	June 30, 2024	Percent of Total Loan Class
(\$ in thousands)		
Commercial and industrial	\$ 5,619	0.12 %

	Term Extension		Payment Delay		Total	
	Six months ended		Six months ended		Six months ended	
	June 30, 2024	Percent of Total Loan Class	June 30, 2024	Percent of Total Loan Class	June 30, 2024	Percent of Total Loan Class
(\$ in thousands)						
Commercial and industrial	\$ 50,260	1.09 %	\$ 567	0.01 %	\$ 50,827	1.10 %
Real estate:						
Commercial - investor owned	8,409	0.34 %	—	— %	8,409	0.34 %
Commercial - owner occupied	94	NM	—	— %	94	NM
Residential	7,644	2.17 %	—	— %	7,644	2.17 %
Total	\$ 66,407		\$ 567		\$ 66,974	

	Term Extension		Term Extension		Term Extension		Six months ended
	Three months ended		Three months ended		Three months ended		
	March 31, 2023	Percent of Total Loan Class					
(\$ in thousands)							
	June 30, 2023	Percent of Total Loan Class	June 30, 2023	Percent of Total Loan Class			
(in thousands)							
Commercial and industrial	Commercial and industrial \$ 22,818	0.57 %	Commercial and industrial \$ 6,533	0.15 %			
Real estate:							
Commercial - owner occupied	95	— %	95	— %			
Commercial - owner occupied							
Commercial - owner occupied	95	— %					
Construction and land development	Construction and land development 396	0.06 %	Construction and land development 1,138	0.17 %			
Construction and land development							
Construction and land development	1,201	0.18 %					
Total							
Total							

Total

Weighted Average
Term Extension (in
months)

Weighted Average
Term Extension (in
months)

Real estate:

Commercial -
owner
occupied

Residential
Residential

	Weighted Average Term Extension (in months)	
	Three months ended	Six months ended
	June 30, 2023	June 30, 2023
Commercial and industrial	5	6
Real estate:		
Commercial - owner occupied	3	3
Construction and land development	6	8
Residential	5	5

[illegible]

Commercial - investor owned
Commercial - investor owned
Commercial - investor owned
Commercial - owner occupied
Commercial - owner occupied
Commercial - owner occupied
Construction and land development
Residential
Other
Total
Total
Total

For the three months ended March 31, 2023, all loans were current under the modified terms.

(\$ in thousands)	June 30, 2023		
	Current	90 or More Days Past Due	Total
Commercial and industrial	\$ 27,029	\$ 661	\$ 27,690
Real estate:			
Commercial - owner occupied	95	—	95
Construction and land development	1,138	—	1,138
Residential	74	—	74
Total	<u>\$ 28,336</u>	<u>\$ 661</u>	<u>\$ 28,997</u>

The following table summarizes loans that experienced a default during the three six months ended March 31, 2024 June 30, 2024, subsequent to being granted a modification in the preceding twelve months. All of these loans have been were charged off during the current preceding period. There were no loans that experienced a default during the three months ended June 30, 2024, subsequent to being granted a modification in the preceding twelve months.

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

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

(\$ in thousands)	Term Extension	
	Three months ended	
	March 31, 2024	Percent of Total Loan Class
Commercial and industrial	\$ 1,000	0.02 %
Real estate:		
Construction and land development	1,748	0.21 %
Other	4	NM

Total	\$ 2,752
-------	----------

During the three months ended March 31, 2023, no loans experienced a default subsequent to being granted a modification in the prior twelve months.

As of March 31, 2024 June 30, 2024, the Company allocated an immaterial amount in specific reserves to loans that have been restructured.

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

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

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

	March 31, 2024							June 30, 2024										
	Term Loans by Origination Year																	
(\$ in thousands)																		
(\$ in thousands)																		
(\$ in thousands)	2024	2023	2022	2021	2020	Prior	Revolving Loans Converted to Term Loans	Revolving Loans	Total	2024	2023	2022	2021	2020	Prior	Revolving Loans Converted to Term Loans	Revolving Loans	Total
Commercial and industrial																		
Pass (1-6)																		
Pass (1-6)																		
Pass (1-6)																		
Special Mention (7)																		
Classified (8-9)																		
Total Commercial and industrial																		
Commercial real estate-investor owned																		
Commercial real estate-investor owned																		
Commercial real estate-investor owned																		
Pass (1-6)																		
Pass (1-6)																		
Pass (1-6)																		
Special Mention (7)																		

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

December 31, 2023

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

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

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

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

March 31, 2024					June 30, 2024				
(\$ in thousands)	(\$ in thousands)	Performing	Non Performing	Total	(\$ in thousands)	Performing	Non Performing	Total	
Commercial and industrial									
Real estate:									
Commercial - investor owned									
Commercial - investor owned									
Commercial - investor owned									
Commercial - owner occupied									
Residential									
Residential									
Residential									
Other									
Total									

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

NOTE 5 - COMMITMENTS AND CONTINGENT LIABILITIES

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

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

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

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

(\$ in thousands)	(\$ in thousands)	March 31, 2024	December 31, 2023	(\$ in thousands)	June 30, 2024	December 31, 2023
Commitments to extend credit						
Letters of credit						

Off-Balance Sheet Credit Risk

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments usually have fixed expiration dates or other termination clauses, may have significant usage restrictions, and may require payment of a fee. Of the total commitments to extend credit at March 31, 2024 June 30, 2024 and December 31, 2023, \$184.5 million \$182.8 million and \$191.6 million, respectively, represent fixed rate loan commitments. Since certain of the commitments may expire without being drawn upon or may be revoked, the total commitment amounts do not necessarily represent future cash obligations. The Company evaluates each customer's credit worthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Company upon extension of credit, is based on management's credit evaluation of the borrower. Collateral held varies, but may include accounts receivable, inventory, premises and equipment, and real estate. Other liabilities includes \$6.1 million \$5.9 million and \$6.6 million for estimated losses attributable to the unadvanced commitments at March 31, 2024 June 30, 2024 and December 31, 2023, respectively.

Letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. These letters of credit are issued to support contractual obligations of the Company's customers. The credit risk involved in issuing letters of credit is essentially the same as the risk involved in extending loans to customers. As of **March 31, 2024** **June 30, 2024**, the approximate remaining terms of standby letters of credit range from 1 month to 9 years.

Contingencies

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

NOTE 6 - DERIVATIVE FINANCIAL INSTRUMENTS

Risk Management Objective of Using Derivatives

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

Cash Flow Hedges of Interest Rate Risk

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

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

(\$ in thousands)

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

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

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

Select terms of the hedges are as follows:

(\$ in thousands)

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

The gain or loss on derivatives designated and qualified as cash flow hedges of interest rate risk are recorded in accumulated other comprehensive income and subsequently reclassified into interest income or expense in the same period(s) during which the hedged transaction affects earnings. Amounts reported in accumulated other comprehensive income related to derivatives will be reclassified to interest income or expense as interest payments are paid on the Company's variable-rate loans and debt. During the next twelve months, the Company estimates **an additional \$0.8 million** **\$0.8 million** will be reclassified as a decrease to interest expense and **\$2.1 million** **\$2.3 million** will be reclassified as a decrease to interest income.

Non-designated Hedges

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

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

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

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

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

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

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

As of March 31, 2024							As of June 30, 2024					
							Gross Amounts Not Offset in the Statement of Financial Position					
(\$ in thousands)												
(\$ in thousands)												
	Gross Amounts Recognized	Gross Amounts Offset in the Statement of Financial Position	Net Amounts of Assets presented in the Statement of Financial Position	Financial Instruments	Fair Value Collateral Posted	Net Amount	Gross Amounts Recognized	Gross Amounts Offset in the Statement of Financial Position	Net Amounts of Assets presented in the Statement of Financial Position	Financial Instruments	Fair Value Collateral Posted	Net Amount
Assets:												
Interest rate swaps												
Interest rate swaps												
Interest rate swaps												
Liabilities:												

Liabilities:

Interest rate
collar

[illegible]

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REFINITIV 

(\$ in thousands)

(\$ in thousands)

	Gross Amounts Recognized	Gross Amounts Offset in the Statement of Financial Position	Net Amounts of Assets presented in the Statement of Financial Position	Financial Instruments	Fair Value Collateral Posted	Net Amount	Gross Amounts Recognized	Gross Amounts Offset in the Statement of Financial Position	Net Amounts of Assets presented in the Statement of Financial Position	Financial Instruments	Fair Value Collateral Posted	Net Amount
Assets:												
Interest rate swaps												
Interest rate swaps												
Interest rate swaps												
Interest rate collar												
Liabilities:												
Liabilities:												
Liabilities:												
Interest rate swaps												
Interest rate swaps												
Interest rate swaps												
Securities sold under agreements to repurchase												
Securities sold under agreements to repurchase												
Securities sold under agreements to repurchase												

As of **March 31, 2024** **June 30, 2024**, the fair value of derivatives in a net liability position, which includes accrued interest, was **\$18.0 million** **\$17.4 million**. The Company has minimum collateral posting thresholds with certain of its derivative counterparties and posts collateral related to derivatives in a net liability position. The Company has received cash collateral from derivative counterparties on contracts in a net asset position as noted in the tables above.

