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DELTA REPORT

10-Q

BWBBP - BRIDGEWATER BANCSHARES IN

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

The following comparison report has been automatically generated

TOTAL DELTAS	1466
CHANGES	445
DELETIONS	628
ADDITIONS	393

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

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

OR

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

For the transition period from ____________ to ________

Commission File Number 001-38412

BRIDGEWATER BANCSHARES, INC.

(Exact name of registrant as specified in its charter)

Minnesota	**26-0113412**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
4450 Excelsior Boulevard, Suite 100	
St. Louis Park, Minnesota	**55416**
(Address of principal executive offices)	**(Zip Code)**

(952) 893-6868

(Registrant's telephone number, including area code)

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

Title of each class:	Trading Symbol	Name of each exchange on which registered:
Common Stock, $0.01 Par Value	BWB	The Nasdaq Stock Market LLC
Depositary Shares, each representing a 1/100th interest in a share of 5.875% Non-Cumulative Perpetual Preferred Stock, Series A, par value $0.01 per share	BWBBP	The Nasdaq Stock Market LLC

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

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

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

Large accelerated filer	☐	Accelerated filer	☒
Non-accelerated filer	☐	Smaller reporting company	☐

Emerging growth company ☒ ☐

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

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

The number of shares of the Common Stock outstanding as of October 31, 2023 April 30, 2024 was 28,000,570 27,373,972.

Table of Contents

Table of Contents

Table of Contents

PART 1 – FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements

Bridgewater Bancshares, Inc. and Subsidiaries

Consolidated Balance Sheets

(dollars in thousands, except share data)

	September 30, 2023 (Unaudited)	December 31, 2022	March 31, 2024 (Unaudited)	December 31, 2023
ASSETS				
Cash and Cash Equivalents	$ 124,358	$ 87,043	$ 143,355	$ 128,562
Bank-Owned Certificates of Deposit	1,225	1,181		
Securities Available for Sale, at Fair Value	553,076	548,613	633,282	604,104
Loans, Net of Allowance for Credit Losses of $50,585 at September 30, 2023 (unaudited) and $47,996 at December 31, 2022	3,664,464	3,512,157		
Loans, Net of Allowance for Credit Losses of $51,347 at March 31, 2024 (unaudited) and $50,494 at December 31, 2023			3,726,502	3,667,215
Federal Home Loan Bank (FHLB) Stock, at Cost	17,056	19,606	17,195	17,097
Premises and Equipment, Net	49,331	48,445	48,299	48,886
Accrued Interest	15,182	13,479	16,696	16,697
Goodwill	2,626	2,626	2,626	2,626
Other Intangible Assets, Net	197	288	180	188
Bank-Owned Life Insurance	34,209	33,485	34,778	34,477
Other Assets	95,346	78,739	100,196	92,138
Total Assets	$ 4,557,070	$ 4,345,662	$ 4,723,109	$ 4,611,990
LIABILITIES AND EQUITY				
LIABILITIES				
Deposits:				
Noninterest Bearing	$ 754,297	$ 884,272	$ 698,432	$ 756,964
Interest Bearing	2,921,212	2,532,271	3,108,793	2,952,984
Total Deposits	3,675,509	3,416,543	3,807,225	3,709,948
Federal Funds Purchased	—	287,000		
Notes Payable	13,750	13,750	13,750	13,750
FHLB Advances	294,500	97,000	317,000	319,500
Subordinated Debentures, Net of Issuance Costs	79,192	78,905	79,383	79,288
Accrued Interest Payable	3,816	2,831	4,405	5,282
Other Liabilities	74,343	55,569	67,735	58,707
Total Liabilities	4,141,110	3,951,598	4,289,498	4,186,475
SHAREHOLDERS' EQUITY				
Preferred Stock- $0.01 par value; Authorized 10,000,000				
Preferred Stock - Issued and Outstanding 27,600 Series A shares ($2,500 liquidation preference) at September 30, 2023 (unaudited) and December 31, 2022	66,514	66,514		

Preferred Stock - Issued and Outstanding 27,600 Series A shares ($2,500 liquidation preference) at March 31, 2024 (unaudited) and December 31, 2023			66,514	66,514
Common Stock- $0.01 par value; Authorized 75,000,000				
Common Stock - Issued and Outstanding 28,015,505 at September 30, 2023 (unaudited) and 27,751,950 at December 31, 2022	280	278		
Common Stock - Issued and Outstanding 27,589,827 at March 31, 2024 (unaudited) and 27,748,965 at December 31, 2023			276	277
Additional Paid-In Capital	100,120	96,529	95,069	96,320
Retained Earnings	272,812	248,685	287,468	280,650
Accumulated Other Comprehensive Loss	(23,766)	(17,942)	(15,716)	(18,246)
Total Shareholders' Equity	415,960	394,064	433,611	425,515
Total Liabilities and Equity	$ 4,557,070	$ 4,345,662	$ 4,723,109	$ 4,611,990

See accompanying notes to consolidated financial statements.

Table of Contents

Bridgewater Bancshares, Inc. and Subsidiaries

Consolidated Statements of Income

(dollars in thousands, except per share data)

(Unaudited)

	Three Months Ended		Nine Months Ended		Three Months Ended	
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022	March 31, 2024	March 31, 2023
INTEREST INCOME						
Loans, Including Fees	$ 48,999	$ 37,666	$ 141,675	$ 103,768	$ 49,581	$ 44,955
Investment Securities	6,507	4,372	18,962	10,567	7,916	6,218
Other	1,303	321	3,165	500	1,172	819
Total Interest Income	56,809	42,359	163,802	114,835	58,669	51,992
INTEREST EXPENSE						
Deposits	27,225	5,984	66,597	12,598	30,190	16,374
Federal Funds Purchased					304	4,944
Notes Payable	296	—	844	—	295	263
FHLB Advances	2,316	329	5,269	646	2,258	861
Subordinated Debentures	1,003	1,242	2,979	3,658	991	983
Federal Funds Purchased	548	709	8,253	1,128		
Total Interest Expense	31,388	8,264	83,942	18,030	34,038	23,425
NET INTEREST INCOME	25,421	34,095	79,860	96,805	24,631	28,567
Provision for (Recovery of) Credit Losses	(600)	1,500	75	6,200		
Provision for Credit Losses					750	625
NET INTEREST INCOME AFTER PROVISION FOR CREDIT LOSSES	26,021	32,595	79,785	90,605	23,881	27,942

NONINTEREST INCOME						
Customer Service Fees	379	313	1,096	892	342	349
Net Gain (Loss) on Sales of Available for Sale Securities	—	—	(6)	52	93	(56)
Letter of Credit Fees					316	634
Debit Card Interchange Fees					141	138
Bank-Owned Life Insurance					301	234
FHLB Prepayment Income					—	299
Other Income	1,347	1,074	3,994	3,650	357	345
Total Noninterest Income	1,726	1,387	5,084	4,594	1,550	1,943
NONINTEREST EXPENSE						
Salaries and Employee Benefits	9,519	9,449	26,923	27,120	9,433	8,815
Occupancy and Equipment	1,101	1,086	3,385	3,213	1,057	1,209
FDIC Insurance Assessment					875	665
Data Processing					412	357
Professional and Consulting Fees					889	755
Derivative Collateral Fees					486	380
Information Technology and Telecommunications					796	683
Marketing and Advertising					322	262
Intangible Asset Amortization					9	48
Other Expense	4,730	3,622	13,613	11,084	910	895
Total Noninterest Expense	15,350	14,157	43,921	41,417	15,189	14,069
INCOME BEFORE INCOME TAXES	12,397	19,825	40,948	53,782	10,242	15,816
Provision for Income Taxes	2,768	5,312	9,861	14,125	2,411	4,174
NET INCOME	9,629	14,513	31,087	39,657	7,831	11,642
Preferred Stock Dividends	(1,013)	(1,013)	(3,040)	(3,040)	(1,013)	(1,013)
NET INCOME AVAILABLE TO COMMON SHAREHOLDERS	$ 8,616	$ 13,500	$ 28,047	$ 36,617	$ 6,818	$ 10,629
EARNINGS PER SHARE						
Basic	$ 0.31	$ 0.49	$ 1.01	$ 1.32	$ 0.25	$ 0.38
Diluted	0.30	0.47	0.99	1.27	0.24	0.37

Table of Contents

See accompanying notes to consolidated financial statements.

4

Table of Contents

Bridgewater Bancshares, Inc. and Subsidiaries

Consolidated Statements of Comprehensive Income

(dollars in thousands)

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,		Three Months Ended March 31,	
	2023	2022	2023	2022	2024	2023
Net Income	$ 9,629	$ 14,513	$ 31,087	$ 39,657	$ 7,831	$11,642
Other Comprehensive Loss:						
Unrealized Losses on Available for Sale Securities	(10,151)	(18,073)	(14,338)	(56,487)		
Unrealized Gains on Cash Flow Hedges	7,763	7,725	10,167	21,117		
Reclassification Adjustment for (Gains) Losses Realized in Income	(1,623)	(119)	(4,004)	511		
Other Comprehensive Income:						
Unrealized Gains on Available for Sale Securities					235	5,243
Unrealized Gains (Losses) on Cash Flow Hedges					5,712	(4,169)
Reclassification Adjustment for Gains Realized in Income					(2,396)	(1,011)
Income Tax Impact	1,153	4,808	2,351	9,133	(1,021)	(17)
Total Other Comprehensive Loss, Net of Tax	(2,858)	(5,659)	(5,824)	(25,726)		
Total Other Comprehensive Income, Net of Tax					2,530	46
Comprehensive Income	$ 6,771	$ 8,854	$ 25,263	$ 13,931	$10,361	$11,688

See accompanying notes to consolidated financial statements.

Table of Contents

Bridgewater Bancshares, Inc. and Subsidiaries

Consolidated Statements of Shareholders' Equity

Three and Nine Months Ended September 30, 2023 March 31, 2024 and 2022 2023

(dollars in thousands, except share data)

(Unaudited)

Three Months Ended	Preferred Stock	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total
BALANCE June 30, 2022	$ 66,514	27,677,372	$ 277	$ 96,689	$ 222,464	$ (11,061)	$ 374,883
Stock-based Compensation	—	4,744	—	876	—	—	876
Comprehensive Income (Loss)	—	—	—	—	14,513	(5,659)	8,854
Stock Options Exercised	—	3,250	—	41	—	—	41
Stock Repurchases	—	(99,310)	(1)	(1,615)	—	—	(1,616)
Vested Restricted Stock Units	—	3,000	—	—	—	—	—

Restricted Shares Withheld for Taxes	—	(1,078)	—	(18)	—	—	(18)
Preferred Stock Dividend	—	—	—	—	(1,013)	—	(1,013)
BALANCE September 30, 2022	$ 66,514	27,587,978	$ 276	$ 95,973	$ 235,964	$ (16,720)	$ 382,007
BALANCE June 30, 2023	$ 66,514	27,973,995	$ 280	$ 99,044	$ 264,196	$ (20,908)	$ 409,126
Stock-based Compensation	—	12,588	—	997	—	—	997
Comprehensive Income (Loss)	—	—	—	—	9,629	(2,858)	6,771
Stock Options Exercised	—	27,000	—	90	—	—	90
Vested Restricted Stock Units	—	3,000	—	—	—	—	—
Restricted Shares Withheld for Taxes	—	(1,078)	—	(11)	—	—	(11)
Preferred Stock Dividend	—	—	—	—	(1,013)	—	(1,013)
BALANCE September 30, 2023	$ 66,514	28,015,505	$ 280	$ 100,120	$ 272,812	$ (23,766)	$ 415,960

Three Months Ended	**Preferred Stock**	**Common Stock Shares**	**Common Stock Amount**	**Additional Paid-In Capital**	**Retained Earnings**	**Accumulated Other Comprehensive Income (Loss)**	**Total**
BALANCE December 31, 2022	$ 66,514	27,751,950	$ 278	$ 96,529	$ 248,685	$ (17,942)	$ 394,064
Cumulative Effect of the Adoption of ASU 2016-13	—	—	—	—	(3,920)	—	(3,920)
Cumulative Effect of the Adoption of ASU 2023-02	—	—	—	—	(21)	—	(21)
Balance as of January 1, 2023, as Adjusted for Change in Accounting Principles	66,514	27,751,950	278	96,529	244,744	(17,942)	390,123
Stock-based Compensation	—	10,608	—	941	—	—	941
Comprehensive Income	—	—	—	—	11,642	46	11,688
Stock Options Exercised	—	82,000	—	261	—	—	261
Vested Restricted Stock Units	—	1,625	—	—	—	—	—
Restricted Shares Withheld for Taxes	—	(939)	—	(15)	—	—	(15)
Preferred Stock Dividend	—	—	—	—	(1,013)	—	(1,013)
BALANCE March 31, 2023	$ 66,514	27,845,244	$ 278	$ 97,716	$ 255,373	$ (17,896)	$ 401,985
BALANCE December 31, 2023	$ 66,514	27,748,965	$ 277	$ 96,320	$ 280,650	$ (18,246)	$ 425,515
Stock-based Compensation	—	10,452	—	1,031	—	—	1,031
Comprehensive Income	—	—	—	—	7,831	2,530	10,361
Stock Options Exercised	—	8,000	—	66	—	—	66
Stock Repurchases	—	(193,802)	(1)	(2,275)	—	—	(2,276)
Vested Restricted Stock Units	—	22,365	—	—	—	—	—
Restricted Shares Withheld for Taxes	—	(6,153)	—	(73)	—	—	(73)
Preferred Stock Dividend	—	—	—	—	(1,013)	—	(1,013)
BALANCE March 31, 2024	$ 66,514	27,589,827	$ 276	$ 95,069	$ 287,468	$ (15,716)	$ 433,611

See accompanying notes to consolidated financial statements.

Table of Contents

Nine Months Ended	Preferred Stock	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
BALANCE December 31, 2021	$ 66,514	28,206,566	$ 282	$ 104,123	$ 199,347	$ 9,006	$ 379,272
Stock-based Compensation	—	14,400	—	2,557	—	—	2,557
Comprehensive Income (Loss)	—	—	—	—	39,657	(25,726)	13,931
Stock Options Exercised	—	28,000	—	106	—	—	106
Stock Repurchases	—	(662,765)	(6)	(10,772)	—	—	(10,778)
Forfeiture of Restricted Stock Awards	—	(1,000)	—	(3)	—	—	(3)
Vested Restricted Stock Units	—	5,100	—	—	—	—	—
Restricted Shares Withheld for Taxes	—	(2,323)	—	(38)	—	—	(38)
Preferred Stock Dividend	—	—	—	—	(3,040)	—	(3,040)
BALANCE September 30, 2022	$ 66,514	27,587,978	$ 276	$ 95,973	$ 235,964	$ (16,720)	$ 382,007
BALANCE December 31, 2022	$ 66,514	27,751,950	$ 278	$ 96,529	$ 248,685	$ (17,942)	$ 394,064
Cumulative Effect of Change in Accounting Principle, Net of Tax	—	—	—	—	(3,920)	—	(3,920)
Balance as of January 1, 2023, as Adjusted for Change in Accounting Principle	66,514	27,751,950	278	96,529	244,765	(17,942)	390,144
Stock-based Compensation	—	35,460	—	2,910	—	—	2,910
Comprehensive Income (Loss)	—	—	—	—	31,087	(5,824)	25,263
Stock Options Exercised	—	226,000	2	715	—	—	717
Forfeiture of Restricted Stock Awards	—	(250)	—	—	—	—	—
Vested Restricted Stock Units	—	5,225	—	—	—	—	—
Restricted Shares Withheld for Taxes	—	(2,880)	—	(34)	—	—	(34)
Preferred Stock Dividend	—	—	—	—	(3,040)	—	(3,040)
BALANCE September 30, 2023	$ 66,514	28,015,505	$ 280	$ 100,120	$ 272,812	$ (23,766)	$ 415,960

See accompanying notes to consolidated financial statements.