NOTE 7 - FAIR VALUE MEASUREMENTS

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

	March 31, 2024					June 30, 2024				
	Quoted Prices in Active Markets for Identical Assets (\$ in thousands)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value		Quoted Prices in Active Markets for Identical Assets (\$ in thousands)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value	
Assets										
Securities available for sale										
Securities available for sale										
Securities available for sale										
Obligations of U.S. Government-sponsored enterprises										

Obligations of U.S. Government-sponsored enterprises
Obligations of U.S. Government-sponsored enterprises
Obligations of states and political subdivisions
Agency mortgage-backed securities
Corporate debt securities
U.S. Treasury bills
Total securities available for sale
Other investments
Other investments
Other investments
Derivatives
Derivatives
Derivatives
Total assets
Liabilities
Liabilities
Liabilities
Derivatives
Derivatives
Derivatives
Total liabilities

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

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

March 31, 2024
June 30, 2024
March 31, 2024
June 30, 2024
March 31, 2024

June 30, 2024

(\$ in thousands)

(\$ in thousands)

(\$ in thousands)

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

December 31, 2023

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

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

(\$ in thousands)	(\$ in thousands)	March 31, 2024			Level	December 31, 2023			Level
		Carrying Amount	Estimated fair value			Carrying Amount	Estimated fair value		
Balance sheet assets									
Balance sheet assets									
Balance sheet assets									
Securities held-to-maturity, net									
Securities held-to-maturity, net									
Securities held-to-maturity, net		\$ 758,017	\$ 694,774	Level 2	Level 2	\$ 750,434	\$ 696,647	Level 2	Level 2
Other investments	Other investments	71,149	71,149	Level 2	Level 2	63,255	63,255	Level 2	Level 2
Other investments									
Other investments									
Loans held-for-sale									
Loans held-for-sale									
Loans held-for-sale	Loans held-for-sale	610	610	Level 2	Level 2	359	359	Level 2	Level 2
Loans, net									
Loans, net									
Loans, net		10,892,994	\$10,603,064	Level 3	Level 3	10,749,347	10,392,551	Level 3	Level 3
State tax credits, held-for-sale									
State tax credits, held-for-sale									

State tax credits, held-for-sale	State tax credits, held-for-sale	20,547	22,102	22,102	Level 3	Level 3	22,115	23,897	23,897	Level 3	L
Servicing asset	Servicing asset										
Servicing asset		3,031	4,157	4,157	Level 2	Level 2	2,861	3,799	3,799	Level 2	L
Balance sheet liabilities											
Balance sheet liabilities											
Balance sheet liabilities											
Certificates of deposit											
Certificates of deposit											
Certificates of deposit		\$1,485,383	\$	\$ 1,479,274	Level 3	Level 3	\$ 1,272,914	\$	\$ 1,265,905	Level 3	L
Subordinated debentures and notes	Subordinated debentures and notes	156,124	154,738	154,738	Level 2	Level 2	155,984	154,354	154,354	Level 2	L
Subordinated debentures and notes											
Subordinated debentures and notes											
FHLB advances											
FHLB advances											
FHLB advances	FHLB advances	125,000	125,000	125,000	Level 2	Level 2	—	—	—	Level 2	L
Other borrowings	Other borrowings	195,246	175,915	175,915	Level 2	Level 2	297,829	274,658	274,658	Level 2	L
Other borrowings											
Other borrowings											

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

NOTE 8 - SHAREHOLDERS' EQUITY

Shareholders' Equity

Accumulated Other Comprehensive Income (Loss)

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

Three months ended

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

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

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

		Three months ended March 31,			Three months ended June 30,										
		2024		2023											
		Pre-tax	Tax effect	After-tax	Pre-tax	Tax effect	After-tax								
(\$ in thousands)															
Change in unrealized loss on available-for-sale securities															
Reclassification of gain on held-to-maturity securities ^(a)															
Reclassification of gain on held-to-maturity securities ^(a)															
Reclassification of gain on held-to-maturity securities ^(a)															
Change in unrealized loss on cash flow hedges															
Reclassification of loss on cash flow hedges ^(b)															
Total other comprehensive loss															
		Six months ended June 30,													
		Six months ended June 30,													
		Six months ended June 30,													
		2024			2024			2023		2024			2023		
(\$ in thousands)		(\$ in thousands)	Pre-tax	Tax effect	After-tax	Pre-tax	Tax effect	After-tax	(\$ in thousands)	Pre-tax	Tax effect	After-tax	Pre-tax	Tax effect	After-tax
Change in unrealized gain (loss) on available-for-sale securities															
Reclassification of gain on sale of available-for-sale securities ^(a)															
Reclassification of gain on held-to-maturity securities ^(a)															
Change in unrealized gain (loss) on cash flow hedges															
Change in unrealized loss on cash flow hedges															
Reclassification of loss on cash flow hedges ^(b)															
Total other comprehensive income (loss)															
Total other comprehensive gain (loss)															

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

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

Forward Looking Statements

This Quarterly Report on Form 10-Q contains information and statements that are considered “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Such forward-looking statements are based on management’s current expectations and beliefs concerning future developments and their potential effects on the Company, and include, without limitation, statements about the Company’s plans, strategies, goals, objectives, expectations, or consequences of statements about the future performance, operations, products and services of the Company and its subsidiaries, as well as statements about the Company’s expectations regarding revenue and asset growth, financial performance and profitability, loan and deposit growth, yields and returns, loan diversification and credit management, products and services, shareholder value

creation and the impact of acquisitions. Forward-looking statements are typically identified with the use of terms such as “may,” “might,” “will,” “would,” “should,” “expect,” “plan,” “anticipate,” “believe,” “estimate,” “predict,” “potential,” “could,” “continue,” “intend,” and the negative and other variations of these terms and similar words and expressions, although some forward-looking statements may be expressed differently. Forward-looking statements are inherently subject to risks and uncertainties and our ability to predict results or the actual effect of future plans or strategies is inherently uncertain. You should be aware that our actual results could differ materially from those contained in the forward-looking statements.

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

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

Introduction

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

Critical Accounting Policies and Estimates

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

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

The Company has prepared all of the consolidated financial information in this report in accordance with GAAP. The Company makes estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period. Such estimates include the valuation of loans, goodwill, intangible assets, and other long-lived assets, along with assumptions used in the calculation of income taxes, among others. These estimates and assumptions are based on management’s best estimates and judgment. Management evaluates its estimates and assumptions on an ongoing basis using loss experience and other factors, including the current economic environment, which management believes to be reasonable under the circumstances. We adjust such estimates and assumptions when facts and circumstances dictate. As future events and their effects cannot be determined with precision, actual results could differ significantly from these estimates. Changes

in estimates resulting from continuing changes in the economic environment will be reflected in the financial statement in future periods. There can be no assurances that actual results will not differ from those estimates.

Allowance for Credit Losses on Loans

The Company maintains separate allowances for funded loans, unfunded loans, and held-to-maturity securities, collectively referred to as the ACL. The ACL is a valuation account to adjust the cost basis to the amount expected to be collected, based on management's experience, current conditions, and reasonable and supportable forecasts. For purposes of determining the allowance for funded and unfunded loans, the portfolios are segregated into pools that share similar risk characteristics and are then further segregated by credit grades. Loans that do not share similar risk characteristics are evaluated on an individual basis and are not included in the collective evaluation. The Company estimates the amount of the allowance based on loan loss experience, adjusted for current and forecasted economic conditions, including unemployment, changes in GDP, and commercial and residential real estate prices. The Company's forecast of economic conditions uses internal and external information and considers a weighted average of a baseline, upside, and downside scenarios. Because economic conditions can change and are difficult to predict, the anticipated amount of estimated loan defaults and losses, and therefore the adequacy of the allowance, could change significantly and have a direct impact on the Company's credit costs. The Company's allowance for credit losses on loans was \$135.5 million\$139.5 million at March 31, 2024June 30, 2024 based on the weighting of the different economic scenarios. As a hypothetical example, if the Company had only used the upside scenario, the allowance would have decreased \$27.7 million.\$27.8 million. Conversely, the allowance would have increased \$44.8 million\$47.3 million using only the downside scenario.

Executive Summary

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

	Three months ended				Six months ended			
	June 30, 2024	March 31, 2024		June 30, 2023		June 30, 2024		June 30, 2023
(\$ in thousands, except per share data)	(\$ in thousands, except per share data)							
(\$ in thousands, except per share data)								
March 31, 2024								
March 31, 2024								
EARNINGS								
EARNINGS								
EARNINGS								
Total interest income								
Total interest income								
Total interest income								
Total interest expense								
Total interest expense								
Total interest expense								
Net interest income								
Net interest income								
Net interest income								
Provision for credit losses								
Provision for credit losses								
Provision for credit losses								
Net interest income after provision for credit losses								
Net interest income after provision for credit losses								
Net interest income after provision for credit losses								
Total noninterest income								
Total noninterest income								
Total noninterest income								
Total noninterest expense								
Total noninterest expense								

Total noninterest expense										
Income before income tax expense										
Income before income tax expense										
Income before income tax expense										
Income tax expense										
Income tax expense										
Income tax expense										
Net income										
Net income										
Net income										
Preferred dividends										
Preferred dividends										
Preferred dividends										
Net income available to common shareholders										
Net income available to common shareholders										
Net income available to common shareholders										
Basic earnings per share										
Basic earnings per share										
Basic earnings per share										
Diluted earnings per share										
Diluted earnings per share										
Diluted earnings per share										
Return on average assets										
Return on average assets										
Return on average assets										
Return on average assets										
Return on average assets										
Adjusted return on average assets ₁										
Adjusted return on average assets ₁										
Adjusted return on average assets ₁										
Adjusted return on average assets ₁										
Return on average common equity										
Return on average common equity										
Return on average common equity										
Return on average common equity										
Return on average common equity										
Adjusted return on average common equity ₁										
Adjusted return on average common equity ₁										
Adjusted return on average common equity ₁										
Adjusted return on average common equity ₁										
Return on average tangible common equity ₁										
Return on average tangible common equity ₁										
Return on average tangible common equity ₁										
Return on average tangible common equity ₁										
Return on average tangible common equity ₁										
Adjusted return on average tangible common equity ₁										
Adjusted return on average tangible common equity ₁										
Adjusted return on average tangible common equity ₁										
Adjusted return on average tangible common equity ₁										
Net interest margin (tax equivalent)										
Net interest margin (tax equivalent)										
Net interest margin (tax equivalent)										
Net interest margin (tax equivalent)										
Net interest margin (tax equivalent)										
Efficiency ratio										
Efficiency ratio										
Efficiency ratio										
Efficiency ratio										
Core efficiency ratio ₁										
Core efficiency ratio ₁										
Core efficiency ratio ₁										
Core efficiency ratio ₁										
Core efficiency ratio ₁										
Book value per common share										
Book value per common share										

Financial results and other notable items include:

- PPNR¹ of \$57.4 million \$63.3 million for the first second quarter 2024 and \$120.6 million for the six months ended June 30, 2024 increased \$5.9 million and decreased \$18.4 million \$23.3 million from the linked quarter PPNR of \$75.8 million and decreased \$17.6 million from the prior year quarter PPNR of \$75.0 million, year-to-date period, respectively. The decrease increase from the linked quarter was primarily due to a decrease in higher noninterest income, primarily tax credit income, and higher net interest income due to one less day in the current quarter, that benefited from higher interest expense, a decrease in tax credit income that is typically highest in the fourth quarter of each year, average loan balances and expanding yields on earning assets. These increases were partially offset by an increase in compensation and benefits from annual payroll taxes and vacation along with merit increases, deposit interest expense. The decrease compared to the prior year quarter year-to-date period was primarily due to the higher interest rate environment that increased deposit interest expense and the cost of variable deposit services charges, which are influenced by current market rates.
- Net interest income of \$137.7 million \$140.5 million for the first second quarter 2024 decreased \$3.0 million and \$278.3 million for the six months ended June 30, 2024 increased \$2.8 million and decreased \$1.8 million \$2.0 million from the linked and prior year-to-date period, respectively. The NIM was 4.19% for the second quarter 2024 and 4.16% for the six months ended June 30, 2024, compared to 4.13% and 4.60% for the linked and prior year-to-date period, respectively. Compared to the linked quarter, net interest income declined increased due to one less day in the current quarter and higher deposit interest expense, partially offset by higher average loan and investment balances, interest-earning asset balances, along with an increase in the earning-asset yield that expanded more than the cost of interest-bearing liabilities. The decrease from the prior year quarter year-to-date period reflects higher interest expense on the deposit portfolio, as lagged deposit rates have increased, partially offset by the benefit of higher market interest rates on interest earning interest-earning assets and organic growth. The NIM was 4.13% for the first quarter 2024, compared to 4.23% and 4.71% for the linked and prior year-to-date period, respectively.
- Noninterest income of \$12.2 million \$15.5 million for the first second quarter 2024 and \$27.7 million for the six months ended June 30, 2024 increased \$3.3 million and decreased \$13.3 million \$3.5 million from the linked quarter and prior year-to-date period, respectively. The increase from the linked quarter was primarily due to an increase in tax credit income on higher activity that was partially offset by an increase in market interest rates that decreased \$4.7 million from the fair value of certain tax credits. Compared to the prior year-to-date period. The decline from period, the linked and prior year quarters decrease was primarily due to a decrease in tax credit income of \$11.9 million and \$4.0 million, respectively, on lower activity and an \$2.5 million. Market interest rates in 2024 have increased more than the same period in 2023. The increase in market interest rates that reduced has had more of an impact on the fair value of certain tax credits, credits in the current year.
- Noninterest expense of \$93.5 million \$94.0 million for the first second quarter 2024 and \$187.5 million for the six months ended June 30, 2024 increased \$0.9 million \$0.5 million and increased \$12.5 million \$20.6 million from the linked quarter and prior year-to-date period, respectively. The increase from the linked quarter was primarily driven by employee compensation higher variable deposit costs (\$5.6 1.4 million) and expenses related to the core system conversion (\$0.9 million), partially offset by a decrease in employee compensation (\$0.7 million) and the FDIC special assessment (\$1.8 million) and variable deposit servicing costs (\$1.3 0.6 million). The increase from the prior year quarter year-to-date period was primarily due to variable deposit servicing costs (\$7.6 12.3 million) and employee compensation (\$2.8 5.6 million).

Balance sheet highlights:

- **Loans** – Total loans increased \$144.4 million, \$115.9 million, or 1% 1.06%, to \$11.0 billion \$11.0 billion at March 31, 2024 June 30, 2024, compared to \$10.9 billion \$10.9 billion at December 31, 2023. Average loans totaled \$10.9 billion \$10.9 billion for the three six months ended March 31, 2024 June 30, 2024 compared to \$10.7 billion \$10.0 billion for the three six months ended December 31, 2023 June 30, 2023.
- **Deposits** – Total deposits increased \$77.3 million, \$106.0 million, to \$12.3 billion \$12.3 billion at March 31, 2024 June 30, 2024 from \$12.2 billion \$12.2 billion at December 31, 2023. Total estimated insured deposits¹, which includes collateralized deposits, reciprocal deposits and accounts that qualify for pass through insurance, totaled \$8.7 billion at March 31, 2024 June 30, 2024, compared to \$8.3 billion \$8.3 billion at December 31, 2023. Average deposits totaled \$12.2 billion \$12.3 billion for both the quarter six months ended March 31, 2024 and June 30, 2024 compared to \$11.2 billion for the linked quarter. Noninterest prior year-to-date period. Noninterest-bearing deposit accounts represented 31.1% 32.0% of total deposits and the loan to deposit ratio was 90.0% 89.6% at March 31, 2024 June 30, 2024, compared to 33% 32.5% and 89.39% 89.4%, respectively, at December 31, 2023.
- **Asset quality** – The allowance for credit losses on loans to total loans was 1.23% 1.27% at March 31, 2024 June 30, 2024, compared to 1.24% at December 31, 2023. The ratio of nonperforming assets to total assets was 0.30% 0.33% at March 31, 2024 June 30, 2024 compared to 0.34% at December 31, 2023. A provision for credit losses of \$5.8 \$4.8 million and \$10.6 million was recorded in the first second quarter of 2024 compared and the six months ended June 30, 2024, respectively. This compares to \$18.1 \$5.8 million in the linked quarter and \$4.2 \$10.5 million in the prior year quarter.

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

- **Shareholders' equity** – Total shareholders' equity was \$1.73 billion \$1.76 billion at March 31, 2024 June 30, 2024, compared to \$1.72 billion at December 31, 2023, and the tangible common equity to tangible assets ratio² was 9.01% 9.18% at March 31, 2024 June 30, 2024 compared to 8.96% at December 31,

2023. The Company and the Bank’s regulatory capital ratios exceeded the “well-capitalized” level levels at March 31, 2024 June 30, 2024.

The Company's board of directors approved a quarterly dividend of \$0.26\$0.27 per common share, payable on June 28, 2024September 30, 2024 to shareholders of record as of June 14, 2024September 16, 2024. The board of directors also declared a cash dividend of \$12.50 per share of Series A Preferred Stock (or \$0.3125 per depositary share) representing a 5% per annum rate for the period commencing (and including) March 15, 2024June 15, 2024 to (but excluding) June 15, 2024September 15, 2024. The dividend will be payable on June 15, 2024September 15, 2024 and will be paid on June 17, 2024September 16, 2024 to holders of record of Series A Preferred Stock as of June 3, 2024August 30, 2024.

1 PPNR and total estimated insured deposits are non-GAAP measures. Refer to discussion and reconciliation of these measures in the accompanying financial tables.
2 Tangible common equity to tangible assets ratio is a non-GAAP measure. Refer to discussion and reconciliation of these measures this measure in the accompanying financial tables.

RESULTS OF OPERATIONS
Net Interest Income and Net Interest Margin
Average Balance Sheet

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

	Three months ended March 31,				Three months ended December 31,				Three months ended March 31,			Three months ended June 30,				
	2024				2023				2023			2024				
				Average							Average					Average
(\$ in thousands)	Average Balance	Interest Income/Expense	Yield/ Rate		Average Balance	Interest Income/Expense		Average Yield/ Rate	Average Balance			Interest Income/Expense		Yield/ Rate	(\$ in thousands)	
Assets																
Interest-earning assets:																
Interest-earning assets:																
Interest-earning assets:																
Loans ^{1, 2}																
Loans ^{1, 2}																
Loans ^{1, 2}	\$ 10,927,932	\$ \$ 186,703	6.87	6.87 %	\$ 10,685,961	\$ \$ 184,982	6.87	6.87 %	\$ 9,795,045	\$ \$ 152,762	6.33	6.33 %				
Taxable securities																
Non-taxable securities ²																
Total securities																
Interest-earning deposits																
Total interest-earning assets																
Noninterest-earning assets																
Total assets																
Total assets																
Total assets																
Liabilities and Shareholders' Equity																
Liabilities and Shareholders' Equity																
Liabilities and Shareholders' Equity																
Interest-bearing liabilities:																
Interest-bearing liabilities:																
Interest-bearing liabilities:																
Interest-bearing demand accounts																

[illegible]

Net interest spread					
Net interest spread			2.98 %		3.11 %
Net interest margin	Net interest margin		4.13 %		4.23 %

¹ Average balances include nonaccrual loans. Interest income includes loan fees of \$2.4 million, \$3.1 million, and \$3.7 million for the three months ended March 31, 2024, December 31, 2023, and March 31, 2023, respectively.

¹ Average balances include nonaccrual loans. Interest income includes loan fees of \$2.4 million, \$3.1 million, and \$3.7 million for the three months ended March 31, 2024, December 31, 2023, and March 31, 2023, respectively.

¹ Average balances include nonaccrual loans. Interest income includes loan fees of \$2.4 million, \$3.1 million, and \$3.7 million for the three months ended March 31, 2024, December 31, 2023, and March 31, 2023, respectively.

² Non-taxable income is presented on a fully tax-equivalent basis using a tax rate of approximately 25%. The tax-equivalent adjustments were \$2.0 million, \$1.9 million, and \$2.0 million for the three months ended March 31, 2024, December 31, 2023, and March 31, 2023, respectively.