Table of Contents

Bridgewater Bancshares, Inc. and Subsidiaries

Consolidated Statements of Cash Flows

(dollars in thousands)

(Unaudited)

	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023

CASH FLOWS FROM OPERATING ACTIVITIES				
Net Income	$ 31,087	$ 39,657	$ 7,831	$ 11,642
Adjustments to Reconcile Net Income to Net Cash				
Provided by Operating Activities:				
Net Amortization on Securities Available for Sale	196	1,712	(281)	101
Net (Gain) Loss on Sales of Securities Available for Sale	6	(52)	(93)	56
Provision for Credit Losses on Loans	2,050	6,200	850	1,500
Credit for Off-Balance Sheet Exposures	(1,975)	—	(100)	(875)
Depreciation of Premises and Equipment	1,901	1,911	593	651
Amortization of Other Intangible Assets	91	143	9	48
Amortization of Right-of Use Asset	396	—	139	125
Amortization of Subordinated Debt Issuance Costs	287	320	95	96
Stock-based Compensation	2,910	2,557	1,031	941
Changes in Operating Assets and Liabilities:				
Accrued Interest Receivable and Other Assets	(8,923)	(7,859)	(6,398)	(6,369)
Accrued Interest Payable and Other Liabilities	10,457	35,780	3,509	(118)
Net Cash Provided by Operating Activities	38,483	80,369	7,185	7,798
CASH FLOWS FROM INVESTING ACTIVITIES				
(Increase) Decrease in Bank-Owned Certificates of Deposit	(44)	694		
Increase in Bank-Owned Certificates of Deposit			—	(44)
Proceeds from Sales of Securities Available for Sale	26,976	25,066	12,784	19,959
Proceeds from Maturities, Paydowns, Payups and Calls of Securities Available for Sale	23,812	30,253	9,143	7,055
Purchases of Securities Available for Sale	(63,777)	(210,432)	(45,559)	(32,689)
Net Increase in Loans	(155,123)	(560,786)	(60,137)	(114,711)
Net Decrease (Increase) in FHLB Stock	2,550	(10,361)		
Net Increase in FHLB Stock			(98)	(9,026)
Purchases of Premises and Equipment	(2,787)	(1,457)	(6)	(7)
Proceeds from Sales of Foreclosed Assets	116	—		
Purchase of Bank-Owned Life Insurance	—	(7,407)		
Net Cash Used in Investing Activities	(168,277)	(734,430)	(83,873)	(129,463)
CASH FLOWS FROM FINANCING ACTIVITIES				
Net Increase in Deposits	258,966	358,837		
Net (Decrease) Increase in Federal Funds Purchased	(287,000)	212,000		
Net (Increase) Decrease in Deposits			97,277	(5,420)
Net Increase in Federal Funds Purchased			—	150,000
Proceeds from FHLB Advances	486,500	29,000	208,000	155,500
Principal Payments on FHLB Advances	(289,000)	—	(210,500)	(55,500)
Preferred Stock Dividends Paid	(3,040)	(3,040)	(1,013)	(1,013)
Stock Options Exercised	717	106	66	261
Stock Repurchases	—	(10,778)	(2,276)	—
Forfeiture of Restricted Stock Awards	—	(3)		
Shares Repurchased for Tax Withholdings Upon Vesting of Restricted Stock-Based Awards	(34)	(38)	(73)	(14)
Net Cash Provided by Financing Activities	167,109	586,084	91,481	243,814
NET CHANGE IN CASH AND CASH EQUIVALENTS	37,315	(67,977)	14,793	122,149
Cash and Cash Equivalents Beginning	87,043	143,473	128,562	87,043
Cash and Cash Equivalents Ending	$ 124,358	$ 75,496	$ 143,355	$ 209,192
SUPPLEMENTAL CASH FLOW DISCLOSURE				
Cash Paid for Interest	$ 82,670	$ 16,905	$ 34,820	$ 22,903
Cash Paid for Income Taxes	8,931	14,155	—	39

SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES				
Net Investment Securities Purchased but Not Settled	6,007	5,731		
Net Investment Securities (Purchased) Sold but Not Settled			3,446	—

See accompanying notes to consolidated financial statements.

Table of Contents

Bridgewater Bancshares, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

(Unaudited)

Note 1: Description of the Business and Summary of Significant Accounting Policies

Organization

Bridgewater Bancshares, Inc. (the “Company”) is a financial holding company whose operations consist of the ownership of its wholly-owned subsidiaries, subsidiary, Bridgewater Bank (the “Bank”) and Bridgewater Risk Management, Inc.. The Bank commenced operations in 2005 and provides retail and commercial loan and deposit services, principally to customers within the Minneapolis-St. Paul-Bloomington, MN-WI Metropolitan Statistical Area. In 2008, the Bank formed BWB Holdings, LLC, a wholly-owned subsidiary of the Bank, for the purpose of holding repossessed property. In 2018, the Bank formed Bridgewater Investment Management, Inc., a wholly-owned subsidiary of the Bank, for the purpose of holding certain municipal securities and to engage in municipal lending activities.

Bridgewater Risk Management, Inc. was incorporated in December 2016 as a wholly-owned insurance company. It insures the Company and its subsidiaries against certain risks unique to the operations of the Company and for which insurance may not be currently available or economically feasible in today’s insurance marketplace. Bridgewater Risk Management pools resources with several other insurance company subsidiaries of financial institutions to spread a limited amount of risk among themselves.

Basis of Presentation

The accompanying unaudited consolidated financial statements were prepared in accordance with instructions for Form 10-Q and, therefore, do not include all disclosures necessary for a complete presentation of the consolidated balance sheets, consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of shareholders’ equity and consolidated statements of cash flows in conformity with U.S. generally accepted accounting principles (“GAAP”). However, all normal recurring adjustments which are, in the opinion of management, necessary for the fair presentation of the interim financial statements have been included. The results of operations for the three and nine-month periods months ended September 30, 2023 March 31, 2024 are not necessarily indicative of the results which may be expected for the entire year. For further information, refer to the consolidated financial statements and footnotes included in the Company’s Annual Report on Form 10-K filed with the Securities and Exchange Commission (“SEC”) on March 7, 2023 March 7, 2024.

Principles of Consolidation

These consolidated financial statements include the amounts of the Company, the Bank, with locations in Bloomington, Greenwood, Minneapolis (2), St. Louis Park, Orono, and St. Paul, Minnesota, BWB Holdings, LLC, Bridgewater Investment Management, Inc., and Bridgewater Risk Investment Management, Inc. All significant intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates in Preparation of Financial Statements

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the 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. Actual results could differ from those estimates. Information available which could affect judgements includes, but is not limited to, changes in interest rates, changes in the performance of the economy, including elevated levels of inflation and possible recession, and changes in the financial condition of borrowers.

Material estimates that are particularly susceptible to significant change in the near term include the determination of the allowance for credit losses, calculation of deferred tax assets, fair value of financial instruments, and investment securities impairment.

Emerging Growth Company

The Company qualifies as an "emerging growth company" under the Jumpstart Our Business Startups Act of 2012 (the "JOBS Act"), and may take advantage of certain exemptions from various reporting requirements that are applicable to public companies that are not emerging growth companies, including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and shareholder approval of any golden parachute payments not previously approved. In addition, even if the Company complies with the greater obligations of public companies that are not emerging growth companies, the Company may avail itself of the reduced requirements applicable to emerging growth companies from time to time in the future, so long as the Company is an emerging growth company. The Company will continue to be an emerging growth company until the earliest to occur of: (1) the end of the fiscal year following the fifth anniversary of the date of the first sale of common equity securities under the Company's Registration Statement on Form S-1, which was declared effective by the SEC on March 13, 2018; (2) the last day of the fiscal year in which the Company has $1.235 billion or more in annual revenues; (3) the date on which the Company is deemed to be a "large accelerated filer" under the Securities Exchange Act of 1934, as amended (the "Exchange Act"); or (4) the date on which the Company has, during the previous three-year period, issued publicly or privately, more than $1.0 billion in non-convertible debt securities.

Section 107 of the JOBS Act provides that an emerging growth company can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act of 1933 for complying with new or revised accounting standards. As an emerging growth company, the Company can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. The Company elected to take advantage of the benefits of this extended transition period.

Allowance for Credit Losses

Securities Available for Sale

For any securities classified as available for sale that are in an unrealized loss position at the balance sheet date, the Company assesses whether or not it intends to sell the security, or if it is more likely than not it will be required to sell the security, before recovery of its amortized cost basis. If either criteria is met, the security's amortized cost basis is written down to fair value through income with the establishment of an allowance. For securities that do not meet the aforementioned criteria, the Company evaluates whether any portion of the decline in fair value is the result of credit deterioration. In making this assessment, management considers the extent to which the amortized cost of the security exceeds its fair value, changes in credit ratings and any other known adverse conditions related to the specific security, among other factors. If the assessment indicates that a credit loss exists, an allowance for credit losses, or ACL, is recorded for the amount by which the amortized cost basis of the security exceeds the present value of cash flows expected to be collected, limited by the amount by which the amortized cost exceeds fair value. Any impairment not recognized in the allowance for credit losses is recognized in other comprehensive income.

Changes in the ACL on securities are recorded as a provision for (or recovery of) credit loss expense. Losses are charged against the allowance when management believes the uncollectibility of a security is confirmed or when either of the criteria regarding intent or requirement to sell is met. Accrued interest receivable on securities available for sale is excluded from the estimate of credit losses.

Loans

The ACL on loans is a valuation account that is deducted from the amortized cost basis of loans to present the net amount expected to be collected on loans over their contractual life. The contractual term does not consider

Table of Contents

extensions, renewals or modifications. Loans are charged off against the ACL on loans when management believes the uncollectibility of a loan balance has been confirmed. Recoveries do not exceed the aggregate of amounts previously charged off or expected to be charged off. Subsequent recoveries, if any, are credited to the ACL on loans.

The ACL on loans is measured on a collective or pooled basis when similar risk characteristics exist. The Company's pooling method is primarily based on loan purpose and collateral type and generally follows the Company's loan segmentation for regulatory reporting. The Company has identified the following pools of loans with similar risk characteristics for measuring the ACL on loans:

Commercial: Commercial loans generally are loans to sole proprietorships, partnerships, corporations, and other business enterprises to finance working capital, capital investment, or for other business related purposes. Collateral generally consists of pledges of business assets or interests, including but not limited to accounts receivable, inventory, plant and equipment, and real estate interests, if applicable. The primary repayment sources for commercial loans are the cash flow of the operating businesses which can be adversely affected by company, industry and economic business cycles. Commercial loans may be secured or unsecured.

Paycheck Protection Program (PPP): PPP loans are loans to businesses, sole proprietorships, independent contractors and self-employed individuals who met certain criteria and eligibility requirements through a loan program established by the CARES Act and administered through the Small Business Administration, or SBA. In 2021, the PPP loan program ended and the Company is no longer originating loans under this program. Credit risk in these loans is limited due to a full guarantee by the U.S. Government.

Construction and Land Development: Construction and land development loans are generally loans to finance land development or the construction of industrial, commercial, or multifamily buildings. Construction loans can include construction of new structures, additions or alterations to existing structures, or the demolition of existing structures to make way for new structures. Construction loans are generally secured by real estate. The primary risk characteristics are specific to the uncertainty on whether the construction will be completed according to the specifications and schedules and the reliance on the sale of the completed project as the primary repayment source for the loan. Factors that may influence the completion of construction may be customer specific, such as the quality and depth of property management, or related to changes in general economic conditions. Trends in the commercial and residential construction industries can significantly impact the credit quality of these loans due to supply and demand imbalances. In addition, fluctuations in real estate values can significantly impact the credit quality of these loans, as property values may determine the economic viability of construction projects and adversely impact the value of the collateral securing the loan.

1-4 Family Construction: 1-4 family construction loans are generally loans to finance the construction of new structures, additions or alterations to existing structures, or the demolition of existing structures to make way for new structures. 1-4 family construction loans are generally secured by real estate. The primary risk characteristics are specific to the uncertainty on whether the construction will be completed according to the specifications and schedules. Factors that may influence the completion of 1-4 family construction may be customer specific or related to changes in general economic conditions.

1-4 Family Mortgage: 1-4 family mortgage loans are generally loans to finance loans on owner occupied and nonowner occupied properties. 1-4 family mortgage loans are secured by first or second liens on the property. The degree of risk in residential mortgage lending involving owner occupied properties depends primarily on the borrower's ability to repay and the loan amount in relation to collateral value. Economic trends determined by unemployment rates and other key economic indicators are closely correlated to the credit quality of these loans. Weak economic trends indicate that the borrower's capacity to repay their obligations may be deteriorating. 1-4 family mortgage loans include credits to finance nonowner occupied properties used as rentals. These loans can involve additional risks as the borrower's ability to repay is based on the net operating income from the property which can be impacted by occupancy levels, rental rates, and operating expenses. Declines in net operating income can negatively impact the value of the property which increases the credit risk in the event of default.

Table of Contents

Multifamily: Multifamily loans are loans to finance multifamily properties. The primary source of repayment for multifamily loans is the cash flows of the underlying property. The primary risk characteristics include increases in vacancy rates, overbuilt supply, interest rates or changes in general economic conditions. Economic factors such as unemployment, wage growth and home affordability can impact vacancy rates and property cash flow.

Commercial Real Estate (CRE) Owner Occupied: Owner occupied commercial real estate loans are properties that are owned and operated by the borrower and the primary source for repayment is the cash flow from the ongoing operations and activities conducted by the borrower’s business. The primary risk characteristics are specific to the underlying business and its ability to generate sustainable profitability and positive cash flow. Also, certain types of businesses also may require specialized facilities that can increase costs and may not be economically feasible to an alternative user, which could adversely impact the market value of the collateral. Factors that may influence a borrower's ability to repay their loan include demand for the business’ products or services, the quality and depth of management, the degree of competition, regulatory changes, and general economic conditions.

Commercial Real Estate (CRE) Nonowner Occupied: Nonowner occupied commercial real estate loans are investment properties and the primary source for repayment of the loan is derived from rental income associated with the property or proceeds of the sale of the property. Nonowner occupied commercial real estate loans consist of mortgage loans to finance investments in real property that may include, but are not limited to, commercial/retail office space, industrial/warehouse space, hotels, assisted living facilities and other specific use properties. The primary risk characteristics include impacts of overall leasing rates, absorption timelines, levels of vacancy rates and operating expenses, and general economic conditions. Banks that are concentrated in commercial real estate lending are subject to additional regulatory scrutiny and must employ enhanced risk management practices.

Consumer and Other: Consumer and other loans generally include personal lines of credit and amortizing loans made to qualified individuals for various purposes such as auto loans, debt consolidation loans, personal expense loans or overdraft protection. The primary risk characteristics associated with consumer and other loans typically include major changes to the borrower’s financial or personal circumstances, including unemployment or other loss of income, unexpected significant expenses, such as for major medical expenses, catastrophic events, divorce or death.

Management assesses the adequacy of the ACL on loans on a quarterly basis. Management estimates the ACL on loans using relevant available information, from internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts. The Company uses the weighted-average remaining maturity, or WARM, method as the basis for estimating expected credit losses. The WARM method uses a historical average annual charge off rate. This average annual charge off rate contains loss content over a historical lookback period and is used as a foundation for estimating the ACL on loans for the remaining outstanding balances of loans by segment at the balance sheet date. The average annual charge off rate is applied to the contractual term, further adjusted for estimated prepayments, to determine the unadjusted historical charge off rate. The calculation of the unadjusted historical charge off rate is then adjusted for current conditions and for reasonable and supportable forecast periods through qualitative factors prior to being applied to the current balance of the loan segments. Accrued interest receivable on loans available for sale is excluded from the estimate of credit losses.

Forecast adjustments to the historical loss rate are based on a forecast of the U.S. national unemployment rate, a forecast of the difference between the 10-year and 3-month treasury rates, and the most recent available BBB rated corporate bond spreads to U.S. Treasury securities, or BBB Spread. The forecast overlay adjustment for the reasonable and supportable forecast assumes an immediate reversion after a one-year forecast period to historical loss rates for the remaining life of the respective loan segment.

Qualitative factors are used to cover losses that are expected but, in the Company's assessment, may not be adequately represented in the quantitative analysis or the forecasts described above. These qualitative factors serve to compensate for additional areas of uncertainty inherent in the portfolio that are not reflected in the historic loss factors. Each qualitative loss factor, for each loan segment within the portfolio, incorporates consideration for a minimum to maximum range for loss factors. These qualitative factor adjustments may increase or decrease the Company's estimate of expected credit losses and are applied to each loan segment. The qualitative factors applied to each loan segment include changes in lending policies and procedures, general economic and business conditions, the nature, volume and

Table of Contents

terms of loans, the experience, depth and ability of lending staff, the quality of the loan review function, the value of underlying collateral, competition, legal and regulatory factors, the volume and severity of watchlist and past due loans, and the level of concentrations.

Loans that do not share risk characteristics are evaluated on an individual basis. Loans evaluated individually are not included in the pooled evaluations and typically represent collateral dependent loans but may also include other nonperforming loans or modifications. The Company has elected to use the practical expedient to measure individually evaluated loans as collateral dependent when repayment is expected to be provided substantially through the operation or sale of the collateral. The credit loss is measured as the difference between the amortized cost basis of the loan and the fair value of the underlying collateral. The fair value of the collateral is adjusted for the estimated cost to sell if repayment or satisfaction of a loan is dependent on the sale of the collateral.