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

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

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

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

(\$ in thousands)	Six months ended					
	June 30, 2024			June 30, 2023		
	Average Balance	Interest Income/Expense	Average Yield/ Rate	Average Balance	Interest Income/Expense	Average Yield/ Rate
Assets						
Interest-earning assets:						
Loans ^{1, 2}	\$ 10,945,211	\$ 376,049	6.91 %	\$ 10,041,312	\$ 323,076	6.49 %
Taxable securities	1,420,471	24,071	3.41	1,325,951	19,619	2.98
Non-taxable securities ²	978,074	15,376	3.16	967,298	15,048	3.14
Total securities	2,398,545	39,447	3.31	2,293,249	34,667	3.05
Interest-earning deposits	296,759	7,958	5.39	140,206	3,290	4.73
Total interest-earning assets	13,640,515	423,454	6.24	12,474,767	361,033	5.84
Noninterest-earning assets	960,735			928,317		
Total assets	\$ 14,601,250			\$ 13,403,084		
Liabilities and Shareholders' Equity						
Interest-bearing liabilities:						
Interest-bearing demand accounts	\$ 2,937,551	\$ 37,413	2.56 %	\$ 2,356,708	\$ 16,027	1.37 %
Money market accounts	3,418,257	63,283	3.72	2,873,715	35,970	2.52
Savings accounts	580,115	637	0.22	709,490	457	0.13
Certificates of deposit	1,377,126	29,514	4.31	946,527	13,579	2.89
Total interest-bearing deposits	8,313,049	130,847	3.17	6,886,440	66,033	1.93
Subordinated debentures and notes	156,117	5,168	6.66	155,565	4,840	6.27
FHLB advances	57,049	1,590	5.60	104,887	2,611	5.02
Securities sold under agreements to repurchase	181,933	3,205	3.54	188,958	1,453	1.55
Other borrowings	39,470	300	1.53	94,048	1,772	3.80
Total interest-bearing liabilities	8,747,618	141,110	3.24	7,429,898	76,709	2.08
Noninterest-bearing liabilities:						
Demand deposits	3,949,429			4,265,521		
Other liabilities	160,734			112,625		

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

³ Nontaxable income is presented on a tax equivalent basis.

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

Net interest income on a tax equivalent basis of \$142.6 million for the first quarter 2024 was \$139.8 million ended June 30, 2024 and \$282.3 million a decrease of \$2.9 million for the six months ended June 30, 2024, increased \$2.8 million and a decrease of \$1.8 million compared to the linked quarter and prior year quarter, year-to-date period, respectively. The decrease from the linked quarter was primarily due to an expansion of the impact of competitive pricing, continued remixing into higher cost deposit categories loan portfolio and securities yields, and to a lesser extent, an increase in wholesale borrowings. average earning assets. This increase was partially offset by an increase in cost and average interest-bearing deposit balances. The decrease from the prior year quarter year-to-date period reflects higher interest expense on the deposit portfolio, as lagged deposit rates have increased, partially offset by increased. The effective federal funds rate for both the benefit of higher market interest rates on interest earning assets linked and organic growth. current quarter was 5.33%. The effective federal funds rate for the first three six months of 2024 was 5.33%, an increase of 81 57 basis points compared to the first three months of 2023. prior year-to-date period.

Total Compared to the linked quarter, tax equivalent interest income increased \$0.8 \$3.9 million from the linked quarter primarily due to an a \$34.6 million increase of \$242.0 million in average loans, loan balances, as well as an increase of \$123.7 million in investments, and a 78 basis point increase in the average investment yield. These increases were partially offset by a decrease in interest on cash accounts due to a decline in average balances. The average interest rate of new loan originations in the first second quarter 2024 was 7.84%.

8.07%, an increase of 23 basis points from the linked quarter. Interest expense on cash accounts increased \$3.6 \$0.8 million from the linked quarter due to a \$57.4 million increase in average balances, and interest on securities increased \$0.5 million due to an 8 basis point increase in yield.

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

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

Compared to the linked quarter, interest expense increased \$1.1 million primarily due to a \$2.1 million increase in deposit interest expense and a \$1.5 million an increase in interest expense on borrowings. The increase in certificates of deposit interest expense reflects a shift that includes brokered amounts. Average certificates of deposit increased \$70.3 million and the cost increased 10 basis points in the deposit mix from demand deposits to interest-bearing deposits, particularly money market accounts and interest-bearing demand accounts, as well as higher rates paid on deposits. second quarter 2024. The average cost of interest-bearing deposits was 3.14% 3.19%, an increase of 11 5 basis points compared to the linked quarter. The total cost of deposits, including noninterest-bearing demand accounts, was 2.13% 2.16% during the first second quarter 2024, compared to 2.03% 2.13% in the linked quarter. The increase in interest While the total cost of deposits increased over the linked quarter, the monthly cost of total deposits has been stable since March 2024.

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

NIM, on a tax equivalent basis, was 4.13% 4.19% in the first second quarter 2024 and 4.16% for the first six months of 2024, an increase of 6 basis points and a decrease of 10 basis points and 58 44 basis points from the linked and prior year quarters, year-to-date period, respectively.

Noninterest Income

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

(\$ in thousands)	Linked quarter comparison				Linked quarter comparison				Prior year c	
	Quarter ended				Quarter ended				Quarter	
	(\$ in thousands)	March 31, 2024	December 31, 2023	Increase (decrease)	(\$ in thousands)	March 31, 2023	Increase (decrease)	(\$ in thousands)	June 30, 2024	
Service charges on deposit accounts		\$ 4,423	\$ 4,334	\$ 89		\$ 4,128	\$ 295		7	7 %
Wealth management revenue		2,544	2,428	116		2,516	28		1	

Card services revenue	Card services revenue	2,412	2,666	2,666	(254)	(254)	(10)	(10)%	2,338	74	74	3
Tax credit income (loss)	Tax credit income (loss)	(2,190)	9,688	9,688	(11,878)	(11,878)	(123)	(123)%	1,813	(4,003)	(4,003)	(221)
Other income	Other income											
Other income	Other income	4,969	6,336	6,336	(1,367)	(1,367)	(22)	(22)%	6,103	(1,134)	(1,134)	(19)
Total noninterest income	Total noninterest income											
Total noninterest income	Total noninterest income	\$12,158	\$25,452	\$13,294	(52)	(52)	%	\$16,898	\$ (4,740)	(28)	(28)%	\$

Total noninterest income for the first second quarter 2024 was \$12.2 million \$15.5 million, a decrease an increase of \$13.3 million \$3.3 million from the linked quarter and a decrease of \$4.7 million from the prior year quarter. The decrease from the linked and prior year quarters was primarily due to a decrease an increase in tax credit income. Tax credit income is typically highest in the fourth quarter of each year and will vary in other periods based on transaction volumes and fair value changes on credits carried at fair value. The decrease in other income from the linked and prior year quarters quarter was primarily driven by gains on the sale of SBA loans that were recognized in the linked quarter.

Total noninterest income for the six months ended June 30, 2024 was \$27.7 million, a decrease from the prior year-to-date period of \$3.5 million which was primarily due to decreases in tax credit income and other income. The increase in market interest rates used as a discount rate in the fair value of certain tax credits was higher in the six months ended June 30, 2024, compared to the prior year-to-date period. This resulted in a larger reduction in fair value during 2024 compared to the prior year. The decrease in other income for the six months ended June 30, 2024, compared to the prior year-to-date period, is primarily due to a lower level of income on community development and private equity distributions, and servicing fees. Community development and private equity distributions investments which are not a consistent sources source of income and fluctuate based on distributions from the underlying funds. Servicing fee income fluctuates based on prepayment experience and changes to the discount rate used in the valuation of the servicing rights. These decreases were partially offset by a \$1.4 million gain on the sale of SBA loans in the first quarter 2024.

Noninterest Expense

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

(\$ in thousands)	Linked quarter comparison				Linked quarter comparison				Prior year comp			
	Quarter ended				Quarter ended				Quarter end			
	(\$ in thousands)	March 31, 2024	December 31, 2023	Increase (decrease)	(\$ in thousands)	March 31, 2023	Increase (decrease)	(\$ in thousands)	June 30, 2024	Increase (decrease)	(\$ in thousands)	June 30, 2023
Employee compensation and benefits	Employee compensation and benefits	\$45,262	\$39,651	\$5,611	14	\$42,503	\$2,759	6	Employee compen	6	and ben	
Deposit costs	Deposit costs	20,277	21,606	(1,329)	(6)	12,720	7,557	59				
Occupancy	Occupancy	4,326	4,313	13	—	4,061	265	7				
Data processing	Data processing	4,339	3,995	344	9	3,710	629	17				
Professional fees	Professional fees	1,435	1,115	320	29	1,631	(196)	(12)				
Other expense	Other expense	17,862	21,923	(4,061)	(19)	16,358	1,504	9				
Total noninterest expense	Total noninterest expense	\$93,501	\$92,603	\$898	1	\$80,983	\$12,518	15	Total noninte	15	expens	
Efficiency ratio	Efficiency ratio											

Efficiency ratio
Efficiency ratio
Efficiency ratio
Efficiency ratio
Efficiency ratio
Efficiency ratio
Efficiency ratio
Efficiency ratio
Efficiency ratio
Efficiency ratio
Efficiency ratio
Efficiency ratio
Efficiency ratio
Efficiency ratio
Efficiency ratio
Efficiency ratio
Efficiency ratio
Efficiency ratio
Efficiency ratio
Efficiency ratio
Efficiency ratio

Core efficiency ratios³

Core efficiency ratios³

Core efficiency ratios³

Noninterest expense was **\$93.5 million** **\$94.0 million** for the **first** **second** quarter 2024, an increase of **\$0.9 million** **\$0.5 million** from **\$92.6 million** **\$93.5 million** in the linked quarter and an increase of \$12.5 million from \$81.0 million in the prior year quarter. Employee compensation and benefits **increased \$5.6 million** **decreased \$0.7 million** from the linked quarter primarily due to **the annual reset of employer payroll taxes and vacation, along with annual merit increases that became effective March 1, 2024.** The FDIC special assessment of **\$0.6 million** and **\$2.4 million** **are seasonally higher** in the **current** **first quarter each year** and **linked quarters**, respectively, is an assessment from the FDIC to recover estimated losses **a decline in the Deposit Insurance Fund** related to bank failures in 2023. The assessment **may change in future periods as the FDIC updates its loss estimates.** **self-insured medical claims.** Deposit costs relate to certain specialized deposit businesses that receive an earnings credit allowance for deposit related expenses that are impacted by interest rates and average balances. Deposit costs **decreased \$1.3** **increased \$1.4** million from the linked quarter primarily due to the expiration of **certain unused** allowances that **were not used.** **reduced expense in the first quarter** and growth in deposits. Expenses related to the core system conversion increased \$0.9 million from the linked quarter due to the continued progress on the project and are included in the data processing line item.