Management may also adjust its assumptions to account for differences between expected and actual losses from period to period. The variability of management's assumptions could alter the ACL on loans materially and impact future results of operations and financial condition. The loss estimation models and methods used to determine the allowance for credit losses are continually refined and enhanced.

Off-Balance Sheet Credit Exposures

The Company maintains a separate ACL on off-balance sheet credit exposures, including unfunded loan commitments, financial guarantees, and letters of credit, which is included in other liabilities on the consolidated balance sheet, unless the obligation is unconditionally cancellable. The ACL on off-balance sheet credit exposures is adjusted as a provision for (or recovery of) credit loss expense. The estimate includes consideration of the likelihood that funding will occur and an estimate of expected credit losses on commitments expected to be funded over the estimated life of such commitments. The allowance is calculated using the same aggregate reserve rates calculated for the funded portion of the loan segment and applied to the amount of commitments expected to fund.

Impact of Recently Adopted Accounting Guidance

On January 1, 2023, the Company adopted Accounting Standards Update ("ASU") No. 2016-13 "*Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses of Financial Instruments,"* as amended, which replaces the incurred loss methodology with an expected loss methodology that is commonly referred to as the current expected credit loss, or CECL, methodology. The measurement of expected credit losses under the CECL methodology is applicable to financial assets measured at amortized cost, including loan receivables and held-to maturity debt securities. It also applies to off-balance sheet credit exposures not accounted for as insurance (loan commitments, standby letters of credit, financial guarantees, and other similar instruments). In addition, CECL made changes to the accounting for available-for-sale debt securities. One such change is to require credit losses to be presented as an allowance rather than as a write-down on available for sale debt securities if management does intend to sell or believes that it is more likely than not they will be required to sell.

The Company adopted CECL using the modified retrospective method for all financial assets measured at amortized cost and off-balance sheet credit exposures. Results for reporting periods beginning after January 1, 2023 are presented under CECL while prior period amounts continue to be reported in accordance with previously applicable GAAP. The Company recorded a net decrease to retained earnings of $3.9 million as of January 1, 2023 for the cumulative effect of adopting CECL. The transition adjustment included a $650,000 impact due to the increase in ACL related to loans, a $4.8 million impact due the establishment of the allowance for off-balance sheet credit exposures, and a $1.6 million impact on deferred taxes.

Table of Contents

The following table presents the impact of adopting CECL:

(dollars in thousands)	January 1, 2023 Pre-CECL Adoption	Impact of CECL Adoption	As Reported Under CECL
Assets:			
Loans			
Commercial	$ 6,500	$ (1,157)	$ 5,343
Paycheck Protection Program	1	(1)	—
Construction and Land Development	3,911	(1,070)	2,841
1-4 Family Construction	845	(235)	610
Real Estate Mortgage:			
1-4 Family Mortgage	4,325	(1,778)	2,547
Multifamily	17,459	3,318	20,777
CRE Owner Occupied	1,965	(943)	1,022
CRE Nonowner Occupied	12,576	2,869	15,445
Consumer and Other	151	(90)	61
Unallocated	263	(263)	—
Allowance for Credit Losses on Loans	$ 47,996	$ 650	$ 48,646
Liabilities:			
Allowance for Credit Losses on Off-balance Sheet Credit Exposures	$ 360	$ 4,850	$ 5,210

In March 2022, the FASB issued ASU No. 2022-02, *Financial Instruments – Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures.* This ASU updates guidance in Topic 326 to eliminate the accounting guidance for troubled debt restructurings, or TDRs, by creditors in Subtopic 310-40, *Receivables – Troubled Debt Restructurings by Creditors,* while enhancing disclosure requirements for certain loan refinancing and restructuring activities by creditors when a borrower is experiencing financial difficulty. Additionally, the amendments to ASC 326 require that an entity disclose current period gross write offs by year of origination within the vintage disclosures, which requires that an entity disclose the amortized cost basis of financing receivables by credit quality indicator and class of financing receivables by year of origination. The Company adopted this standard during the first quarter of 2023 and the adoption of this standard did not have a material impact on the Company’s consolidated financial statements.

Impact of Recently Issued Accounting Guidance

In October 2023, March 2024, the Financial Accounting Standards Board, (“FASB”) or FASB, issued Accounting Standards Update, or ASU, 2023-06, No. 2024-02, *Disclosure Codification Improvements: Codification Amendments in Response to Remove References to the SEC’s Disclosure Update Concepts Statements.* The ASU amends the Codification to remove references to various concepts and Simplification Initiative. This ASU was issued to clarify or improve disclosure and presentation requirements of impacts a variety of topics which will allow users to more easily compare entities subject to the SEC's existing disclosures with those entities that were not previously subject to the requirements, and align the requirements in the FASB accounting standard codification with Codification. The amendments apply to all reporting entities within the SEC's regulations. The Company is currently evaluating the provisions scope of the amendments affected accounting guidance, but in most instances the references removed are extraneous and not required to understand or apply the impact on its future consolidated statements.

In March 2023, guidance. Generally, the FASB issued ASU No. 2023-01, *Leases (Topic 842): Common Control Arrangements*. The FASB issued guidance clarifies the accounting for leasehold improvements associated with common control leases, by requiring that leasehold improvements associated with common control leases be amortized by the lessee over the useful life of the leasehold improvements to the common control group (regardless of the lease term) as long as the lessee controls the use of the underlying asset through a lease. Additionally, leasehold improvements associated with common control leases should be accounted for as a transfer between entities under common control through an adjustment to equity if, and when, the lessee no longer controls the use of the underlying asset. The amendments in this ASU 2024-02 are not intended to result in significant accounting changes for most entities. ASU 2024-02 is effective for annual January 1, 2025 and interim periods beginning after December 15, 2023 and are is not expected to have a material impact on the Company's consolidated financial statements.

In March 2023, the FASB issued ASU No. 2023-02, *Investments Equity Method and Joint Ventures (Topic 323): Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method*. These amendments allow reporting entities to elect to account for qualifying tax equity investments using the proportional

Table of Contents

amortization method, regardless of the program giving rise to the related income tax credits. This guidance is effective for public business entities for fiscal years including interim periods within those fiscal years, beginning after December 15, 2023. Early adoption is permitted in any interim period. The Company is assessing ASU 2023-02 and its impact on its accounting and disclosures.

Subsequent Events

Subsequent events have been evaluated through November 2, 2023 May 2, 2024, which is the date the consolidated financial statements were available to be issued.

Note 2: Earnings Per Share

Basic earnings per common share are computed by dividing net income available to common shareholders by the weighted average number of common shares outstanding for the period. Diluted earnings per common share are computed by dividing net income available to common shareholders by the weighted average number of common shares adjusted for the dilutive effect of stock compensation. For the three and nine months ended September 30, 2023 March 31, 2024, stock options, restricted stock awards and restricted stock units of approximately 1,152,100 and 1,042,500 shares, respectively, totaling 1,158,046 were excluded from the calculation because they were deemed to be anti-dilutive. For the three and nine months ended September 30, 2022 March 31, 2023, stock options, restricted stock awards and restricted stock units of approximately 300,500 totaling 621,994 shares were excluded from the calculation because their effect would have been anti-dilutive. they were deemed to be antidilutive.

The following table presents the numerators and denominators for basic and diluted earnings per share computations for the three and nine months ended September 30, 2023 March 31, 2024 and 2022: 2023:

	Three Months Ended September 30,		Nine Months Ended September 30,		Three Months Ended March 31,	
(dollars in thousands, except per share data)	**2023**	**2022**	**2023**	**2022**	**2024**	**2023**
Net Income Available to Common Shareholders	$ 8,616	$ 13,500	$ 28,047	$ 36,617	$ 6,818	$ 10,629
Weighted Average Common Stock Outstanding:						
Weighted Average Common Stock Outstanding (Basic)	27,943,409	27,520,117	27,853,036	27,825,517	27,691,401	27,726,894
Dilutive Effect of Stock Compensation	368,369	1,072,737	486,816	1,057,184	398,404	763,152

Weighted Average Common Stock Outstanding (Dilutive)	28,311,778	28,592,854	28,339,852	28,882,701	28,089,805	28,490,046
Basic Earnings per Common Share	$ 0.31	$ 0.49	$ 1.01	$ 1.32	$ 0.25	$ 0.38
Diluted Earnings per Common Share	0.30	0.47	0.99	1.27	0.24	0.37

Table of Contents

Note 3: Securities

The following tables present the amortized cost and estimated fair value of securities with gross unrealized gains and losses at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023:

(dollars in thousands)	September 30, 2023 Amortized Cost	September 30, 2023 Gross Unrealized Gains	September 30, 2023 Gross Unrealized Losses	September 30, 2023 Fair Value	March 31, 2024 Amortized Cost	March 31, 2024 Gross Unrealized Gains	March 31, 2024 Gross Unrealized Losses	March 31, 2024 Fair Value
Securities Available for Sale:								
U.S. Treasury Securities	$ 2,883	$ —	$ (19)	$ 2,864				
Municipal Bonds	148,725	—	(26,228)	122,497	$151,221	$ 28	$(19,158)	$132,091
Mortgage-Backed Securities	233,920	137	(23,682)	210,375	260,079	1,544	(17,407)	244,216
Corporate Securities	134,369	268	(12,920)	121,717	142,851	348	(10,247)	132,952
SBA Securities	19,779	312	(125)	19,966	16,864	252	(91)	17,025
Asset-Backed Securities	75,616	388	(347)	75,657	106,637	519	(158)	106,998
Total Securities Available for Sale	$ 615,292	$ 1,105	$ (63,321)	$ 553,076	$677,652	$ 2,691	$(47,061)	$633,282

(dollars in thousands)	December 31, 2023 Amortized Cost	December 31, 2023 Gross Unrealized Gains	December 31, 2023 Gross Unrealized Losses	December 31, 2023 Fair Value
Securities Available for Sale:				
Municipal Bonds	$ 151,512	$ 47	$ (19,035)	$ 132,524
Mortgage-Backed Securities	249,455	2,261	(16,401)	235,315
Corporate Securities	142,098	386	(11,879)	130,605
SBA Securities	18,497	279	(102)	18,674
Asset-Backed Securities	87,054	357	(425)	86,986
Total Securities Available for Sale	$ 648,616	$ 3,330	$ (47,842)	$ 604,104

Securities with a carrying value of $169.5 million and $170.7 million were pledged to secure borrowing capacity at the Federal Reserve Discount Window as of March 31, 2024 and December 31, 2023, respectively.

Table of Contents

(dollars in thousands)	December 31, 2022 Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities Available for Sale:				
U.S. Treasury Securities	$ 2,621	$ —	$ (41)	$ 2,580
Municipal Bonds	156,506	62	(25,214)	131,354
Mortgage-Backed Securities	252,919	2,465	(17,600)	237,784
Corporate Securities	116,871	45	(7,089)	109,827
SBA Securities	20,957	79	(159)	20,877
Asset-Backed Securities	46,623	188	(620)	46,191
Total Securities Available for Sale	$ 596,497	$ 2,839	$ (50,723)	$ 548,613

Securities with a carrying value of $164.3 million at September 30, 2023 were pledged to secure borrowing capacity. The securities portfolio was unencumbered at December 31, 2022.

The following tables present the fair value and gross unrealized losses of securities with unrealized losses, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023:

(dollars in thousands, except number of holdings)	Number of Holdings	Less Than 12 Months Fair Value	Less Than 12 Months Unrealized Losses	12 Months or Greater Fair Value	12 Months or Greater Unrealized Losses	Total Fair Value	Total Unrealized Losses	Number of Holdings	Less Than 12 Months Fair Value	Less Than 12 Months Unrealized Losses	12 Months or Greater Fair Value	12 Months or Greater Unrealized Losses	Total Fair Value	Total Unrealiz Losse
September 30, 2023														
U.S. Treasury Securities	5	$ 886	$ (5)	$ 880	$ (14)	$ 1,766	$ (19)							
March 31, 2024								**March 31, 2024**						
Municipal Bonds	218	8,358	(232)	114,139	(25,996)	122,497	(26,228)	215	$ 7,862	$ (44)	$122,437	$(19,114)	$130,299	$(19,15
Mortgage-Backed Securities	140	68,938	(2,205)	135,408	(21,477)	204,346	(23,682)	129	42,583	(665)	124,205	(16,742)	166,788	(17,40
Corporate Securities	109	18,899	(1,024)	94,731	(11,896)	113,630	(12,920)	113	16,148	(290)	105,583	(9,957)	121,731	(10,24
SBA Securities	47	2,319	(6)	6,811	(119)	9,130	(125)	45	1,973	(5)	6,296	(86)	8,269	(9
Asset-Backed Securities	16	17,215	(130)	14,173	(217)	31,388	(347)	17	24,404	(67)	16,595	(91)	40,999	(15
Total Securities Available for Sale	535	$116,615	$ (3,602)	$366,142	$(59,719)	$482,757	$(63,321)	519	$92,970	$ (1,071)	$375,116	$(45,990)	$468,086	$(47,06

(dollars in thousands, except number of holdings)	Number of Holdings	Less Than 12 Months Fair Value	Less Than 12 Months Unrealized Losses	12 Months or Greater Fair Value	12 Months or Greater Unrealized Losses	Total Fair Value	Total Unrealized Losses	Number of Holdings	Less Than 12 Months Fair Value	Less Than 12 Months Unrealized Losses	12 Months or Greater Fair Value	12 Months or Greater Unrealized Losses	Total Fair Value	Total Unr Lo
December 31, 2022														
U.S. Treasury Securities	6	$ 2,330	$ (41)	$ —	$ —	$ 2,330	$ (41)							
December 31, 2023								**December 31, 2023**						
Municipal Bonds	225	59,912	(5,321)	69,424	(19,893)	129,336	(25,214)	212	$ 4,052	$ (17)	$120,527	$(19,018)	$124,579	$(1
Mortgage-Backed Securities	130	123,224	(5,427)	62,882	(12,173)	186,106	(17,600)	128	35,719	(310)	135,829	(16,091)	171,548	(1
Corporate Securities	100	88,486	(5,121)	17,054	(1,968)	105,540	(7,089)	110	14,528	(756)	101,311	(11,123)	115,839	(1
SBA Securities	49	2,498	(6)	9,750	(153)	12,248	(159)	47	1,731	(3)	7,072	(99)	8,803	
Asset-Backed Securities	20	21,919	(396)	6,186	(224)	28,105	(620)	24	39,011	(234)	13,805	(191)	52,816	
Total Securities Available for Sale	530	$298,369	$(16,312)	$165,296	$(34,411)	$463,665	$(50,723)	521	$95,041	$ (1,320)	$378,544	$(46,522)	$473,585	$(4

Beginning January 1, 2023At March 31, 2024, the Company evaluates all securities quarterly to determine if any securities in a loss position require an allowance for credit losses on securities in accordance with ASC 326 - *Measurement of Credit Losses on Financial Instruments*.

Table of Contents

At September 30, 2023, 535519 debt securities had unrealized losses with aggregate depreciation of approximately 11.6%9.1% from the Company's amortized cost basis. At December 31, 2023, 521 debt securities had unrealized losses with aggregate depreciation of approximately 9.2% from the Company's amortized cost basis. These unrealized losses have not been recognized into income because management does not intend to sell these securities, and it is not more likely than not it will be required to sell the securities before recovery of its amortized cost basis. Furthermore, the unrealized losses are due to changes in interest rates and other market conditions and were not reflective of credit events. To make this determination, consideration is given to such factors as the credit rating of the issuer, level of credit enhancement, changes in credit ratings, market conditions such as current interest rates, any adverse conditions specific to the security, and delinquency status on contractual payments. As of September 30, 2023March 31, 2024 and December 31, 2023, there was no allowance for credit losses carried on the Company's securities portfolio.

Accrued interest receivable on securities, which is recorded within accrued interest on the balance sheet, totaled $4.3 million$5.2 million and $4.9 million at September 30, 2023March 31, 2024 and December 31, 2023, respectively, and is excluded from the estimate of credit losses.

At December 31, 2022, 530 debt securities had unrealized losses with aggregate depreciation 11

Table of approximately 9.9% from the Company's amortized cost basis. For periods prior to the adoption of ASC 326, management conducted a quarterly review and evaluation of its securities for other than temporary impairment. In analyzing whether unrealized losses on debt securities were other than temporary, management considered the length of time and the extent to which the fair value was less than amortized cost, whether the securities are issued by a government body or agency, whether a rating agency has downgraded the securities, industry analysts' reports, the financial condition and performance of the issuer, the quality of any underlying assets or credit enhancements, and the Company's intent and ability to hold the security for a period of time sufficient to allow for a recovery in fair value. No declines were deemed to be other than temporary as of December 31, 2022. Contents

The following table presents a summary of amortized cost and estimated fair value of debt securities by the lesser of expected call date or contractual maturity as of September 30, 2023 March 31, 2024. Call date is used when a call of the debt security is expected, as determined by the Company when the security has a market value above its amortized cost. Contractual maturities will differ from expected maturities for mortgage-backed, SBA securities and asset-backed securities because borrowers may have the right to call or prepay obligations without penalties.

(dollars in thousands)	Amortized Cost	Fair Value	Amortized Cost	Fair Value
September 30, 2023				
March 31, 2024				
Due in One Year or Less	$ 9,779	$ 9,833	$ 16,679	$ 16,643
Due After One Year Through Five Years	44,811	42,665	48,627	46,923
Due After Five Years Through 10 Years	179,590	155,444	192,786	172,941
Due After 10 Years	51,797	39,136	35,980	28,536
Subtotal	285,977	247,078	294,072	265,043
Mortgage-Backed Securities	233,920	210,375	260,079	244,216
SBA Securities	19,779	19,966	16,864	17,025
Asset-Backed Securities	75,616	75,657	106,637	106,998
Totals	$ 615,292	$ 553,076	$ 677,652	$633,282

The following table presents a summary of the proceeds from sales of securities available for sale, as well as gross gains and losses, for the three and nine months ended September 30, 2023 March 31, 2024 and September 30, 2022 March 31, 2023:

	Three Months Ended September 30,		Nine Months Ended September 30,		Three Months Ended March 31,	
(dollars in thousands)	2023	2022	2023	2022	2024	2023
Proceeds From Sales of Securities	$ —	$ —	$ 26,976	$ 25,066	$12,784	$19,959
Gross Gains on Sales	—	—	247	234	786	197
Gross Losses on Sales	—	—	(253)	(182)	(693)	(253)

Note 4: Loans and Allowance for Credit Losses

The following table presents the components of the loan portfolio at March 31, 2024 and December 31, 2023:

(dollars in thousands)	March 31, 2024	December 31, 2023
Commercial	$ 483,069	$ 464,061
Construction and Land Development	200,970	232,804
1-4 Family Construction	65,606	65,087
Real Estate Mortgage:		
1-4 Family Mortgage	417,773	402,396

Multifamily	1,389,345	1,388,541
CRE Owner Occupied	182,589	175,783
CRE Nonowner Occupied	1,035,702	987,306
Total Real Estate Mortgage Loans	3,025,409	2,954,026
Consumer and Other	9,151	8,304
Total Loans, Gross	3,784,205	3,724,282
Allowance for Credit Losses	(51,347)	(50,494)
Net Deferred Loan Fees	(6,356)	(6,573)
Total Loans, Net	$ 3,726,502	$ 3,667,215

17 12

Table of Contents

Note 4: Loans and Allowance for Credit Losses

The following table presents the components of the loan portfolio at September 30, 2023 and December 31, 2022:

(dollars in thousands)	September 30, 2023	December 31, 2022
Commercial	$ 459,063	$ 435,344
Paycheck Protection Program	791	1,049
Construction and Land Development	294,818	295,554
1-4 Family Construction	64,463	70,242
Real Estate Mortgage:		
1-4 Family Mortgage	404,716	355,474
Multifamily	1,378,669	1,306,738
CRE Owner Occupied	159,485	149,905
CRE Nonowner Occupied	951,263	947,008
Total Real Estate Mortgage Loans	2,894,133	2,759,125
Consumer and Other	9,003	8,132
Total Loans, Gross	3,722,271	3,569,446
Allowance for Credit Losses	(50,585)	(47,996)
Net Deferred Loan Fees	(7,222)	(9,293)
Total Loans, Net	$ 3,664,464	$ 3,512,157

The following tables present the aging in past due loans and nonaccrual status, with and without an ACL, by loan segment as of September 30, 2023 and December 31, 2022:

		Accruing Interest				
(dollars in thousands)	Current	30-89 Days Past Due	90 Days or More Past Due	Nonaccrual with ACL	Nonaccrual without ACL	Total
September 30, 2023						
Commercial	$ 458,883	$ 11	$ —	$ 74	$ 95	$ 459,063
Paycheck Protection Program	791	—	—	—	—	791
Construction and Land Development	294,732	—	—	—	86	294,818
1-4 Family Construction	64,463	—	—	—	—	64,463
Real Estate Mortgage:						
1-4 Family Mortgage	404,716	—	—	—	—	404,716

Multifamily	1,378,669	—	—	—	—	1,378,669
CRE Owner Occupied	158,991	—	—	—	494	159,485
CRE Nonowner Occupied	951,263	—	—	—	—	951,263
Consumer and Other	9,003	—	—	—	—	9,003
Totals	$ 3,721,511	$ 11	$ —	$ 74	$ 675	$ 3,722,271

Table of Contents

	Accruing Interest					
(dollars in thousands)	**Current**	**30-89 Days Past Due**	**90 Days or More Past Due**	**Nonaccrual with ACL**	**Nonaccrual without ACL**	**Total**
December 31, 2022						
Commercial	$ 435,274	$ 70	$ —	$ —	$ —	$ 435,344
Paycheck Protection Program	1,049	—	—	—	—	1,049
Construction and Land Development	295,448	—	—	—	106	295,554
1-4 Family Construction	70,242	—	—	—	—	70,242
Real Estate Mortgage:						
HELOC and 1-4 Family Junior Mortgage	36,875	—	—	—	—	36,875
1st REM - 1-4 Family	50,945	—	—	—	—	50,945
LOCs and 2nd REM - Rentals	27,985	—	—	—	—	27,985
1st REM - Rentals	239,553	116	—	—	—	239,669
Multifamily	1,306,738	—	—	—	—	1,306,738
CRE Owner Occupied	149,372	—	—	—	533	149,905
CRE Nonowner Occupied	947,008	—	—	—	—	947,008
Consumer and Other	8,132	—	—	—	—	8,132
Totals	$ 3,568,621	$ 186	$ —	$ —	$ 639	$ 3,569,446

The following tables present the aging in past due loans and nonaccrual status, with and without an ACL, by loan segment as of March 31, 2024 and December 31, 2023:

	Accruing Interest					
(dollars in thousands)	**Current**	**30-89 Days Past Due**	**90 Days or More Past Due**	**Nonaccrual with ACL**	**Nonaccrual without ACL**	**Total**
March 31, 2024						
Commercial	$ 482,894	$ —	$ —	$ —	$ 175	$ 483,069
Construction and Land Development	200,896	—	—	—	74	200,970
1-4 Family Construction	65,606	—	—	—	—	65,606
Real Estate Mortgage:						
1-4 Family Mortgage	417,773	—	—	—	—	417,773
Multifamily	1,389,345	—	—	—	—	1,389,345
CRE Owner Occupied	182,589	—	—	—	—	182,589
CRE Nonowner Occupied	1,035,702	—	—	—	—	1,035,702
Consumer and Other	9,151	—	—	—	—	9,151
Totals	$ 3,783,956	$ —	$ —	$ —	$ 249	$ 3,784,205

	Accruing Interest					

(dollars in thousands)	Current	30-89 Days Past Due	90 Days or More Past Due	Nonaccrual with ACL	Nonaccrual without ACL	Total
December 31, 2023						
Commercial	$ 463,966	$ —	$ —	$ —	$ 95	$ 464,061
Construction and Land Development	232,724	—	—	—	80	232,804
1-4 Family Construction	64,838	—	—	—	249	65,087
Real Estate Mortgage:						
1-4 Family Mortgage	402,396	—	—	—	—	402,396
Multifamily	1,373,431	15,110	—	—	—	1,388,541
CRE Owner Occupied	175,289	—	—	—	494	175,783
CRE Nonowner Occupied	987,306	—	—	—	—	987,306
Consumer and Other	8,303	—	—	—	1	8,304
Totals	$ 3,708,253	$ 15,110	$ —	$ —	$ 919	$ 3,724,282

The Company aggregates loans into credit quality indicators based on relevant information about the ability of borrowers to service their debt by using internal reviews in which management monitors and analyzes the financial condition of borrowers and guarantors, trends in the industries in which the borrowers operate, and the fair values of collateral securing the loans. The Company analyzes all loans individually to assign a risk rating, grouped into five major categories defined as follows:

Pass: A pass loan is a credit with no known or existing potential weaknesses deserving of management's close attention.

Watch: Loans classified as watch have a potential weakness that deserves management's close attention. If left uncorrected, this potential weakness may result in deterioration of the repayment prospects for the loan or of the Company's credit position at some future date. Watch loans are not adversely classified and do not expose the Company to sufficient risk to warrant adverse classification.

Substandard: Loans classified as substandard are not adequately protected by the current net worth and paying capacity of the borrower or of the collateral pledged, if any. Loans classified as substandard have a well-defined weakness or weaknesses that jeopardize the repayment of the debt. Well defined weaknesses include a borrower's lack of marketability, inadequate cash flow or collateral support, failure to complete construction on time, or the failure to fulfill economic expectations. They are characterized by the distinct possibility that the Company will sustain loss if the deficiencies are not corrected.

Doubtful: Loans classified as doubtful have all the weaknesses inherent in those classified as substandard, with the added characteristic that the weaknesses make collection or repayment in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable.

Loss: Loans classified as loss are considered uncollectible and charged-off immediately.

The following table presents loan balances classified by credit quality indicators by year of origination as of September 30, 2023March 31, 2024 and December 31, 2023:

	September 30, 2023							
(dollars in thousands)	**2023**	**2022**	**2021**	**2020**	**2019**	**Prior**	**Revolving**	**Total**
Commercial								
Pass	$ 47,507	$ 141,694	$ 39,407	$ 25,556	$ 19,018	$ 4,735	$ 160,955	$ 438,872
Watch	7	332	38	—	3	1,796	2,184	4,360
Substandard	76	11,462	11	—	—	62	4,220	15,831
Total Commercial	47,590	153,488	39,456	25,556	19,021	6,593	167,359	459,063
Current Period Gross Write-offs	96	—	—	—	—	—	—	96
Paycheck Protection Program								
Pass	—	—	791	—	—	—	—	791
Total Paycheck Protection Program	—	—	791	—	—	—	—	791
Current Period Gross Write-offs	—	—	—	—	—	—	—	—
Construction and Land Development								
Pass	37,814	194,143	48,288	5,021	—	91	9,375	294,732
Substandard	—	86	—	—	—	—	—	86
Total Construction and Land Development	37,814	194,229	48,288	5,021	—	91	9,375	294,818
Current Period Gross Write-offs	—	—	—	—	—	—	—	—
1-4 Family Construction								
Pass	33,966	13,594	935	358	—	—	15,610	64,463
Total 1-4 Family Construction	33,966	13,594	935	358	—	—	15,610	64,463
Current Period Gross Write-offs	—	—	—	—	—	—	—	—
Real Estate Mortgage:								—
1-4 Family Mortgage								
Pass	61,412	109,495	87,381	55,250	19,059	4,880	66,575	404,052
Watch	—	—	—	—	—	1	—	1
Substandard	—	—	—	—	—	663	—	663
Total 1-4 Family Mortgage	61,412	109,495	87,381	55,250	19,059	5,544	66,575	404,716
Current Period Gross Write-offs	—	—	—	—	—	—	—	—
Multifamily								
Pass	136,071	437,174	473,938	230,980	42,344	46,635	8,598	1,375,740
Watch	2,929	—	—	—	—	—	—	2,929
Total Multifamily	139,000	437,174	473,938	230,980	42,344	46,635	8,598	1,378,669
Current Period Gross Write-offs	—	—	—	—	—	—	—	—
CRE Owner Occupied								
Pass	31,090	48,727	41,274	20,827	5,076	9,728	1,194	157,916
Substandard	200	—	494	—	—	875	—	1,569
Total CRE Owner Occupied	31,290	48,727	41,768	20,827	5,076	10,603	1,194	159,485
Current Period Gross Write-offs	—	—	—	—	—	—	—	—
CRE Nonowner Occupied								
Pass	123,283	297,158	256,990	84,384	78,708	68,128	5,553	914,204
Watch	6,176	10,173	3,238	—	—	—	—	19,587
Substandard	9,780	4,408	—	—	3,284	—	—	17,472
Total CRE Nonowner Occupied	139,239	311,739	260,228	84,384	81,992	68,128	5,553	951,263
Current Period Gross Write-offs	—	—	—	—	—	—	—	—

Total Real Estate Mortgage Loans	370,941	907,135	863,315	391,441	148,471	130,910	81,920	2,894,133
Consumer and Other								
Pass	2,744	290	10	1,501	11	—	4,447	9,003
Total Consumer and Other	2,744	290	10	1,501	11	—	4,447	9,003
Current Period Gross Write-offs	2	—	—	—	—	—	31	33
Total Period Gross Write-offs	98	—	—	—	—	—	31	129
Total Loans	$ 493,055	$ 1,268,736	$ 952,795	$ 423,877	$ 167,503	$ 137,594	$ 278,711	$ 3,722,271

	March 31, 2024							
(dollars in thousands)	**2024**	**2023**	**2022**	**2021**	**2020**	**Prior**	**Revolving**	**Total**
Commercial								
Pass	$ 45,707	$ 77,410	$ 116,209	$ 35,888	$ 17,453	$ 21,502	$ 153,257	$ 467,426
Watch	—	—	—	24	—	—	495	519
Substandard	—	45	11,213	—	—	—	3,866	15,124
Total Commercial	45,707	77,455	127,422	35,912	17,453	21,502	157,618	483,069
Current Period Gross Write-offs	—	—	—	—	—	—	—	—
Construction and Land Development								
Pass	18,627	72,163	84,752	16,961	41	—	8,352	200,896
Substandard	—	—	74	—	—	—	—	74
Total Construction and Land Development	18,627	72,163	84,826	16,961	41	—	8,352	200,970
Current Period Gross Write-offs	—	—	—	—	—	—	—	—
1-4 Family Construction								
Pass	4,521	30,238	16,331	942	—	—	13,574	65,606
Total 1-4 Family Construction	4,521	30,238	16,331	942	—	—	13,574	65,606
Current Period Gross Write-offs	—	—	—	—	—	—	—	—
Real Estate Mortgage:								
1-4 Family Mortgage								
Pass	30,248	66,675	104,943	80,452	55,779	20,138	58,883	417,118
Substandard	—	—	—	—	—	655	—	655
Total 1-4 Family Mortgage	30,248	66,675	104,943	80,452	55,779	20,793	58,883	417,773
Current Period Gross Write-offs	—	—	—	—	—	—	—	—
Multifamily								
Pass	86,323	169,735	452,006	402,045	189,453	74,471	12,408	1,386,441
Watch	—	2,904	—	—	—	—	—	2,904
Total Multifamily	86,323	172,639	452,006	402,045	189,453	74,471	12,408	1,389,345
Current Period Gross Write-offs	—	—	—	—	—	—	—	—
CRE Owner Occupied								
Pass	14,053	30,839	63,297	39,429	20,219	11,966	1,790	181,593
Substandard	—	996	—	—	—	—	—	996
Total CRE Owner Occupied	14,053	31,835	63,297	39,429	20,219	11,966	1,790	182,589
Current Period Gross Write-offs	—	—	—	—	—	—	—	—
CRE Nonowner Occupied								
Pass	70,675	153,480	318,367	236,313	76,481	141,216	3,989	1,000,521
Watch	—	15,013	—	3,188	—	—	—	18,201

Substandard	—	15,036	1,944	—	—	—	—	16,980
Total CRE Nonowner Occupied	70,675	183,529	320,311	239,501	76,481	141,216	3,989	1,035,702
Current Period Gross Write-offs	—	—	—	—	—	—	—	—
Total Real Estate Mortgage Loans	201,299	454,678	940,557	761,427	341,932	248,446	77,070	3,025,409
Consumer and Other								
Pass	193	2,731	206	7	1,363	3	4,648	9,151
Total Consumer and Other	193	2,731	206	7	1,363	3	4,648	9,151
Current Period Gross Write-offs	1	—	—	—	—	—	1	2
Total Period Gross Write-offs	1	—	—	—	—	—	1	2
Total Loans	$ 270,347	$ 637,265	$ 1,169,342	$ 815,249	$ 360,789	$ 269,951	$ 261,262	$ 3,784,205

Table of Contents

The following table presents the risk category of loans by loan segment as of December 31, 2022:

	December 31, 2022			
(dollars in thousands)	**Pass**	**Watch**	**Substandard**	**Total**
Commercial	$ 406,192	$ 9,477	$ 19,675	$ 435,344
Paycheck Protection Program	1,049	—	—	1,049
Construction and Land Development	294,736	712	106	295,554
1-4 Family Construction	70,242	—	—	70,242
Real Estate Mortgage:				
HELOC and 1-4 Family Junior Mortgage	36,875	—	—	36,875
1st REM - 1-4 Family	50,271	674	—	50,945
LOCs and 2nd REM - Rentals	27,978	7	—	27,985
1st REM - Rentals	239,277	—	392	239,669
Multifamily	1,303,468	3,270	—	1,306,738
CRE Owner Occupied	148,268	—	1,637	149,905
CRE Nonowner Occupied	922,657	18,112	6,239	947,008
Consumer and Other	8,132	—	—	8,132
Totals	$ 3,509,145	$ 32,252	$ 28,049	$ 3,569,446

The following table presents the activity in the allowance for credit losses, by segment, for the three and nine months ended September 30, 2023. On January 1, 2023, the Company adopted CECL, which added $650,000 to the total ACL. Under CECL, the Company recorded a $0 and $2.1 million provision for credit losses on loans during the three and nine months ended September 30, 2023, respectively, compared to a $1.5 million and $6.2 million provision for loan losses in the three and nine months ended September 30, 2022, respectively, under the incurred loss method.