The increase in Total noninterest expense of **\$12.5** **\$187.5 million** for the first six months of 2024 increased \$20.6 million from the prior **year quarter was** **year-to-date period,** primarily due to an increase in the associate base, merit increases throughout 2023 and 2024, and **an a \$12.3 million** increase in variable deposit costs due to higher earnings credit rates and average balances.

Income Taxes

The Company's effective tax rate was **20.2%** **20.5%** for the **first** **second** quarter 2024 **compared and** 20.4% for the six months ended June 30, 2024. This compares to **19.8% and 21.8%** for the linked quarter and prior year-to-date **period, respectively.** **The increase in the effective tax rate from the linked quarter was driven by a state apportionment adjustment that lowered the effective tax rate in that period, while the of 20.2% and 21.7%, respectively.** **The decrease from the prior year quarter** **year-to-date effective tax rate** was driven by tax credit opportunities the Company has deployed as part of its tax planning strategy.

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

Summary Balance Sheet

(\$ in thousands)

(\$ in thousands)

(\$ in thousands)

Total cash and cash equivalents

Total cash and cash equivalents
Total cash and cash equivalents
Securities, net
Securities, net
Securities, net
Total loans
Total loans
Total loans
Total assets
Total assets
Total assets
Deposits
Deposits
Deposits
Total liabilities
Total liabilities
Total liabilities
Total shareholders' equity
Total shareholders' equity
Total shareholders' equity

Total assets were \$14.6 billion at **March 31, 2024** **June 30, 2024**, an increase of \$94.7 million from December 31, 2023. Cash and cash equivalents decreased primarily due to funding loan growth in the first quarter. Total liabilities of \$12.9 billion, increased \$79.1 million **\$97.1 million** from December 31, 2023 primarily due to a **\$77.3 million** **\$115.9 million** increase in loans. Total liabilities of \$12.9 billion increased \$57.9 million from December 31, 2023 primarily due to a \$106.0 million increase in deposits.

Investment Securities

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

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

	March 31, 2024
	March 31, 2024
	March 31, 2024
	June 30, 2024
	June 30, 2024
	June 30, 2024

(\$ in thousands)

(\$ in thousands)

(\$ in thousands)

Obligations of U.S. Government sponsored enterprises
Obligations of U.S. Government sponsored enterprises
Obligations of U.S. Government sponsored enterprises
Obligations of states and political subdivisions
Obligations of states and political subdivisions
Obligations of states and political subdivisions
Agency mortgage-backed securities

Agency mortgage-backed securities
Agency mortgage-backed securities
U.S. Treasury Bills
U.S. Treasury Bills
U.S. Treasury Bills
Corporate debt securities
Corporate debt securities
Corporate debt securities
Total
Total
Total

Net Unrealized Losses
Net Unrealized Losses
Net Unrealized Losses
(\$ in thousands)
(\$ in thousands)
(\$ in thousands)
(\$ in thousands)
(\$ in thousands)
(\$ in thousands)
(\$ in thousands)

(\$ in thousands)	March 31, 2024	December 31, 2023
Available-for-sale securities		
Available-for-sale securities		
Available-for-sale securities		
Held-to-maturity securities		
Held-to-maturity securities		
Held-to-maturity securities		
Total		
Total		
Total		

Investment securities increased \$1.2 million from the prior year end, primarily due to a reinvestment of cash flows, partially offset by decrease in the fair value of the available-for-sale securities. Investment purchases in the firstsecond quarter 2024 had a weighted average, tax equivalent yield of 5.21%5.43%.

The average duration of the investment portfolio was 5.75.1 years at March 31, 2024June 30, 2024. The Company leverages the investment portfolio to lengthen the overall duration of the balance sheet, primarily using high-quality municipal securities. The expected cash flow from pay downs, maturities and interest over the next 12 months is approximately \$341 million,\$375.3 million.

Loans by Type

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

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

(\$ in thousands)
(\$ in thousands)
(\$ in thousands)
Commercial and industrial
Commercial and industrial

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

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

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

(\$ in thousands)	March 31, 2024	December 31, 2023	Increase (decrease)	
SBA Loans	1,274,780	1,281,632	(6,852)	(1)%
Sponsor finance	865,180	872,264	(7,084)	(1)%
Life insurance premium financing	1,003,597	956,162	47,435	5 %
Tax credits	718,383	734,594	(16,211)	(2)%

Loans totaled \$11.0 billion at March 31, 2024 compared to \$10.9 billion at December 31, 2023. In the first quarter 2024, C&I loans increased \$77.6 million, construction loans increased \$56.2 million and specialty loans increased \$17.3 million, primarily due to growth in life insurance premium financing loans. Loan sales of \$23.1 million mitigated growth in the SBA category during the current quarter. Average line draw utilization was 44% for the first three months of 2024, compared to 43% for the full year of 2023.

(\$ in thousands)	June 30, 2024	December 31, 2023	Increase (decrease)	
SBA Loans	\$ 1,269,145	\$ 1,281,632	\$ (12,487)	(1)%
Sponsor finance	865,883	872,264	(6,381)	(1)%
Life insurance premium financing	996,154	956,162	39,992	4 %
Tax credits	738,249	734,594	3,655	— %

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

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

Provision and Allowance for Credit Losses

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

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

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

A provision for credit losses of \$5.8 million was recognized \$4.8 million for the first second quarter 2024 compared to \$18.1 million and \$4.2 million in \$10.6 million for the six months ended June 30, 2024, decreased \$0.9 million and increased \$0.1 million from the linked quarter and prior year quarters, year-to-date period, respectively. The provision for credit losses in the first second quarter 2024 was primarily related to net charge-offs, an increase in reserves on individually evaluated loans, and updates to qualitative factors used in the allowance calculation. The provision for credit losses for the six months ended June 30, 2024 was stable with the prior year-to-date period. However, the provision for credit losses on loans in 2024 included an increase of \$4.2 million due to higher charge-offs when compared to the prior year-to-date period. This was partially offset by a \$5.1 million decrease in the provision for credit losses from the linked quarter was primarily available-for-sale securities related to the higher level of net charge-offs in the linked quarter. The provision for credit losses in the prior year quarter was driven by the impairment of an available for sale available-for-sale investment security. security in the prior year-to-date period.

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

	March 31, 2024
	March 31, 2024
	March 31, 2024
	June 30, 2024
	June 30, 2024
	June 30, 2024
(\$ in thousands)	
(\$ in thousands)	
(\$ in thousands)	
Commercial and industrial	
Commercial and industrial	
Commercial and industrial	
Real estate:	
Real estate:	
Real estate:	
Commercial	
Commercial	

Commercial
Construction and land development
Construction and land development
Construction and land development
Residential
Residential
Residential
Other
Other
Other
Total
Total
Total

The ACL on loans was 1.23%1.27% of total loans at March 31, 2024June 30, 2024, compared to 1.24% of loans at December 31, 2023. The decreaseincrease in the ratio of ACL on loans to total loans is primarily due to the charge-off of impaired loans and a decreaseincrease in reserves on impaired loans. Excluding guaranteed loans, the ACL on loans to total loans was 1.34%1.38%⁴ at March 31, 2024June 30, 2024, compared to 1.35% at December 31, 2023.

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

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

	Quarter ended
	Quarter ended
	Quarter ended
	March 31, 2024
	March 31, 2024
	March 31, 2024
	June 30, 2024
	June 30, 2024
	June 30, 2024

(\$ in thousands)

(\$ in thousands)

(\$ in thousands)

Commercial and industrial
Commercial and industrial
Commercial and industrial
Real estate:
Real estate:
Real estate:
Commercial
Commercial
Commercial
Construction and land development
Construction and land development
Construction and land development
Residential
Residential
Residential
Other
Other
Other

Total
Total
Total

(1) Excludes loans held for sale.

(2) Annualized.

(\$ in thousands)	Six months ended					
	June 30, 2024			June 30, 2023		
	Net Charge-offs	Average Loans ⁽¹⁾	Net Charge-offs	Net Charge-offs	Average Loans ⁽¹⁾	Net Charge-offs
	(Recoveries)		(Recoveries)/Average Loans ⁽²⁾	(Recoveries)		(Recoveries)/Average Loans ⁽²⁾
Commercial and industrial	\$ 4,194	\$ 4,703,684	0.18 %	\$ 2,457	\$ 4,051,506	0.12 %
Real estate:						
Commercial	2,083	4,755,574	0.09 %	28	4,678,103	NM
Construction and land development	(30)	818,313	(0.01)%	(31)	685,034	(0.01)%
Residential	(127)	366,883	(0.07)%	(26)	355,409	(0.01)%
Other	349	299,743	0.23 %	281	270,776	0.21 %
Total	\$ 6,469	\$ 10,944,197	0.12 %	\$ 2,709	\$ 10,040,828	0.05 %

(1) Excludes loans held for sale.