(dollars in thousands)	Commercial	Paycheck Protection Program	Construction and Land Development	1-4 Family Construction	1--4 Family Mortgage	Multifamily	CRE Owner Occupied	CRE Non-owner Occupied	Consumer and Other	Unallocated	Total
Three Months Ended September 30, 2023											
Allowance for Credit Losses for Loans:											

Beginning Balance	$ 5,439	$ —	$ 3,476	$ 654	$ 2,836	$ 21,164	$ 1,086	$ 15,976	$ 70	$ —	$ 50,701
Provision for Credit Losses for Loans	151	—	(704)	(80)	22	1,052	3	(464)	20	—	—
Loans Charged-off	(96)	—	—	—	—	—	—	—	(26)	—	(122)
Recoveries of Loans	2	—	—	—	2	—	—	—	2	—	6
Total Ending Allowance Balance	$ 5,496	$ —	$ 2,772	$ 574	$ 2,860	$ 22,216	$ 1,089	$ 15,512	$ 66	$ —	$ 50,585
Nine Months Ended September 30, 2023											
Allowance for Credit Losses for Loans:											
Beginning Balance, Prior to Adoption of CECL	$ 6,500	$ 1	$ 3,911	$ 845	$ 4,325	$ 17,459	$ 1,965	$ 12,576	$ 151	$ 263	$ 47,996
Impact of Adopting CECL	(1,157)	(1)	(1,070)	(235)	(1,778)	3,318	(943)	2,869	(90)	(263)	650
Provision for Credit Losses for Loans	242	—	(69)	(36)	309	1,439	67	67	31	—	2,050
Loans Charged-off	(96)	—	—	—	—	—	—	—	(33)	—	(129)
Recoveries of Loans	7	—	—	—	4	—	—	—	7	—	18
Total Ending Allowance Balance	$ 5,496	$ —	$ 2,772	$ 574	$ 2,860	$ 22,216	$ 1,089	$ 15,512	$ 66	$ —	$ 50,585

	December 31, 2023							
(dollars in thousands)	**2023**	**2022**	**2021**	**2020**	**2019**	**Prior**	**Revolving**	**Total**
Commercial								
Pass	$ 93,299	$ 121,274	$ 37,056	$ 19,297	$ 18,594	$ 4,507	$ 149,836	$ 443,863
Watch	1,700	318	34	—	—	—	2,003	4,055
Substandard	3	11,299	—	—	—	50	4,791	16,143
Total Commercial	95,002	132,891	37,090	19,297	18,594	4,557	156,630	464,061
Current Period Gross Write-offs	72	96	12	—	—	—	—	180
Construction and Land Development								
Pass	87,402	99,133	34,122	46	—	—	12,021	232,724
Substandard	—	80	—	—	—	—	—	80
Total Construction and Land Development	87,402	99,213	34,122	46	—	—	12,021	232,804
Current Period Gross Write-offs	—	—	—	—	—	—	—	—
1-4 Family Construction								
Pass	35,172	16,156	941	355	—	—	12,214	64,838
Substandard	249	—	—	—	—	—	—	249
Total 1-4 Family Construction	35,421	16,156	941	355	—	—	12,214	65,087
Current Period Gross Write-offs	—	—	—	—	—	—	—	—
Real Estate Mortgage:								
1-4 Family Mortgage								
Pass	74,602	106,085	83,525	52,813	18,789	3,403	62,490	401,707
Substandard	—	—	—	—	—	659	30	689
Total 1-4 Family Mortgage	74,602	106,085	83,525	52,813	18,789	4,062	62,520	402,396
Current Period Gross Write-offs	—	—	—	—	—	—	—	—
Multifamily								
Pass	192,078	456,179	444,162	196,784	41,998	45,847	8,577	1,385,625
Watch	2,916	—	—	—	—	—	—	2,916
Total Multifamily	194,994	456,179	444,162	196,784	41,998	45,847	8,577	1,388,541
Current Period Gross Write-offs	—	—	—	—	—	—	—	—

CRE Owner Occupied								
Pass	36,255	61,724	40,748	20,610	4,903	8,312	1,672	174,224
Substandard	194	—	494	—	—	871	—	1,559
Total CRE Owner Occupied	36,449	61,724	41,242	20,610	4,903	9,183	1,672	175,783
Current Period Gross Write-offs	—	—	—	—	—	—	—	—
CRE Nonowner Occupied								
Pass	164,226	305,749	253,683	77,618	78,288	66,569	4,521	950,654
Watch	16,301	—	3,213	—	—	—	—	19,514
Substandard	15,183	1,955	—	—	—	—	—	17,138
Total CRE Nonowner Occupied	195,710	307,704	256,896	77,618	78,288	66,569	4,521	987,306
Current Period Gross Write-offs	—	—	—	—	—	—	—	—
Total Real Estate Mortgage Loans	501,755	931,692	825,825	347,825	143,978	125,661	77,290	2,954,026
Consumer and Other								
Pass	2,908	256	9	1,460	6	—	3,665	8,304
Total Consumer and Other	2,908	256	9	1,460	6	—	3,665	8,304
Current Period Gross Write-offs	42	—	—	—	—	—	2	44
Total Period Gross Write-offs	114	96	12	—	—	—	2	224
Total Loans	$ 722,488	$ 1,180,208	$ 897,987	$ 368,983	$ 162,578	$ 130,218	$ 261,820	$ 3,724,282

The following table presents tables present the activity in the allowance for loan credit losses, by portfolio segment, for the three and nine months ended September 30, 2022, prepared using the previous GAAP incurred loss method prior to the adoption of CECL: March 31, 2024 and 2023:

(dollars in thousands)	Commercial	Paycheck Protection Program	Construction and Land Development	1-4 Family Construction	1--4 Family Mortgage	Multifamily	CRE Owner Occupied	CRE Non-owner Occupied	Consumer and Other	Unallocated	Total	Commercial	Construction and Land Development	1-4 Family Construction	1--4 Family Mortgage	Multifamily	CRE Owner Occupied
Three Months Ended September 30, 2022																	
Allowance for Loan Losses:																	
Three Months Ended March 31, 2024																	

Allowance for Credit Losses for Loans:																	
Beginning Balance	$ 6,275	$ 2	$ 4,134	$ 638	$ 4,206	$ 14,977	$ 1,920	$ 12,235	$ 154	$ 170	$44,711	$ 5,398	$ 2,156	$ 558	$ 2,651	$ 22,217	$ 1,184
Provision for Loan Losses	70	(1)	(363)	60	(257)	1,845	107	47	13	(21)	1,500						
Provision for Credit Losses for Loans												206	(328)	19	102	13	51
Loans Charged-off	—	—	—	—	—	—	—	—	(5)	—	(5)	—	—	—	—	—	—
Recoveries of Loans	3	—	—	—	281	—	—	—	1	—	285	3	—	—	1	—	—
Total Ending Allowance Balance	$ 6,348	$ 1	$ 3,771	$ 698	$ 4,230	$ 16,822	$ 2,027	$ 12,282	$ 163	$ 149	$46,491	$ 5,607	$ 1,828	$ 577	$ 2,754	$ 22,230	$ 1,235
Nine Months Ended September 30, 2022																	
Allowance for Loan Losses:																	
Beginning Balance	$ 6,256	$ 13	$ 3,139	$ 618	$ 3,757	$ 12,610	$ 1,495	$ 11,335	$ 147	$ 650	$40,020						
Provision for Loan Losses	98	(12)	632	80	187	4,212	532	947	25	(501)	6,200						
Loans Charged-off	(13)	—	—	—	—	—	—	—	(21)	—	(34)						
Recoveries of Loans	7	—	—	—	286	—	—	—	12	—	305						
Total Ending Allowance Balance	$ 6,348	$ 1	$ 3,771	$ 698	$ 4,230	$ 16,822	$ 2,027	$ 12,282	$ 163	$ 149	$46,491						

(dollars in thousands)	Commercial	Construction and Land Development	1-4 Family Construction	1--4 Family Mortgage	Multifamily	CRE Owner Occupied	CRE Non-owner Occupied	Consumer and Other	Unallocated	Total
Three Months Ended March 31, 2023										
Allowance for Credit Losses for Loans:										
Beginning Balance, Prior to Adoption of CECL	$ 6,501	$ 3,911	845	$ 4,325	$ 17,459	$ 1,965	$ 12,576	$ 151	$ 263	$ 47,996
Impact of Adopting CECL	(1,158)	(1,070)	(235)	(1,778)	3,318	(943)	2,869	(90)	(263)	650
Balance ss of January 1, 2023, as Adjusted for Adoption of CECL	5,343	2,841	610	2,547	20,777	1,022	15,445	61	—	48,646
Provision for Credit Losses for Loans	220	328	196	169	212	61	299	15	—	1,500

Loans Charged-off	—	—	—	—	—	—	—	(4)	—	(4)
Recoveries of Loans	3	—	—	1	—	—	—	2	—	6
Total Ending Allowance Balance	$ 5,566	$ 3,169	$ 806	$ 2,717	$ 20,989	$ 1,083	$ 15,744	$ 74	$ —	$ 50,148

The following tables present the balance in the allowance for credit losses and the recorded investment in loans, by segment, based on impairment method as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023:

(dollars in thousands)	Commercial	Paycheck Protection Program	Construction and Land Development	1-4 Family Construction	1--4 Family Mortgage	Multifamily	CRE Owner Occupied	CRE Non-owner Occupied	Consumer and Other	Unallocated	Total	Commercial	Construction and Land Development	1-4 Family Construction	1--4 Family Mortgage	Multifamily	CRE Owner Occupi
ACL at September 30, 2023																	
ACL at March 31, 2024																	
Individually Evaluated for Impairment	$ 84	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 84	$ 26	$ —	$ —	$ —	$ —	$ –
Collectively Evaluated for Impairment	5,412	—	2,772	574	2,860	22,216	1,089	15,512	66	—	50,501	5,581	1,828	577	2,754	22,230	1,23
Totals	$ 5,496	$ —	$ 2,772	$ 574	$ 2,860	$ 22,216	$ 1,089	$ 15,512	$ 66	$ —	$50,585	$ 5,607	$ 1,828	$ 577	$ 2,754	$ 22,230	$ 1,23
ALL at December 31, 2022																	
Individually Evaluated for Impairment	$ 71	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 71						
Collectively Evaluated for Impairment	6,429	1	3,911	845	4,325	17,459	1,965	12,576	151	263	47,925						
Totals	$ 6,500	$ 1	$ 3,911	$ 845	$ 4,325	$ 17,459	$ 1,965	$ 12,576	$ 151	$ 263	$47,996						

(dollars in thousands)	Commercial	Paycheck Protection Program	Construction and Land Development	1-4 Family Construction	1--4 Family Mortgage	Multifamily	CRE Owner Occupied	CRE Non-owner Occupied	Consumer and Other	Total	Commercial	Construction and Land Development	1-4 Family Construction	1--4 Family Mortgage	Multifamily	CRE Owner Occupied
Loans at September 30, 2023																
ACL at December 31, 2023																
Individually Evaluated for Impairment	$ 15,831	$ —	$ 86	$ —	$ 663	$ —	$ 1,569	$ 17,472	$ —	$ 35,621	$ 8	$ —	$ —	$ —	$ —	$ —
Collectively Evaluated for Impairment	443,232	791	294,732	64,463	404,053	1,378,669	157,916	933,791	9,003	3,686,650	5,390	2,156	558	2,651	22,217	1,184
Totals	$459,063	$ 791	$ 294,818	$ 64,463	$404,716	$1,378,669	$159,485	$951,263	$ 9,003	$3,722,271	$ 5,398	$ 2,156	$ 558	$ 2,651	$ 22,217	$ 1,184
Loans at December 31, 2022																

Individually Evaluated for Impairment	$ 19,675	$ —	$ 106	$ —	$ 392	$ —	$ 1,637	$ 6,239	$ —	$ 28,049
Collectively Evaluated for Impairment	415,669	1,049	295,448	70,242	355,082	1,306,738	148,268	940,769	8,132	3,541,397
Totals	$435,344	$ 1,049	$ 295,554	$ 70,242	$355,474	$1,306,738	$149,905	$947,008	$ 8,132	$3,569,446

(dollars in thousands)	Commercial	Construction and Land Development	1-4 Family Construction	1--4 Family Mortgage	Multifamily	CRE Owner Occupied	CRE Non-owner Occupied	Consumer and Other	Total
Loans at March 31, 2024									
Individually Evaluated for Impairment	$ 15,124	$ 74	$ —	$ 655	$ —	$ 996	$ 16,980	$ —	$ 33,829
Collectively Evaluated for Impairment	467,945	200,896	65,606	417,118	1,389,345	181,593	1,018,722	9,151	3,750,376
Totals	$ 483,069	$ 200,970	$ 65,606	$ 417,773	$ 1,389,345	$ 182,589	$ 1,035,702	$ 9,151	$ 3,784,205
Loans at December 31, 2023									
Individually Evaluated for Impairment	$ 16,143	$ 80	$ 249	$ 689	$ —	$ 1,559	$ 17,138	$ —	$ 35,858
Collectively Evaluated for Impairment	447,918	232,724	64,838	401,707	1,388,541	174,224	970,168	8,304	3,688,424
Totals	$ 464,061	$ 232,804	$ 65,087	$ 402,396	$ 1,388,541	$ 175,783	$ 987,306	$ 8,304	$ 3,724,282

Table of Contents

The following table presents tables present the amortized cost basis of collateral dependent loans by the primary collateral type, which are individually evaluated to determine expected credit losses, and the related ACL allocated to these loans as of September 30, 2023 March 31, 2024 and December 31, 2023:

	Primary Type of Collateral					Primary Type of Collateral				
(dollars in thousands)	Real Estate	Business Assets	Other	Total	ACL Allocation	Real Estate	Business Assets	Other	Total	ACL Allocation
September 30, 2023										
March 31, 2024										
Commercial	$ —	$ 5,459	$ 10,372	$ 15,831	$ 84	$ —	$ 4,766	$ 10,358	$ 15,124	$ 26
Construction and Land Development	86	—	—	86	—	74	—	—	74	
Real Estate Mortgage:										
1-4 Family Mortgage	663	—	—	663	—	655	—	—	655	—
CRE Owner Occupied	1,569	—	—	1,569	—	996	—	—	996	—
CRE Nonowner Occupied	17,472	—	—	17,472	—	16,980	—	—	16,980	205
Totals	$ 19,790	$ 5,459	$ 10,372	$ 35,621	$ 84	$ 18,705	$ 4,766	$ 10,358	$ 33,829	$ 231

	Primary Type of Collateral			
		Business		ACL

(dollars in thousands)	Real Estate	Assets	Other	Total	Allocation
December 31, 2023					
Commercial	$ —	$ 5,782	$ 10,361	$ 16,143	$ 8
Construction and Land Development	80	—	—	80	—
1-4 Family Construction	249	—	—	249	—
Real Estate Mortgage:					
1-4 Family Mortgage	689	—	—	689	—
CRE Owner Occupied	1,559	—	—	1,559	—
CRE Nonowner Occupied	17,138	—	—	17,138	95
Totals	$ 19,715	$ 5,782	$ 10,361	$ 35,858	$ 103

Accrued interest receivable on loans, which is recorded within accrued interest on the balance sheet, totaled $10.8 million $11.5 million and $11.8 million at September 30, 2023 March 31, 2024 and December 31, 2023, respectively, and was excluded from the estimate of credit losses.

Effective January 1, 2023, the Company adopted the provision of ASU 2022-02, which eliminated the accounting for TDRs, while expanding loan modification and vintage disclosure requirements. For the three months ended September 30, 2023 March 31, 2024, there were no loan modifications. loans modified to borrowers experiencing financial difficulty. For the nine three months ended September 30, 2023 March 31, 2023, the Company modified one CRE nonowner occupied loan, with an outstanding balance of $9.6 million $9.5 million, for a borrower experiencing financial difficulty by granting a 12-month extension at a below market rate. There was no forgiveness of principal and this loan was current with its modified terms as of September 30, 2023 March 31, 2024.

Prior to the adoption of ASU 2022-02, at December 31, 2022, there were two loans classified as TDRs with total aggregate outstanding balances of $188,000.

Pre-ASC 326 Adoption Impaired Loan Disclosures

The following table presents information regarding total carrying amounts and total unpaid principal balances of impaired loans by loan segment as of December 31, 2022:

	December 31, 2022		
(dollars in thousands)	Recorded Investment	Principal Balance	Related Allowance
Loans With No Related Allowance for Loan Losses:			
Commercial	$ 19,508	$ 19,508	$ —
Construction and Land Development	106	713	—
Real Estate Mortgage:			
1-4 Family Mortgage	392	392	—
CRE Owner Occupied	1,637	1,726	—
CRE Nonowner Occupied	6,239	6,239	—
Totals	27,882	28,578	—
Loans With An Allowance for Loan Losses:			
Commercial	167	167	71
Totals	167	167	71
Grand Totals	$ 28,049	$ 28,745	$ 71

Table of Contents

The following table presents information regarding the average balances and interest income recognized on impaired loans by loan segment for the three and nine months ended September 30, 2022:

(dollars in thousands)	Three Months Ended September 30, 2022 Average Investment	Three Months Ended September 30, 2022 Interest Recognized	Nine Months Ended September 30, 2022 Average Investment	Nine Months Ended September 30, 2022 Interest Recognized
Loans With No Related Allowance for Loan Losses:				
Commercial	$ 9,929	$ 187	$ 11,343	$ 519
Construction and Land Development	114	—	120	—
Real Estate Mortgage:				
1st REM - 1-4 Family	282	4	286	11
CRE Owner Occupied	1,751	17	1,762	49
CRE Nonowner Occupied	6,333	85	6,431	249
Totals	18,409	293	19,942	828
Loans With An Allowance for Loan Losses:				
Commercial	84	—	86	1
Real Estate Mortgage:				
CRE Nonowner Occupied	12,135	127	12,135	370
Totals	12,219	127	12,221	371
Grand Totals	$ 30,628	$ 420	$ 32,163	$ 1,199

Note 5: Deposits

The following table presents the composition of deposits at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023:

(dollars in thousands)	September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023
Transaction Deposits	$ 1,535,160	$ 1,336,264	$ 1,482,168	$ 1,449,765
Savings and Money Market Deposits	872,534	1,031,873	979,773	935,091
Time Deposits	265,737	272,253	352,510	300,651
Brokered Deposits	1,002,078	776,153	992,774	1,024,441
Totals	$ 3,675,509	$ 3,416,543	$ 3,807,225	$ 3,709,948

Brokered deposits are comprised of include brokered transaction and money market accounts of $177.7 million $155.5 million and $184.3 million $174.0 million as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively.

The following table presents the scheduled maturities of brokered and customer time deposits at September 30, 2023:

(dollars in thousands)	September 30, 2023
Less than 1 Year	$ 397,981
1 to 2 Years	143,267
2 to 3 Years	350,978
3 to 4 Years	63,790
4 to 5 Years	101,357
Greater than 5 Years	32,709
Totals	$ 1,090,082

The aggregate amount of time deposits greater than $250,000 was approximately $88.5 million and $92.3 million at September 30, 2023 and December 31, 2022, respectively.

24 18

Table of Contents

The following table presents the scheduled maturities of brokered and customer time deposits at March 31, 2024:

(dollars in thousands)	March 31, 2024
Less than 1 Year	$ 389,466
1 to 2 Years	393,452
2 to 3 Years	191,883
3 to 4 Years	84,128
4 to 5 Years	86,108
Greater than 5 Years	44,706
Totals	$ 1,189,743

The aggregate amount of time deposits greater than $250,000 was approximately $177.0 million and $138.4 million at March 31, 2024 and December 31, 2023, respectively.

Note 6: Derivative Instruments and Hedging Activities

The Company uses derivative financial instruments, which consist of interest rate swaps and interest rate caps, to assist in its interest rate risk management. The notional amount does not represent amounts exchanged by the parties. The amount exchanged is determined by reference to the notional amount and the other terms of the individual agreements. Derivative financial instruments are reported at fair value in other assets or other liabilities. The accounting for changes in the fair value of a derivative depends on whether it has been designated and qualifies as part of a hedging relationship. For derivatives not designated as hedges, the gain or loss is recognized in current earnings.

Non-hedge Derivatives

The Company enters into interest rate swaps to facilitate client transactions and meet their financing needs. Upon entering into these instruments to meet client needs, the Company enters into offsetting positions with large U.S. financial institutions in order to minimize the risk to the Company. These swaps are derivatives, but are not designated as hedging instruments.

Interest rate swap contracts involve the risk of dealing with counterparties and their ability to meet contractual terms. When the fair value of a derivative instrument contract is positive, this generally indicates that the counterparty or client owes the Company, and results in credit risk to the Company. When the fair value of a derivative instrument contract is negative, the Company owes the client or counterparty and therefore, the Company has no credit risk.

The following table presents a summary of the Company’s interest rate swaps to facilitate customer transactions as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023:

	September 30, 2023		December 31, 2022		March 31, 2024		December 31, 2023	
(dollars in thousands)	Notional Amount	Estimated Fair Value	Notional Amount	Estimated Fair Value	Notional Amount	Estimated Fair Value	Notional Amount	Estimated Fair Value

Interest rate swap agreements:								
Assets	$ 64,241	$ 9,962	$ 65,315	$ 8,240	$ 63,380	$ 8,049	$ 63,814	$ 6,981
Liabilities	64,241	(9,962)	65,315	(8,240)	63,380	(8,049)	63,814	(6,981)
Total	$ 128,482	$ —	$ 130,630	$ —	$126,760	$ —	$127,628	$ —

Table of Contents

Cash Flow Hedging Derivatives

For derivative instruments that are designated and qualify as a cash flow hedge, the aggregate fair value of the derivative instrument is recorded in other assets or other liabilities with any gain or loss related to changes in fair value recorded in accumulated other comprehensive income, net of tax. The gain or loss is reclassified into earnings in the same period during which the hedged asset or liability affects earnings and is presented in the same income statement line item as the earnings effect of the hedged asset or liability. The Company utilizes cash flow hedges to manage interest rate exposure for the brokered deposit and wholesale borrowing portfolios. During the next 12 months, the Company estimates that $8.6 million $8.1 million will be reclassified to interest expense, as a reduction of the expense.

The following table presents a summary of the Company's interest rate swaps designated as cash flow hedges as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023:

(dollars in thousands)	September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023
Notional Amount	$ 183,000	$ 163,000	$183,000	$183,000
Weighted Average Pay Rate	2.00 %	1.90 %	2.00 %	2.00 %
Weighted Average Receive Rate	5.40 %	3.47 %	5.48 %	5.48 %
Weighted Average Maturity (Years)	4.30	5.15	3.79	4.04
Net Unrealized Gain	$ 11,139	$ 9,175	$ 6,756	$ 5,271

The Company purchases interest rate caps, designated as cash flow hedges, of certain deposit liabilities. The interest rate caps require receipt of variable amounts from the counterparties when interest rates rise above the strike price in the contracts. For the three months ended March 31, 2024 and 2023, the company recognized amortization expense on the interest rate caps of $196,000 and $198,000, respectively, which was recorded as a component of interest expense on brokered deposits and FHLB advances.

The following table presents a summary of the Company's interest rate caps designated as cash flow hedges as of March 31, 2024 and December 31, 2023:

(dollars in thousands)	March 31, 2024	December 31, 2023
Notional Amount	$ 125,000	$ 125,000
Unamortized Premium Paid	4,885	5,081
Weighted Average Strike Rate	0.96 %	0.96 %
Weighted Average Maturity (Years)	6.10	6.34

The following table presents a summary of the Company's interest rate contracts as of March 31, 2024 and December 31, 2023:

	March 31, 2024		December 31, 2023	
(dollars in thousands)	Notional Amount	Estimated Fair Value	Notional Amount	Estimated Fair Value
Interest rate swap agreements:				
Assets	$ 152,500	$ 7,020	$ 135,000	$ 6,891

Liabilities	30,500	(264)	48,000	(1,620)
Interest rate cap agreements:				
Assets	125,000	20,445	125,000	18,717

The Company is party to collateral support agreements with certain derivative counterparties. These agreements require that the Company maintain collateral based on the fair values of derivative transactions. In the event of default by the Company, the counterparty would be entitled to the collateral. As of March 31, 2024 and December 31, 2023, the Company pledged no cash collateral for the Company's derivative contracts. In addition, as of March 31, 2024 and

Table of Contents

The Company purchases interest rate caps, designated as cash flow hedges, of certain deposit liabilities. The interest rate caps require receipt of variable amounts from the counterparties when interest rates rise above the strike price in the contracts. For the three and nine months ended September 30, 2023, the company recognized amortization expense on the interest rate caps of $198,000 and $593,000, respectively, which was recorded as a component of interest expense on brokered deposits and FHLB advances. For the three and nine months ended September 30, 2022, the company recognized amortization expense on the interest rate caps of $204,000 and $574,000, respectively, which was recorded as a component of interest expense on brokered deposits and FHLB advances.

The following table presents a summary of the Company's interest rate caps designated as cash flow hedges as of September 30, 2023 and December 31, 2022:

(dollars in thousands)	September 30, 2023	December 31, 2022
Notional Amount	$ 125,000	$ 125,000
Unamortized Premium Paid	5,279	5,872
Weighted Average Strike Rate	0.96 %	0.96 %
Weighted Average Maturity (Years)	6.60	7.35

The following table presents a summary of the Company's interest rate contracts as of September 30, 2023 and December 31, 2022:

	September 30, 2023		December 31, 2022	
(dollars in thousands)	Notional Amount	Estimated Fair Value	Notional Amount	Estimated Fair Value
Interest rate swap agreements:				
Assets	$ 183,000	$ 11,139	$ 125,000	$ 10,477
Liabilities	—	—	38,000	(1,302)
Interest rate cap agreements:				
Assets	125,000	23,006	125,000	19,406

The Company is party to collateral support agreements with certain derivative counterparties. These agreements require that the Company maintain collateral based on the fair values of derivative transactions. In the event of default by the Company, the counterparty would be entitled to the collateral. As of September 30, 2023 and December 31, 2022, the Company pledged no cash collateral for the Company's derivative contracts. In addition, as of September 30, 2023 and December 31, 2022, December 31, 2023, the Company's counterparties pledged cash collateral to the Company of $46.0 million $36.7 million and $36.4 million $31.8 million, respectively.

The following table summarizes gross and net information about derivative instruments that are eligible for offset in the balance sheet at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023:

Gross Amounts Not Offset in the Balance Sheet	Gross Amounts Not Offset in the Balance She

(dollars in thousands)	Gross Amounts of Recognized Assets (Liabilities)	Gross Amounts Offset in the Balance Sheet	Net Amounts of Assets (Liabilities) Presented in the Balance Sheet	Financial Instruments	Cash Collateral Received (Paid)	Net Assets (Liabilities)	Gross Amounts of Recognized Assets (Liabilities)	Gross Amounts Offset in the Balance Sheet	Net Amounts of Assets (Liabilities) Presented in the Balance Sheet	Financial Instruments	Cash Collateral Received (Paid)
September 30, 2023											
March 31, 2024											
Assets	$ 44,107	$ —	$ 44,107	$ —	$ 46,023	$ (1,916)	$ 35,514	$ —	$ 35,514	$ —	$ 36,663
Liabilities	(9,962)	—	(9,962)	—	—	(9,962)	(8,313)	—	(8,313)	—	—
December 31, 2022											
December 31, 2023											
Assets	$ 38,123	$ —	$ 38,123	$ —	$ 36,353	$ 1,770	$ 32,589	$ —	$ 32,589	$ —	$ 31,783
Liabilities	(9,542)	—	(9,542)	—	—	(9,542)	(8,601)	—	(8,601)	—	—

Table of Contents

The following table presents the effect of derivative instruments in cash flow hedging relationships on the consolidated statements of income for the three and nine months ended September 30, 2023 March 31, 2024 and 2022: 2023:

(dollars in thousands)	(dollars in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,		(dollars in thousands)	Three Months Ended March 31,	
		2023	2022	2023	2022		2024	2023
Derivatives in Cash Flow Hedging Relationships	**Location of Gain (Loss) Reclassified from AOCI into Income**	**Gain (Loss) Reclassified from AOCI into Earnings**		**Loss Reclassified from AOCI into Earnings**		**Location of Gain (Loss) Reclassified from AOCI into Income**	**Gain (Loss) Reclassified from AOCI into Earnings**	
Interest rate swaps	Interest expense	$ 1,575	$ 288	$ 4,169	$ (24)	Interest expense	$ 1,596	$ 1,177
Interest rate caps	Interest expense	48	(169)	(159)	(539)	Interest expense	707	(110)

No amounts were reclassified from accumulated other comprehensive income into net income related to hedge ineffectiveness for these derivatives during the three and nine months ended September 30, 2023 March 31, 2024 and 2022, 2023, and no amounts are expected to be reclassified from accumulated other comprehensive income into net income related to hedge ineffectiveness over the next twelve months.

Note 7: Federal Home Loan Bank Advances and Other Borrowings

Federal Home Loan Bank Advances. The Company has entered into an Advances, Pledge, and Security Agreement with the FHLB whereby specific mortgage loans of the Bank with aggregate principal balances of $1.37 1.45 billion at both March 31, 2024 and $1.20 billion at September 30, 2023 and December 31, 2022 December 31, 2023, respectively, were pledged to the FHLB as collateral. FHLB advances are also secured with FHLB stock owned by the Company. Total remaining available capacity under the agreement was $516.5 million $446.8 million and $390.9 million $498.7 million at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively.

The following table presents FHLB advances, by maturity, at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023:

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

(dollars in thousands)	Average Rate		Total Outstanding	Average Rate	Total Outstanding	Average Rate		Total Outstanding	Average Rate	Total Outstanding
Less than 1 Year	5.26	%	$ 208,000	4.30 %	$ 83,000	5.35	%	$ 243,000	5.31 %	$ 233,000
1 to 2 Years	4.31		25,000	1.05	5,000	4.35		12,500	4.31	25,000
2 to 3 Years	4.06		17,500	1.22	5,000	3.45		21,500	3.45	21,500
3 to 4 Years	3.35		21,500	0.78	4,000	4.03		27,500	3.94	17,500
4 to 5 Years	4.01		22,500	—	—	3.87		12,500	4.01	22,500
Totals			$ 294,500		$ 97,000			$ 317,000		$ 319,500

Table of Contents

Line of Credit. In 2021, the The Company entered into has a Loan and Security Agreement and related revolving note with an unaffiliated financial institution that was is secured by 100% of the issued and outstanding stock of the Bank. The note contains customary representations, warranties, and covenants, including certain financial covenants and capital ratio requirements. The Company believes it was in compliance with all covenants as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023.

On September 1, 2022, The following table presents the Company entered into a second amendment to the agreement which increased the maximum principal amount of the Company's revolving line of credit from $25.0 million to $40.0 million at March 31, 2024 and extended the maturity date from February 28, 2023 to September 1, 2024. As of September 30, 2023 and December 31, 2022, there was an outstanding balance of $13.8 million under the revolving line of credit. December 31, 2023:

Name	Maturity Date		Total Debt Outstanding March 31, 2024	Total Debt Outstanding December 31, 2023	Interest Rate	Coupon Structure
Revolving Credit Facility	September 1, 2024	$	13,750	13,750	8.50 %	Variable with Floor (1)

(1) The variable interest rate is equal to the greater of Wall Street Journal Prime Rate in effect or a floor of 3.85%.

Table of Contents

Note 8: Subordinated Debentures

The following table presents a summary of the Company's subordinated debentures as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023:

Name	Date Established	First Redemption Date	Maturity Date	Total Debt Outstanding September 30, 2023	Total Debt Outstanding December 31, 2022	Interest Rate	Coupon Structure	Date Established	First Redemption Date	Maturity Date	Total D Outstan March 31

(dollars in thousands)											
2030 Notes	June 19, 2020	July 1, 2025	July 1, 2030	$ 50,000	$ 50,000	5.25 %	Fixed-to-Floating (1)	June 19, 2020	July 1, 2025	July 1, 2030	$ 5
2031 Notes	July 8, 2021	July 15, 2026	July 15, 2031	30,000	30,000	3.25 %	Fixed-to-Floating (2)	July 8, 2021	July 15, 2026	July 15, 2031	3
Subordinated Debentures				80,000	80,000						8
Debt Issuance Costs				(808)	(1,095)						
Subordinated Debentures, Net of Issuance Costs				$ 79,192	$ 78,905						$ 7

(1) Migrates to three month term SOFR + 5.13% beginning July 1, 2025 until either the early redemption date or the maturity date.