(2) Annualized.

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

Nonperforming assets

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

(\$ in thousands)

(\$ in thousands)

(\$ in thousands)

Nonaccrual loans
Nonaccrual loans
Nonaccrual loans
Loans past due 90 days or more and still accruing interest
Loans past due 90 days or more and still accruing interest
Loans past due 90 days or more and still accruing interest
Total nonperforming loans
Total nonperforming loans
Total nonperforming loans
Other real estate
Other real estate
Other real estate
Total nonperforming assets
Total nonperforming assets
Total nonperforming assets
Total assets
Total assets
Total assets
Total loans
Total loans
Total loans
Total ACL on loans

Total ACL on loans
Total ACL on loans
ACL on loans to nonaccrual loans
ACL on loans to nonaccrual loans
ACL on loans to nonaccrual loans
ACL on loans to nonperforming loans
ACL on loans to nonperforming loans
ACL on loans to nonperforming loans
ACL on loans to total loans
ACL on loans to total loans
ACL on loans to total loans
Nonaccrual loans to total loans
Nonaccrual loans to total loans
Nonaccrual loans to total loans
Nonperforming loans to total loans
Nonperforming loans to total loans
Nonperforming loans to total loans
Nonperforming assets to total assets
Nonperforming assets to total assets
Nonperforming assets to total assets

Nonperforming loans based on loan type were as follows:

(\$ in thousands)

(\$ in thousands)

(\$ in thousands)	March 31, 2024	December 31, 2023	June 30, 2024	December 31, 2023
Commercial and industrial				
Commercial real estate				
Construction and land development				
Residential real estate				
Other				
Total				

The following table summarizes the changes in nonperforming loans:

	Three Six months ended	
(\$ in thousands)	March 31, June 30, 2024	
Nonperforming loans, beginning of period	\$	43,728
Additions to nonaccrual loans		2,984 13,649
Charge-offs		(6,650) (9,363)
Principal payments		(2,255) (6,185)
Moved to other real estate and repossessed assets		(2,165) (2,445)
Nonperforming loans, end of period	\$	35,642 39,384

Nonperforming loans at March 31, 2024 June 30, 2024 decreased \$8.1 million, \$4.3 million, or 18% 10%, when compared to December 31, 2023. The decreased decrease in nonperforming loans during the first quarter 2024 six months ended June 30, 2024 was primarily due to gross charge-offs of \$6.7 million \$9.4 million and principal payments of \$2.3 million. The charge-offs \$6.2 million, offset by additions of nonperforming loans included \$4.8 million on two relationships that moved to nonperforming status in the fourth quarter 2023. Included in that amount, was \$3.4 million related to the Agricultural relationship that was disclosed in the fourth quarter 2023, and has now been fully charged-off. \$13.6 million.

Other real estate

The following table summarizes the changes in other real estate:

		Three months ended	Six months ended
		March 31,	June 30,
(\$ in thousands)		2024	2024
Other real estate, beginning of period		\$ 5,736	
Additions			2,939 3,219
Sales			(209)
Other real estate, end of period		\$ 8,466	8,746

Deposits

The following table shows the breakdown of deposits by type:

(\$ in thousands)	(\$ in thousands)	March 31, 2024	December 31, 2023	Increase (decrease)	June 30, 2024	December 31, 2023
Noninterest-bearing demand accounts	Noninterest-bearing demand accounts	\$ 3,805,334	\$ 3,958,743	\$(153,409)	(4)%	Noninterest-bearing demand accounts \$ 3,928,308
Interest-bearing demand accounts	Interest-bearing demand accounts	2,956,282	2,950,259	6,023	—	% accounts 2,951,899
Money market accounts	Money market accounts	3,430,454	3,399,280	31,174	1	% accounts 3,474,278
Savings accounts	Savings accounts	576,248	595,175	(18,927)	(3)	% accounts 565,348
Certificates of deposit:						
Brokered	Brokered					
Customer	Customer	826,378	790,155	36,223	5	% Customer 867,680
Total deposits	Total deposits	\$12,253,701	\$12,176,371	\$ 77,330	1	Total deposits \$12,282,383

Demand deposits / total deposits

Demand deposits / total deposits

Demand deposits / total deposits

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

		Quarter ended											
		March 31, 2024	December 31, 2023	March 31, 2023	June 30, 2024	March 31, 2024	June 30, 2023						
(\$ in thousands)	(\$ in thousands)	Average Balance	Average Rate Paid	Average Balance	Average Rate Paid	Average Balance	Average Rate Paid	(\$ in thousands)	Average Balance	Average Rate Paid	Average Balance	Average Rate Paid	Average Balance
Noninterest-bearing deposit accounts	Noninterest-bearing deposit accounts	\$3,925,522	— %	\$3,992,067	— %	\$ 4,481,966	—	— %	Noninterest-bearing deposit accounts	\$3,973,336	—	— %	—

Interest-bearing demand accounts
Interest-bearing demand accounts
Interest-bearing demand accounts
Money market accounts
Savings accounts
Certificates of deposit
Total interest-bearing deposits
Total average deposits
Total average deposits
Total average deposits

(\$ in thousands)	Six months ended			
	June 30, 2024		June 30, 2023	
	Average Balance	Average Rate Paid	Average Balance	Average Rate Paid
Noninterest-bearing deposit accounts	\$ 3,949,429	— %	\$ 4,265,521	— %
Interest-bearing demand accounts	2,937,551	2.56	2,356,708	1.37
Money market accounts	3,418,257	3.72	2,873,715	2.52
Savings accounts	580,115	0.22	709,490	0.13
Certificates of deposit	1,377,126	4.31	946,527	2.89
Total interest-bearing deposits	\$ 8,313,049	3.17	\$ 6,886,440	1.93
Total average deposits	\$ 12,262,478	2.15	\$ 11,151,961	1.19

Total deposits excluding brokered certificates of deposits, were **\$11.6****\$11.8** billion at **March 31, 2024****June 30, 2024**, a decreasean increase of **\$98.9****\$93.9** million from December 31, 2023. The decrease in demand and money market accounts in the first quarter 2024 was primarily related to normal, seasonal deposit outflows. Brokered certificates of deposit at **March 31, 2024****June 30, 2024** increased **\$176.2****\$12.1** million from December 31, 2023 and continue to help support loan growth and seasonal deposit outflows in the first quarter 2024,be used as a stable funding source. The Company has a specialty deposit portfolioverticals focusing on property management, community associations, and escrow industries, in addition to deposits related to its specialty lending products. These deposits totaled **\$2.9****increased to \$3.0** billion at **March 31, 2024 and June 30, 2024** from **\$2.8** billion at December 31, 2023, due to continued success at generating organic deposit growth.

To provide customers a deposit product with enhanced FDIC insurance, the Company participates in several programs through third parties that provide full FDIC insurance on deposit amounts by exchanging or reciprocating larger depository relationships with other member banks. Total reciprocal deposits were **\$1.1****\$1.2** billion at **March 31, 2024**, compared to **\$1.2** billion at**both June 30, 2024 and** December 31, 2023. The Company considers reciprocal accounts as customer-related deposits due to the customer relationship that generated the transaction.

At **March 31, 2024****June 30, 2024**, estimated uninsured/uncollateralized deposits totaled **\$3.5****\$3.6** billion, or 29% of total deposits, compared to **\$3.8** billion,**\$3.8** billion, or 31% of total deposits, at December 31, 2023. The decrease in estimated uninsured deposits was the result of an increase in reciprocal deposits and accounts that qualify for pass-through insurance.

The total cost of deposits was **2.13%****2.16%** for the current quarter, compared to **2.03%****2.13%** for the linked quarter. For the six months ended June 30, 2024, the total cost of deposits was 2.15%, compared to 1.19% in the prior year-to-date period.

Shareholders’ Equity

Shareholders' equity totaled \$1.7 billion \$1.8 billion at March 31, 2024 June 30, 2024, an increase of \$15.7 \$39.2 million from December 31, 2023. Significant activity during the first three six months of 2024 was as follows:

- Increase from net income of \$40.4 \$85.8 million,
- Decrease in fair value of securities and cash flow hedges of \$14.4 \$21.1 million, and
- Decrease from dividends paid on common and preferred stock of \$10.3 \$21.0 million.
- Decrease from common stock repurchases of \$8.6 million

Liquidity and Capital Resources

Liquidity

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

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

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

Liquidity from assets is available primarily from cash balances and the investment portfolio. Cash and interest-bearing deposits with other banks totaled \$369.4 \$392.8 million at March 31, 2024 June 30, 2024 and \$433.0 million at December 31, 2023. Investment securities are another important tool in liquidity planning. Securities totaled \$2.4 billion \$2.4 billion at both March 31, 2024 June 30, 2024 and December 31, 2023, and included \$1.2 billion \$1.2 billion and \$1.6 billion, \$1.6 billion at June 30, 2024 and December 31, 2023, respectively, pledged as collateral for deposits of public institutions, loan notes and other requirements. The unpledged portion of the securities portfolio could be pledged or sold to enhance liquidity, if necessary. The Company also has a portfolio of SBA guaranteed loans, a portion of which could be sold in the secondary market to generate earnings and liquidity. SBA loans totaling \$23.1 million were sold during the first quarter 2024.

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

(\$ in thousands)	March 31, June 30, 2024	
Federal Reserve Bank borrowing capacity	\$	2,572,380 2,610,652
FHLB borrowing capacity		1,332,877 1,230,978
Unpledged securities		1,133,207 1,162,838
Federal funds lines (6 (7 correspondent banks)		120,000 140,000
Cash and interest-bearing deposits		369,420 392,775
Holding Company line of credit		25,000
Total	\$	5,552,884 5,562,243

Liability liquidity funding sources are available to increase financial flexibility. In addition to amounts borrowed at March 31, 2024 June 30, 2024, the Company could borrow an additional \$1.3 billion \$1.2 billion from the FHLB of Des Moines under blanket loan pledges and has additional real estate loans that could be pledged. In the first quarter half of 2024, the Company pledged an additional \$495 million of loans to the FHLB to increase the borrowing capacity. capacity by \$279.1 million. The Company also has \$2.6 billion \$2.6 billion available from the Federal Reserve Bank under a pledged loan agreement. In the first quarter 2024, the Federal Reserve Bank borrowing capacity declined due to the expiration of the Bank Term Funding Program. On January 24, 2024, the Federal Reserve announced that the program would cease making new loans Program on March 11, 2024. The Company also has unsecured federal funds lines with six seven correspondent banks totaling \$120 million. \$140 million.

In the normal course of business, the Company enters into certain forms of off-balance sheet transactions, including unfunded loan commitments and letters of credit. These transactions are managed through the Company's various risk management processes. Management considers both on-balance sheet and off-balance sheet transactions in its evaluation of the Company's liquidity. The Company has \$2.9 billion \$2.8 billion in unused commitments to extend credit as of March 31, 2024 June 30, 2024. However, the nature of these commitments is such that the likelihood of funding them in the aggregate at any one time is low.

Leverage Ratio (Tier 1 Capital to Average Assets)	Leverage Ratio (Tier 1 Capital to Average Assets)	11.0 %	10.5 %	11.0 %	10.6 %	5.0 %	N/A	Leverage Ratio (Tier 1 Capital to Average Assets)	11.1 %	10.6 %	11.0 %	10.6 %	5.0 %	N/A
Tangible common equity to tangible assets:														
1 Not a required regulatory capital ratio.														
1 Not a required regulatory capital ratio.														
1 Not a required regulatory capital ratio.														

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

Use of Non-GAAP Financial Measures:

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

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

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

Core Efficiency Ratio

	Quarter ended				Quarter ended				Quarter ended			Six months ended
	March 31, 2024	December 31, 2023	March 31, 2023		June 30, 2024	March 31, 2024			June 30, 2023	June 30, 2024		June 30, 2023
(\$ in thousands)	(\$ in thousands)				(\$ in thousands)							
Net interest income (GAAP)												
Tax-equivalent adjustment												
Net interest income - FTE (non-GAAP)												
Noninterest income (GAAP)												
Less gain on sale of investment securities												
Less gain (loss) on sale of other real estate owned												
Core revenue (non-GAAP)												
Noninterest expense (GAAP)												
Noninterest expense (GAAP)												
Noninterest expense (GAAP)												
Less FDIC special assessment												

Less core conversion expense																				
Less amortization on intangibles																				
Core noninterest expense (non-GAAP)																				
Core noninterest expense (non-GAAP)																				
Core noninterest expense (non-GAAP)																				
Core efficiency ratio (non-GAAP)																				
Core efficiency ratio (non-GAAP)																				
Core efficiency ratio (non-GAAP)	60.21	%	53.06	%	50.47	%	58.09	%	60.21	%	54.04	%	59.13	%	52.25	%				

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

(in thousands, except per share data)																				
(in thousands, except per share data)																				
	March 31,	December 31,	(in thousands, except per share	June 30,	March 31,		December 31,													
(in thousands, except per share data)	2024	2023	data)	2024	2024		2023													
Shareholders' equity (GAAP)																				
Less preferred stock																				
Less goodwill																				
Less intangible assets																				
Tangible common equity (non-GAAP)																				
Common shares outstanding																				
Common shares outstanding																				
Common shares outstanding																				
Tangible book value per share (non-GAAP)																				
Total assets (GAAP)																				
Total assets (GAAP)																				
Total assets (GAAP)																				
Less goodwill																				
Less intangible assets																				
Tangible assets (non-GAAP)																				
Tangible common equity to tangible assets (non-GAAP)																				
Tangible common equity to tangible assets (non-GAAP)																				
Tangible common equity to tangible assets (non-GAAP)	9.01	%	8.96	%	9.18	%	9.01	%	8.96	%										

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

(\$ in thousands)	Quarter ended		
	March 31, 2024	December 31, 2023	March 31, 2023
Average shareholder's equity (GAAP)	\$ 1,738,698	\$ 1,652,882	\$ 1,568,451
Less average preferred stock	71,988	71,988	71,988
Less average goodwill	365,164	365,164	365,164
Less average intangible assets	11,770	12,858	16,247
Average tangible common equity (non-GAAP)	<u>\$ 1,289,776</u>	<u>\$ 1,202,872</u>	<u>\$ 1,115,052</u>
Net income available to common shareholders (GAAP)	\$ 39,463	\$ 43,592	\$ 54,800
FDIC special assessment (after tax)	470	1,814	—
Core conversion expense (after tax)	263	—	—
Net income available to common shareholders adjusted (non-GAAP)	<u>\$ 40,196</u>	<u>\$ 45,406</u>	<u>\$ 54,800</u>
Return on average common equity (GAAP)	9.52 %	10.94 %	14.85 %

Adjusted return on average common equity (non-GAAP)	9.70 %	11.40 %	14.85 %
ROATCE (non-GAAP)	12.31 %	14.38 %	19.93 %
Adjusted ROATCE (non-GAAP)	12.53 %	14.98 %	19.93 %

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

Return on Average Assets (ROAA)

(\$ in thousands)	Quarter ended			(\$ in thousands)	Quarter ended			(\$ in thousands)	Six months ended		
	March 31, 2024	December 31, 2023	March 31, 2023		June 30, 2024	March 31, 2024	June 30, 2023		June 30, 2024	June 30, 2023	June 30, 2023
Net income (GAAP)											
FDIC special assessment (after tax)											
Core conversion expense (after tax)											
Net income adjusted (non-GAAP)											
Average assets											
Average assets											
Average assets											
ROAA (GAAP)	ROAA (GAAP) 1.12 %	1.23 %	1.72 %	ROAA (GAAP)	1.25 %	1.12 %	1.44 %	1.18 %	1.58 %		
Adjusted ROAA (non-GAAP)	Adjusted ROAA (non-GAAP) 1.14 %	1.28 %	1.72 %	Adjusted ROAA (non-GAAP)	1.27 %	1.14 %	1.44 %	1.21 %	1.58 %		

ACL on Loans to Total Loans Adjusted for Guaranteed Loans

(\$ in thousands)	Quarter ended			(\$ in thousands)	At		
	March 31, 2024	December 31, 2023	March 31, 2023		June 30, 2024	March 31, 2024	June 30, 2023
Total loans (GAAP)							
Less: Guaranteed loans, net							
Total adjusted loans (non-GAAP)							
ACL on loans							
ACL on loans							
ACL on loans							

ACL on loans to total loans	ACL on loans to total loans	1.23 %	1.24 %	1.38 %	ACL on loans to total loans	1.27 %	1.23 %	1.34 %
ACL on loans to total adjusted loans	ACL on loans to total adjusted loans	1.34 %	1.35 %	1.53 %	ACL on loans to total adjusted loans	1.38 %	1.34 %	1.48 %

Pre-Provision Net Revenue (PPNR)

(\$ in thousands)	Quarter ended		
	March 31, 2024	December 31, 2023	March 31, 2023
Net interest income	\$ 137,728	\$ 140,732	\$ 139,529
Noninterest income	12,158	25,452	16,898
FDIC special assessment	625	2,412	—
Core conversion expense	350	—	—
Less gain on sale of investment securities	—	220	381
Less gain (loss) on sale of other real estate owned	(2)	—	90
Less noninterest expense	93,501	92,603	80,983
PPNR (non-GAAP)	\$ 57,362	\$ 75,773	\$ 74,973

(\$ in thousands)	Quarter ended			Six months ended	
	June 30, 2024	March 31, 2024	June 30, 2023	June 30, 2024	June 30, 2023
Net interest income	\$ 140,529	\$ 137,728	\$ 140,692	\$ 278,257	\$ 280,221
Noninterest income	15,494	12,158	14,290	27,652	31,188
FDIC special assessment	—	625	—	625	—
Core conversion expense	1,250	350	—	1,600	—
Less gain on sale of investment securities	—	—	—	—	381
Less gain (loss) on sale of other real estate owned	—	(2)	97	(2)	187
Less noninterest expense	94,017	93,501	85,956	187,518	166,939
PPNR (non-GAAP)	\$ 63,256	\$ 57,362	\$ 68,929	\$ 120,618	\$ 143,902

Calculation of Estimated Insured Deposits

(\$ in thousands)	Quarter ended
	March 31, 2024
Estimated uninsured deposits per Call Report	\$ 4,062,505
Collateralized/affiliate deposits	(515,439)
Accrued interest on deposits	(5,542)
Adjusted uninsured/uncollateralized deposits	3,541,524
Estimated insured/collateralized deposits	8,712,177
Total deposits	\$ 12,253,701

(\$ in thousands)	Quarter ended	
	Jun 30, 2024	Mar 31, 2024
Estimated uninsured deposits per Call Report	\$ 4,020,979	\$ 4,062,505
Collateralized/affiliate deposits	(454,084)	(515,439)
Accrued interest on deposits	(5,632)	(5,542)
Adjusted uninsured/uncollateralized deposits	3,561,263	3,541,524
Estimated insured/collateralized deposits	8,721,120	8,712,177
Total deposits	\$ 12,282,383	\$ 12,253,701

ITEM 3: QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

Interest Rate Risk

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

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

The following table summarizes the expected impact of interest rate shocks on net interest income at **March 31, 2024** **June 30, 2024**:

Rate Shock	Annual % change in net interest income
+ 300 bp	9.7% 11.1%
+ 200 bp	6.5% 7.5%
+ 100 bp	3.3% 3.8%
- 100 bp	(3.4) (3.9)%
- 200 bp	(7.2) (8.1)%
- 300 bp	(11.1) (12.4)%

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

The Company occasionally uses interest rate derivative instruments as an asset/liability management tool to hedge mismatches in interest rate exposure indicated by the net interest income simulation described above. They are used to modify the Company's exposures to interest rate fluctuations and provide more stable spreads between loan yields and the rate on their funding sources. At **March 31, 2024** **June 30, 2024**, the Company had derivative contracts to manage interest rate risk, including **\$350.0 million** **\$350.0 million** in notional value on derivatives to hedge the cash flows on floating rate loans and **\$32.1 million** **\$32.1 million** in notional value on derivative on floating rate debt. Derivative financial instruments are also discussed in "Item 1. Note 6 – Derivative Financial Instruments."