(2) Migrates to three month term SOFR + 2.52% beginning July 15, 2026 until either the early redemption date or the maturity date.

Note 9: Tax Credit Investments

The Company invests in qualified affordable housing projects and federal historic projects for the purpose of community reinvestment and obtaining tax credits. The Company's tax credit investments are limited to existing lending relationships with well-known developers and projects within the Company's market area.

The following table presents a summary of the Company's investments in qualified affordable housing projects and other tax credit investments at March 31, 2024 and December 31, 2023:

(dollars in thousands)	March 31, 2024		December 31, 2023	
Investment Type	Investment	Unfunded Commitment (1)	Investment	Unfunded Commitment
Low Income Housing Tax Credit (LIHTC)	$ 16,880	$ 7,579	$ 16,897	$ 7,579
Federal Historic Tax Credit (FHTC)	2,765	2,353	3,403	2,353
Total	$ 19,645	$ 9,932	$ 20,300	$ 9,932

(1) All commitments are expected to be paid by the Company by March 31, 2025.

Table of Contents

The following table presents a summary of the amortization expense and tax benefit recognized for the Company's qualified affordable housing projects and other tax credit investments during the three months ended March 31, 2024 and 2023:

	Three Months Ended March 31,	
(dollars in thousands)	2024	2023
Amortization Expense (1)		
LIHTC	$ 492	$ 368
FHTC	163	108
Total	$ 655	$ 476
Tax Benefit Recognized (2)		
LIHTC	$ (671)	$ (374)
FHTC	(215)	(152)
Total	$ (886)	$ (526)

(1) The amortization expense for the LIHTC and FHTC investments are included in income tax expense.

(2) All of the tax benefits recognized are included in income tax expense.

Note 9: 10: Commitments, Contingencies and Credit Risk

Financial Instruments with Off-Balance Sheet Credit Risk

The Company is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized in the consolidated balance sheets.

The Company's exposure to credit loss is represented by the contractual, or notional, amount of these commitments. The Company follows the same credit policies in making commitments as it does for on-balance sheet instruments. Since some of the commitments are expected to expire without being drawn upon and some of the commitments may not be drawn upon to the total extent of the commitment, the notional amount of these commitments does not necessarily represent future cash requirements.

The following table presents commitments outstanding at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023:

(dollars in thousands)	September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023
Unfunded Commitments Under Lines of Credit	$ 570,363	$ 848,734	$ 507,704	$ 546,632
Letters of Credit	107,292	115,769	99,807	103,289
Totals	$ 677,655	$ 964,503	$ 607,511	$ 649,921

The Company had outstanding letters of credit with the FHLB in total amounts of $66.8 million $164.9 million and $78.4 million $114.4 million at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively, on behalf of customers and to secure public deposits.

Table of Contents

The ACL for off-balance sheet credit exposures was $3.2 $2.9 million and $3.0 million at September 30, 2023 March 31, 2024 and December 31, 2023, respectively, and is separately classified on the balance sheet within other liabilities. Prior to the adoption of CECL, the Company's ACL for off-balance sheet credit exposures was not material. The following table presents the balance and activity in the allowance for credit losses for off-balance sheet credit exposures for the three and nine months ended September 30, 2023: March 31, 2024 and 2023:

(dollars in thousands)	Three Months Ended September 30, 2023	Nine Months Ended September 30, 2023	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023
Allowance for Credit Losses:				
Beginning Balance, Prior to Adoption of CECL	$ 3,835	$ 360	$ 2,985	$ 360
Impact of Adopting CECL	—	4,850	—	4,850
Provision for (Recovery of) Off-Balance Sheet Credit Exposures	(600)	(1,975)		
Recovery of Off-Balance Sheet Credit Exposures			(100)	(875)
Total Ending Balance	$ 3,235	$ 3,235	$ 2,885	$ 4,335

Legal Contingencies

Neither the Company nor any of its subsidiaries is a party, and no property of these entities is subject, to any material pending legal proceedings, other than ordinary routine litigation incidental to the Bank's business. The Company does not know of any material proceeding contemplated by a governmental authority against the Company or any of its subsidiaries.

Note 10: 11: Stock Options and Restricted Stock

In 2012, the Company adopted the Bridgewater Bancshares, Inc. 2012 Combined Incentive and Non-Statutory Stock Option Plan (the "2012 Plan") under which the Company was able to grant options to its directors, officers, and employees for up to 750,000 shares of common stock. Both incentive stock options and nonqualified stock options were granted under the 2012 Plan. The exercise price of each option equals the fair market value of the Company's stock on the date of grant, and the maximum term of each outstanding option is ten years. All outstanding options have been granted with vesting periods of four or five years. The 2012 Plan expired in March 2022, and awards are no longer able to be granted under the 2012 Plan.

In 2017, the Company adopted the Bridgewater Bancshares, Inc. 2017 Combined Incentive and Non-Statutory Stock Option Plan (the "2017 Plan"). Under the 2017 Plan, the Company may grant options to its directors, officers, employees and consultants for up to 1,500,000 shares of common stock. Both incentive stock options and nonqualified stock options may be granted under the 2017 Plan. The exercise price of each option equals the fair market value of the Company's stock on the date of grant and the maximum term of each outstanding option is ten years. All outstanding options have been granted with vesting periods of four or five years. As of September 30, 2023 both March 31, 2024 and December 31, 2022 December 31, 2023, there were -0- and 44,700 5,000 shares respectively, of the Company's common stock reserved for future option grants under the 2017 Plan.

In 2019, the Company adopted the Bridgewater Bancshares, Inc. 2019 Equity Incentive Plan (the "2019 EIP"). Under The types of awards which may be granted under the 2019 EIP the Company may grant include incentive and nonqualified stock options, stock appreciation rights, stock awards, restricted stock units, restricted stock and cash incentive awards. The Company may grant these awards to its directors, officers, employees and certain other service providers for up to 1,000,000 shares of common stock. The exercise price of each option equals the fair market value of the Company's stock on the date of grant and the maximum term of each award is ten years. All outstanding awards have been granted with a vesting period of four years. As of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, there were -0- 6,592 and 231,363 -0- shares, respectively, of the Company's common stock reserved for future grants under the 2019 EIP.

At the In 2023, Annual Meeting of Shareholders (the "Annual Meeting") of the Company which was held on April 25, 2023, the Company's shareholders approved adopted the Bridgewater Bancshares, Inc. inc. 2023 Equity Incentive Plan (the "2023 EIP"), which the Company's board of directors adopted on February 28, 2023, subject to shareholder approval at the Annual Meeting. . Under the 2023 EIP, the Company may grant incentive and nonqualified stock options, stock appreciation rights, stock awards, restricted stock units, restricted stock and cash incentive awards. The Company may

Table of Contents

grant these awards to its directors, officers, employees and certain other service providers for up to 1,500,000 shares of common stock. The exercise price of each option equals the fair market value of the Company's stock on the date of grant and the maximum term of each award is ten years. All outstanding awards have been granted with a vesting period of four years. As of September 30, 2023, there were 1,438,137 shares of the Company's common stock reserved for future grants under the 2023 EIP.

Stock Options

The fair value of each option award is estimated on the date of grant using a closed form option valuation (Black-Scholes) model that uses the assumptions noted in the table below. Expected volatilities are based on an industry index as described below. The expected term of options granted is based on historical data and represents the period of time that options granted are expected to be outstanding, which takes into account that the options are not transferable. The risk-free interest rate for the expected term of the option is based on the U.S. Treasury yield curve in effect at the time of grant. Historically, the Company has not paid a dividend on its common stock and does not expect to do so in the near future.

The Company used the S&P 600 CM Bank Index as its historical volatility index. The S&P 600 CM Bank Index is an index of publicly traded small capitalization, regional, commercial banks located throughout the United States. There were 51 banks in the index ranging in market capitalization from $500 million up to $4.0 billion.

The weighted average assumptions used in the model of valuing stock option grants for the nine months ended September 30, 2023, are as follows:

	September 30, 2023	
Dividend Yield	—	%
Expected Life	7	Years
Expected Volatility	42.25	%
Risk-Free Interest Rate	4.15	%

The following table presents a summary of the status of the Company's outstanding stock options for the nine months ended September 30, 2023:

	September 30, 2023	
	Shares	Weighted Average Exercise Price
Outstanding at Beginning of Year	1,913,444	$ 9.35
Granted	239,000	10.65
Exercised	(226,000)	3.17
Forfeitures	(9,000)	13.04
Outstanding at Period End	1,917,444	$ 10.22
Options Exercisable at Period End	1,378,194	$ 8.88

For the three months ended September 30, 2023 and 2022, the Company recognized compensation expense for stock options of $230,000 and $326,000, respectively. For the nine months ended September 30, 2023 and 2022, the Company recognized compensation expense for stock options of $601,000 and $926,000, respectively.

Table of Contents

March 31, 2024 and December 31, 2023, there were 1,042,800 and 1,107,752 shares, respectively, of the Company's common stock reserved for future grants under the 2023 EIP.

Stock Options

The fair value of each option award is estimated on the date of grant using a closed form option valuation (Black-Scholes) model. The following table presents a summary of the status of the Company's outstanding stock options for the three months ended March 31, 2024:

	March 31, 2024	
		Weighted Average

	Shares	Exercise Price
Outstanding at Beginning of Year	2,014,994	$ 10.57
Granted	—	—
Exercised	(8,000)	8.28
Forfeitures	(5,000)	11.10
Outstanding at Period End	2,001,994	$ 10.58
Options Exercisable at Period End	1,421,494	$ 9.80

For the three months ended March 31, 2024 and 2023, the Company recognized compensation expense for stock options of $249,000 and $186,000, respectively.

The following table presents information pertaining to options outstanding at September 30, 2023 March 31, 2024:

		Options Outstanding			Options Exercisable				
				Weighted Average					
		Number of	Weighted Average	Remaining Contractual	Number of	Weighted Average		Number of	Wei
Range of Exercise Prices	Range of Exercise Prices	Options	Exercise Price	Life in Years	Options	Exercise Price	Range of Exercise Prices	Options	E
$	3.00 - 3.99	88,500	$ 3.07	0.4	88,500	$ 3.07	3.00 - 3.99	10,000	$
	7.00 - 7.99	893,416	7.47	4.0	893,416	7.47	7.00 - 7.99	888,966	
	8.00 - 8.99	17,500	8.76	6.5	11,250	8.76	8.00 - 8.99	12,500	
	10.00 - 10.99	249,000	10.63	9.7	7,500	10.08	10.00 - 10.99	249,000	
	11.00 - 11.99	85,000	11.27	5.6	68,000	11.27	11.00 - 11.99	262,500	
	12.00 - 12.99	263,528	12.90	5.9	206,778	12.90	12.00 - 12.99	263,528	
	13.00 - 13.99	25,000	13.22	4.6	25,000	13.22	13.00 - 13.99	25,000	
	17.00 - 17.99	295,500	17.50	8.3	77,750	17.50	17.00 - 17.99	290,500	
	Totals	1,917,444	$ 10.22	5.6	1,378,194	$ 8.88	Totals	2,001,994	$

As of September 30, 2023 March 31, 2024, there was $2.2 million $2.5 million of total unrecognized compensation cost related to nonvested stock options granted under the 2012 Plan, 2017 Plan, 2019 EIP, and 2023 EIP that is expected to be recognized over a weighted-average period of 2.7 3.0 years.

The following table presents an analysis of nonvested options to purchase shares of the Company's stock issued and outstanding for the nine three months ended September 30, 2023 March 31, 2024:

	Number of Shares	Weighted Average Grant Date Fair Value	Number of Shares	Weighted Average Grant Date Fair Value
Nonvested Options at December 31, 2022	421,375	$ 4.87		
Nonvested Options at December 31, 2023			666,250	$ 5.09
Granted	239,000	5.39	—	—
Vested	(116,125)	4.78	(80,750)	5.05
Forfeited	(5,000)	5.74	(5,000)	4.58
Nonvested Options at September 30, 2023	539,250	$ 5.11		
Nonvested Options at March 31, 2024			580,500	$ 5.10

Table of Contents

Restricted Stock Awards

In 2019 and 2020, the Company granted restricted stock awards out of the 2019 EIP. These awards vest in equal annual installments on the first four anniversaries of the date of the grant. Nonvested restricted stock awards are classified as outstanding shares with forfeitable voting and dividend rights.

The following table presents an analysis of nonvested restricted stock awards outstanding for the nine three months ended September 30, 2023 March 31, 2024:

	Number of Shares	Weighted Average Grant Date Fair Value	Number of Shares	Weighted Average Grant Date Fair Value
Nonvested Awards at December 31, 2022	38,762	$ 12.50		
Nonvested at December 31, 2023			3,411	$ 10.53
Granted	—	—	—	—
Vested	(2,785)	10.32	(987)	12.67
Forfeited	(250)	12.92	—	—
Nonvested Awards at September 30, 2023	35,727	$ 12.67		
Nonvested at March 31, 2024			2,424	$ 9.66

Compensation expense associated with the restricted stock awards is recognized on a straight-line basis over the period that the restrictions associated with the awards lapse based on the total cost of the award at the grant date. For the three months ended September 30, 2023 March 31, 2024 and 2022, the Company recognized compensation expense for restricted stock

Table of Contents

awards of $112,000 and $113,000, respectively. For the nine months ended September 30, 2023 and 2022, 2023, the Company recognized compensation expense for restricted stock awards of $333,000 $8,000 and $335,000, $111,000, respectively.

As of September 30, 2023 March 31, 2024, there was $97,000 $5,000 of total unrecognized compensation cost related to nonvested restricted stock awards granted under the 2019 EIP that is expected to be recognized over a weighted-average period of 0.2 0.4 years.

In addition, during the nine three months ended September 30, 2023 March 31, 2024, the Company issued 35,460 10,452 shares of unrestricted common stock to non-employee directors, as a part of their compensation for their annual services on the Company's board of directors. The aggregate value of the shares issued to non-employee directors of $355,000 $121,000 was included in stock based compensation expense in the accompanying consolidated statements of shareholders' equity.

Restricted Stock Units

In 2020, the The Company began granting has granted restricted stock units out of the 2019 EIP and 2023 EIP. Restricted stock units granted out of the 2019 EIP represent the right to receive one share of Company stock upon vesting and vest in equal annual installments on the first four anniversaries of the date of the grant. Nonvested restricted stock units have no voting or dividend rights and are not considered outstanding until vesting.

The following table presents an analysis of nonvested restricted stock units outstanding for the nine three months ended September 30, 2023 March 31, 2024:

	Number of Units	Weighted Average Grant Date Fair Value	Number of Units	Weighted Average Grant Date Fair Value

Nonvested Units at December 31, 2022	351,310	$ 16.30				
Nonvested at December 31, 2023			441,015	$ 14.71
Granted	82,969	15.59	63,184	11.89
Vested	(5,225)	16.20	(22,365)	15.60
Forfeited	(10,253)	17.79	(10,276)	14.75
Nonvested Units at September 30, 2023	418,801	$ 16.13		
Nonvested at March 31, 2024			471,558	$ 14.29

Compensation expense associated with the restricted stock units is recognized on a straight-line basis over the period that the restrictions associated with the units lapse based on the total cost of the unit at the grant date. For the three months ended September 30, 2023 March 31, 2024 and 2022, 2023, the Company recognized compensation expense for restricted stock units of $535,000 $653,000 and $358,000, $529,000, respectively. For the nine months ended September 30, 2023 and 2022, the Company recognized compensation expense for the restricted stock

Table of $1.6 million and $1.1 million, respectively. Contents

As of September 30, 2023 March 31, 2024, there was $5.0 million $5.9 million of total unrecognized compensation cost related to nonvested restricted stock units granted under the 2019 EIP or 2023 EIP that is expected to be recognized over a weighted-average period of 2.4 2.8 years.

Note 11: 12: Regulatory Capital

The Company and the Bank are subject to various regulatory requirements administered by federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Company's financial statements. Under capital adequacy guidelines, the Company and the Bank must meet specific capital guidelines that involve quantitative measures of their assets, liabilities and certain off-balance sheet items as calculated under regulatory accounting practices. The Bank must also meet certain specific capital guidelines under the regulatory framework for prompt corrective action. The capital amounts and classifications are also subject to qualitative judgments by the regulators about components, risk weightings and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Company and Bank to maintain minimum amounts and ratios of common equity Tier 1 capital, Tier 1 capital and total capital to risk-weighted assets and of Tier 1 capital to average consolidated assets (referred to as the "leverage ratio"), as defined under the applicable regulatory capital rules.