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

The Company had **\$6.8 billion** **\$6.7 billion** in variable rate loans at **March 31, 2024** **June 30, 2024**. Of these loans, **\$4.4 billion** **\$4.4 billion** have an interest rate floor and nearly all of those loans were at or above the floor. Variable rate loans include **\$2.8 billion** **\$2.8 billion** indexed to the prime rate, **\$2.8 billion** **\$3.1 billion** indexed to SOFR, **\$294.9 million indexed to LIBOR**, and **\$812.9 million** **\$823.3 million** indexed to other rates.

At **March 31, 2024** **June 30, 2024**, the Company's available-for-sale and held-to-maturity investment securities totaled **\$1.6 billion** **\$1.6 billion** and **\$758.0 million**, **\$772.6 million**, respectively. These portfolios consist primarily of fixed-rate securities that are subject to changes in market value due to changes in interest rates. At **March 31, 2024** **June 30, 2024**, net unrealized losses were **\$165.6 million** **\$172.7 million** and **\$63.6 million** **\$69.4 million** on the available-for-sale and held-to-maturity investment portfolios, respectively.

ITEM 4: CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of the Company's Chief Executive Officer (the "CEO") and the Chief Financial Officer (the "CFO"), management has evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to Exchange Act Rule 13a-15, as of **March 31, 2024** **June 30, 2024**. Disclosure controls and procedures include without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Securities Exchange Act of 1934, as amended, is accumulated and communicated to the

issuer's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Based on that evaluation, the CEO and CFO concluded the Company's disclosure controls and procedures were effective as of **March 31, 2024** **June 30, 2024** to provide reasonable assurance of the achievement of the objectives described above.

Changes to Internal Controls

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

PART II - OTHER INFORMATION

ITEM 1: LEGAL PROCEEDINGS

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

ITEM 1A: RISK FACTORS

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

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

None.

Period	Total number of shares purchased (a)	Weighted-average price paid per share	Total number of shares purchased as part of publicly announced plans or programs	Maximum number of shares that may yet be purchased under the plans or programs
April 1, 2024 through April 30, 2024	36,214	\$ 37.89	36,214	1,963,786
May 1, 2024 through May 31, 2024	29,323	38.00	29,323	1,934,463
June 1, 2024 through June 30, 2024	159,598	38.13	159,598	1,774,865
Total	225,135	\$ 38.07	225,135	1,774,865

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

ITEM 3: DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4: MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5: OTHER INFORMATION

During the quarter ended **March 31, 2024** **June 30, 2024**, no officer or director of the company adopted or terminated any contract, instruction, or written plan for the purchase or sale of securities of the company's common stock that is intended to satisfy the affirmative defense conditions of Securities Exchange Act Rule 10b5-1(c) or any non-Rule 10b5-1 trading arrangement as defined in 17 CFR § 229.408(c).

ITEM 6: EXHIBITS

Exhibit No. **Description**

- 3.1 [Certificate of Incorporation of Registrant \(incorporated herein by reference to Exhibit 3.1 of Registrant's Registration Statement on Form S-1 filed on December 16, 1996 \(File No. 333-14737\)\)](#).
- 3.2 [Amendment to the Certificate of Incorporation of Registrant \(incorporated herein by reference to Exhibit 4.2 to Registrant's Registration Statement on Form S-8 filed on July 1, 1999 \(File No. 333-82087\)\)](#).
- 3.3 [Amendment to the Certificate of Incorporation of Registrant \(incorporated herein by reference to Exhibit 3.1 to Registrant's Quarterly Report on Form 10-Q for the period ending September 30, 1999 \(File No. 001-15373\)\)](#).
- 3.4 [Amendment to the Certificate of Incorporation of Registrant \(incorporated herein by reference to Exhibit 99.2 to Registrant's Current Report on Form 8-K filed on April 30, 2002 \(File No. 001-15373\)\)](#).
- 3.5 [Amendment to the Certificate of Incorporation of Registrant \(incorporated herein by reference to Appendix A to Registrant's Proxy Statement on Form 14-A filed on November 20, 2008 \(File No. 001-15373\)\)](#).
- 3.6 [Amendment to the Certificate of Incorporation of Registrant \(incorporated herein by reference to Exhibit 3.1 to the Registrant's Quarterly Report on Form 10-Q for the period ending June 30, 2014 \(File No. 001-15373\)\)](#).
- 3.7 [Amendment to the Certificate of Incorporation of Registrant \(incorporated herein by reference to Exhibit 3.8 to Registrant's Quarterly Report on Form 10-Q filed on July 26, 2019 \(File No. 001-15373\)\)](#).
- 3.8 [Amendment to Certificate of Incorporation of Registrant \(incorporated herein by reference to Exhibit 3.9 to Registrant's Quarterly Report on Form 10-Q filed on July 30, 2021 \(File No. 001-15373\)\)](#).
- 3.9 [Certificate of Designations of Registrant for Fixed Rate Cumulative Perpetual Preferred Stock, Series A, dated December 17, 2008 \(incorporated herein by reference to Exhibit 3.1 to Registrant's Current Report on Form 8-K filed on December 23, 2008 \(File No. 001-15373\)\)](#).
- 3.10 [Certificate of Elimination of Registrant's Certificate of Designation, Preferences, and Rights of the Fixed Rate Cumulative Perpetual Preferred Stock, Series A, dated November 9, 2021 \(incorporated herein by reference to Exhibit 3.1 to Registrant's Current Report on Form 8-K filed on November 9, 2021 \(File No. 001-15373\)\)](#).
- 3.11 [Certificate of Designation of Registrant of Fixed Rate Non-Cumulative Perpetual Preferred Stock, Series A, dated November 16, 2021 \(incorporated herein by reference to Exhibit 3.1 to Registrant's Current Report on Form 8-K filed on November 17, 2021 \(File No. 001-15373\)\)](#).
- 3.12 [Amended and Restated Bylaws of Registrant \(incorporated herein by reference to Exhibit 3.1 to Registrant's Current Report on Form 8-K filed on June 12, 2015 \(File No. 001-15373\)\)](#).
- 4.1 Long-term borrowing instruments are omitted pursuant to Item 601(b)(4)(iii) of Regulation S-K. The Company undertakes to furnish copies of such instruments to the Securities and Exchange Commission upon request.
- *31.1 [Chief Executive Officer's Certification required by Rule 13\(a\)-14\(a\)](#).
- *31.2 [Chief Financial Officer's Certification required by Rule 13\(a\)-14\(a\)](#).
- **32.1 [Chief Executive Officer Certification pursuant to 18 U.S.C. § 1350, as adopted pursuant to section § 906 of the Sarbanes-Oxley Act of 2002](#).
- **32.2 [Chief Financial Officer Certification pursuant to 18 U.S.C. § 1350, as adopted pursuant to section § 906 of the Sarbanes-Oxley Act of 2002](#).
- 101.INS XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
- 101.SCH Inline XBRL Taxonomy Extension Schema Document.
- 101.CAL Inline XBRL Taxonomy Extension Calculation Linkbase Document.
- 101.LAB Inline XBRL Taxonomy Extension Label Linkbase Document.
- 101.PRE Inline XBRL Taxonomy Extension Presentation Linkbase Document.
- 101.DEF Inline XBRL Taxonomy Extension Definitions Linkbase Document.
- 104 The cover page of Enterprise Financial Services Corp's Quarterly Report on Form 10-Q for the quarter ended **March 31, 2024** **June 30, 2024**, formatted in Inline XBRL (contained in Exhibit 101).

* Filed herewith

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

SIGNATURES

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

ENTERPRISE FINANCIAL SERVICES CORP

By: /s/ James B. Lally

James B. Lally
Chief Executive Officer

By: /s/ Keene S. Turner

Keene S. Turner
Chief Financial Officer

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EXHIBIT 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, James B. Lally, certify that:

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

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

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

Date: April July 26, 2024

EXHIBIT 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Keene S. Turner, certify that:

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

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

Date: April July 26, 2024

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

In connection with the Quarterly Report of Enterprise Financial Services Corp (the "Company") on Form 10-Q for the period ended ~~March 31, 2024~~ June 30, 2024 as filed with the Securities and Exchange Commission (the "Report"), I, James B. Lally, Chief Executive Officer of the Company, certify to the best of my knowledge and belief, pursuant to 18 U.S.C. § 1350, as enacted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

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

/s/ James B. Lally

James B. Lally
Chief Executive Officer
~~April~~ July 26, 2024

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

In connection with the Quarterly Report of Enterprise Financial Services Corp (the "Company") on Form 10-Q for the period ended ~~March 31, 2024~~ June 30, 2024 as filed with the Securities and Exchange Commission (the "Report"), I, Keene S. Turner, Chief Financial Officer of the Company, certify to the best of my knowledge and belief, pursuant to 18 U.S.C. § 1350, as enacted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

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

/s/ Keene S. Turner

Keene S. Turner
Chief Financial Officer
~~April~~ July 26, 2024

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