The following tables present the capital amounts and ratios for the Company, on a consolidated basis, and the Bank as of March 31, 2024 and December 31, 2023:

	Actual		Minimum Required For Capital Adequacy Purposes		For Capital Adequacy Purposes Plus Capital Conservation Buffer		To be Well Capitalized Under Prompt Corrective Action Regulations	
(dollars in thousands)	**Amount**	**Ratio**	**Amount**	**Ratio**	**Amount**	**Ratio**	**Amount**	**Ratio**
March 31, 2024								
Company (Consolidated):								
Total Risk-based Capital	$ 577,485	14.00 %	$ 329,909	8.00 %	$ 433,006	10.50 %	N/A	N/A
Tier 1 Risk-based Capital	446,521	10.83	247,432	6.00	350,529	8.50	N/A	N/A
Common Equity Tier 1 Capital	380,007	9.21	185,574	4.50	288,671	7.00	N/A	N/A
Tier 1 Leverage Ratio	446,521	9.66	184,949	4.00	184,949	4.00	N/A	N/A

Bank:								
Total Risk-based Capital	$ 565,440	13.73 %	$ 329,510	8.00 %	$ 432,482	10.50 %	$ 411,887	10.00 %
Tier 1 Risk-based Capital	513,920	12.48	247,132	6.00	350,104	8.50	329,510	8.00
Common Equity Tier 1 Capital	513,920	12.48	185,349	4.50	288,321	7.00	267,727	6.50
Tier 1 Leverage Ratio	513,920	11.12	184,797	4.00	184,797	4.00	230,996	5.00

Table of Contents

assets and of Tier 1 capital to average consolidated assets (referred to as the "leverage ratio"), as defined under the applicable regulatory capital rules.

The following tables present the capital amounts and ratios for the Company, on a consolidated basis, and the Bank as of September 30, 2023 and December 31, 2022:

	Actual		Minimum Required For Capital Adequacy Purposes		For Capital Adequacy Purposes Plus Capital Conservation Buffer		To be Well Capitalized Under Prompt Corrective Action Regulations	
(dollars in thousands)	**Amount**	**Ratio**	**Amount**	**Ratio**	**Amount**	**Ratio**	**Amount**	**Ratio**
September 30, 2023								
Company (Consolidated):								
Total Risk-based Capital	$ 567,202	13.88 %	$ 326,865	8.00 %	$ 429,010	10.50 %	N/A	N/A
Tier 1 Risk-based Capital	436,903	10.69	245,149	6.00	347,294	8.50	N/A	N/A
Common Equity Tier 1 Capital	370,389	9.07	183,861	4.50	286,007	7.00	N/A	N/A
Tier 1 Leverage Ratio	436,903	9.62	181,605	4.00	181,605	4.00	N/A	N/A
Bank:								
Total Risk-based Capital	$ 543,914	13.33 %	$ 326,519	8.00 %	$ 428,556	10.50 %	$ 408,149	10.00 %
Tier 1 Risk-based Capital	492,861	12.08	244,889	6.00	346,926	8.50	326,519	8.00
Common Equity Tier 1 Capital	492,861	12.08	183,667	4.50	285,704	7.00	265,297	6.50
Tier 1 Leverage Ratio	492,861	10.88	181,256	4.00	181,256	4.00	226,570	5.00

	Actual		Minimum Required For Capital Adequacy Purposes		For Capital Adequacy Purposes Plus Capital Conservation Buffer		To be Well Capitalized Under Prompt Corrective Action Regulations		Actual		Minimum Required For Capital Adequacy Purposes		For Capital A Purposes Plu Conservatio
(dollars in thousands)	**Amount**	**Ratio**	**Amount**	**Ratio**	**Amount**	**Ratio**	**Amount**	**Ratio**	**Amount**	**Ratio**	**Amount**	**Ratio**	**Amount**
December 31, 2022													
December 31, 2023													
Company (Consolidated):													
Total Risk-based Capital	$536,352	13.15 %	$326,190	8.00 %	$428,125	10.50 %	N/A	N/A	$570,770	13.97 %	$326,872	8.00 %	$429,019
Tier 1 Risk-based Capital	409,092	10.03	244,643	6.00	346,577	8.50	N/A	N/A	440,947	10.79	245,154	6.00	347,301
Common Equity Tier 1 Capital	342,578	8.40	183,482	4.50	285,417	7.00	N/A	N/A	374,433	9.16	183,865	4.50	286,013
Tier 1 Leverage Ratio	409,092	9.55	171,368	4.00	171,368	4.00	N/A	N/A	440,947	9.57	184,383	4.00	184,383
Bank:													

Total Risk-based Capital	$508,760	12.47 %	$326,288	8.00 %	$428,253	10.50 %	$ 407,860	10.00 %	$554,269	13.58 %	$326,528	8.00 %	$428,568
Tier 1 Risk-based Capital	460,404	11.29	244,716	6.00	346,681	8.50	326,288	8.00	503,787	12.34	244,896	6.00	346,936
Common Equity Tier 1 Capital	460,404	11.29	183,537	4.50	285,502	7.00	265,109	6.50	503,787	12.34	183,672	4.50	285,712
Tier 1 Leverage Ratio	460,404	10.76	171,113	4.00	171,113	4.00	213,891	5.00	503,787	10.95	184,037	4.00	184,037

The Company and the Bank must maintain a capital conservation buffer, as defined by regulatory guidelines, in order to avoid limitations on capital distributions, including dividend payments, stock repurchases and certain discretionary bonus payments to executive officers.

Note 12: 13: Fair Value Measurement

The Company categorizes its assets and liabilities measured at fair value into a three-level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used in the determination of the fair value measurement fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement. Assets and liabilities valued at fair value are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Inputs that utilized quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access.

Table of Contents

Level 2 – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instruments. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

Level 3 – Inputs that are unobservable for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

Subsequent to initial recognition, the Company may re-measure the carrying value of assets and liabilities measured on a nonrecurring basis to fair value. Adjustments to fair value usually result when certain assets are impaired. Such assets are written down from their carrying amounts to their fair value.

Professional standards allow entities the irrevocable option to elect to measure certain financial instruments and other items at fair value for the initial and subsequent measurement on an instrument-by-instrument basis. The Company adopted the policy to value certain financial instruments at fair value. The Company has not elected to measure any existing financial instruments at fair value; however, it may elect to measure newly acquired financial instruments at fair value in the future.

Table of Contents

Recurring Basis

The Company uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. There have been no changes in methodologies used as of March 31, 2024. The following tables present the balances of assets and liabilities measured at fair value on a recurring basis as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023:

	September 30, 2023				March 31, 2024			
(dollars in thousands)	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Fair Value of Financial Assets:								
Securities Available for Sale:								
U.S. Treasury Securities	$ 2,864	$ —	$ —	$ 2,864				
Municipal Bonds	—	122,497	—	122,497	$ —	$ 132,091	$ —	$ 132,091
Mortgage-Backed Securities	—	210,375	—	210,375	—	244,216	—	244,216
Corporate Securities	—	121,717	—	121,717	—	132,952	—	132,952
SBA Securities	—	19,966	—	19,966	—	17,025	—	17,025
Asset-Backed Securities	—	75,657	—	75,657	—	106,998	—	106,998
Interest Rate Caps	—	23,006	—	23,006	—	20,445	—	20,445
Interest Rate Swaps	—	21,101	—	21,101	—	15,069	—	15,069
Total Fair Value of Financial Assets	$ 2,864	$ 594,319	$ —	$ 597,183	$ —	$ 668,796	$ —	$ 668,796
Fair Value of Financial Liabilities:								
Interest Rate Swaps	$ —	$ 9,962	$ —	$ 9,962	$ —	$ 8,313	$ —	$ 8,313
Total Fair Value of Financial Liabilities	$ —	$ 9,962	$ —	$ 9,962	$ —	$ 8,313	$ —	$ 8,313

Table of Contents

	December 31, 2022				December 31, 2023			
(dollars in thousands)	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Fair Value of Financial Assets:								
Securities Available for Sale:								
U.S. Treasury Securities	$ 2,580	$ —	$ —	$ 2,580				
Municipal Bonds	—	131,354	—	131,354	$ —	$ 132,524	$ —	$ 132,524
Mortgage-Backed Securities	—	237,784	—	237,784	—	235,315	—	235,315
Corporate Securities	—	109,827	—	109,827	—	130,605	—	130,605
SBA Securities	—	20,877	—	20,877	—	18,674	—	18,674
Asset-Backed Securities	—	46,191	—	46,191	—	86,986	—	86,986
Interest Rate Caps	—	19,406	—	19,406	—	18,717	—	18,717
Interest Rate Swaps	—	18,717	—	18,717	—	13,872	—	13,872
Total Fair Value of Financial Assets	$ 2,580	$ 584,156	$ —	$ 586,736	$ —	$ 636,693	$ —	$ 636,693
Fair Value of Financial Liabilities:								
Interest Rate Swaps	$ —	$ 9,542	$ —	$ 9,542	$ —	$ 8,601	$ —	$ 8,601
Total Fair Value of Financial Liabilities	$ —	$ 9,542	$ —	$ 9,542	$ —	$ 8,601	$ —	$ 8,601

Investment Securities

When available, the Company uses quoted market prices to determine the fair value of investment securities; such items are classified in Level 1 of the fair value hierarchy.

For the Company's investments, when quoted prices are not available for identical securities in an active market, the Company determines fair value utilizing vendors who apply matrix pricing for similar bonds where no price is observable or may compile prices from various sources. These models are primarily industry-standard models that consider various assumptions, including time value, yield curve, volatility factors, prepayment speeds, default rates, loss severity, current market, and contractual prices for the underlying financial instruments, as well as other relevant economic measures. Substantially, all of these assumptions are observable in the marketplace and can be derived from observable data or are supported by observable levels at which transactions are executed in the marketplace. Fair values from these models are verified, where possible, against quoted market prices for recent trading activity of assets with similar characteristics to the security being valued. Such methods are generally classified as Level 2. However, when prices from independent sources vary, or cannot be obtained or corroborated, a security is generally classified as Level 3.

Table of Contents

Interest Rate Caps

The fair value of the caps is calculated by determining the total expected asset or liability exposure of the derivatives. Total expected exposure incorporates both the current and potential future exposure of the derivative, derived from using observable inputs, such as yield curves and volatilities, and accordingly are valued using Level 2 inputs.

Interest Rate Swaps

Interest rate swaps are traded in over-the-counter markets where quoted market prices are not readily available. For those interest rate swaps, fair value is determined using internally developed models of a third party that uses primarily market observable inputs, such as yield curves and option volatilities, and accordingly are valued using Level 2 inputs.

Nonrecurring Basis

Certain assets are measured at fair value on a nonrecurring basis. These assets are not measured at fair value on an ongoing basis; however, they are subject to fair value adjustments in certain circumstances, such as when there is evidence of impairment or a change in the amount of previously recognized impairment.

The following tables present net impairment losses related to nonrecurring fair value measurements of certain assets at March 31, 2024 and December 31, 2023:

	March 31, 2024			
(dollars in thousands)	Level 1	Level 2	Level 3	Loss
Individually Evaluated Loans	$ —	$ —	$ 9,364	$ 231
Totals	$ —	$ —	$ 9,364	$ 231

	December 31, 2023			
(dollars in thousands)	Level 1	Level 2	Level 3	Loss
Individually Evaluated Loans	$ —	$ —	$ 9,602	$ 199
Totals	$ —	$ —	$ 9,602	$ 199

Individually Evaluated Loans

The Company records certain loans at fair value on a non-recurring basis. Individually evaluated loans for which an allowance is established, or a write-down has occurred during the period, based on the fair value of collateral require classification in the fair value hierarchy. The fair value of the loan's collateral is determined by appraisals, independent valuation and other techniques. When the fair value of the loan's collateral is based on an observable market price the Company classifies the fair value of the individually evaluated loans within Level 2 of the valuation hierarchy. For loans in which the valuation has unobservable inputs, the Company classifies these within the Level 3 of the valuation hierarchy. As of March 31, 2024, collateral values were estimated using a combination of observable inputs, including recent appraisals, and unobservable inputs, including internally determined values based on cost adjusted for depreciation and customized discounting criteria on appraisals which ranged from 3-15%. Due to the significance of unobservable inputs, fair values of individually evaluated loans have been classified as Level 3.

Table of Contents

The following tables present net impairment losses related to nonrecurring fair value measurements of certain assets at September 30, 2023 and December 31, 2022:

	September 30, 2023			
(dollars in thousands)	Level 1	Level 2	Level 3	Loss
Individually Evaluated Loans	$ —	$ 175	$ —	$ 179
Totals	$ —	$ 175	$ —	$ 179

	December 31, 2022			
(dollars in thousands)	Level 1	Level 2	Level 3	Loss
Impaired Loans	$ —	$ 96	$ —	$ 71
Totals	$ —	$ 96	$ —	$ 71

Individually Evaluated Loans (Impaired Loans prior to January 1, 2023)

In accordance with the provisions of the individually evaluated loan guidance, credit loss is measured on loans when it is probable that payment of interest and principal will not be made in accordance with the contractual terms of the loan agreement. The Company has elected to use the practical expedient to measure individually evaluated loans as collateral dependent when repayment is expected to be provided substantially through the operation or sale of the collateral. The credit loss is measured as the difference between the amortized cost basis of the loan and the fair value of the underlying collateral. The fair value of the collateral is adjusted for the estimated cost to sell if repayment or satisfaction of a loan is dependent on the sale of the collateral. Those individually evaluated loans not requiring an allowance represent loans for which the fair value of the expected repayments or collateral exceeds the recorded investments in such loans. Individually evaluated loans for which an allowance is established based on the fair value of collateral require classification in the fair value hierarchy. Collateral values are estimated using Level 2 inputs based on customized discounting criteria.

Credit loss amounts on individually evaluated loans represent specific valuation allowance and write-downs during the period presented that were individually evaluated for impairment based on the estimated fair value of the collateral less estimated selling costs, excluding impaired loans fully charged-off.

Fair Value

Disclosure of fair value information about financial instruments, for which it is practicable to estimate that value, is required whether or not recognized in the consolidated balance sheets. In cases where quoted market prices are not available, fair values are based on estimates using present value of cash flow or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimate of future cash flows. In that regard, the derived fair value estimates cannot be substantiated by comparison to independent markets and, in many cases could not be realized in immediate settlement of the instruments. Certain financial instruments with a fair value that is not practicable to estimate and all non-financial instruments are excluded from the disclosure requirements. Accordingly, the aggregate fair value amounts presented do not necessarily represent the underlying value of the Company.

Fair value estimates are made at a specific point in time based on relevant market information and information about the financial instrument. These estimates do not reflect any premium or discount that could result from offering for sale at one time the Company's entire holdings of a particular instrument. Because no market exists for a significant portion of the Company's financial instruments, fair value estimates are based on judgments regarding future expected loss experience, current economic conditions, risk characteristics of various financial instruments, and other factors. These estimates are subjective in nature and involve uncertainties and matters that could affect the estimates. Fair value estimates are based on existing on and off-balance sheet financial instruments without attempting to estimate the value of anticipated future business. Deposits with no stated maturities are defined as having a fair value equivalent to the amount payable on demand. This prohibits adjusting fair value derived from retaining those deposits for an expected future period of time. This component, commonly referred to as a deposit base intangible, is neither considered in the above amounts nor is it recorded as an intangible asset on the balance sheet. In addition, the tax ramifications related to the realization of the unrealized gains and losses can have a significant effect on fair value estimates and have not been considered in the estimates.

The following tables present the carrying amounts and estimated fair values of financial instruments at March 31, 2024 and December 31, 2023:

	March 31, 2024				
		Fair Value Hierarchy			
(dollars in thousands)	Carrying Amount	Level 1	Level 2	Level 3	Estimated Fair Value
Financial Assets:					
Cash and Due From Banks	$ 143,355	$ 143,355	$ —	$ —	$ 143,355
Securities Available for Sale	633,282	—	633,282	—	633,282
FHLB Stock, at Cost	17,195	—	17,195	—	17,195
Loans, Net	3,726,502	—	3,627,836	9,364	3,637,200
Accrued Interest Receivable	16,696	—	16,696	—	16,696
Interest Rate Caps	20,445	—	20,445	—	20,445
Interest Rate Swaps	15,069	—	15,069	—	15,069
Financial Liabilities:					
Deposits	$ 3,807,225	$ —	$ 3,799,680	$ —	$ 3,799,680
Notes Payable	13,750	—	13,763	—	13,763
FHLB Advances	317,000	—	316,046	—	316,046
Subordinated Debentures	79,383	—	78,991	—	78,991
Accrued Interest Payable	4,405	—	4,405	—	4,405
Interest Rate Swaps	8,313	—	8,313	—	8,313

Table of Contents

realization of the unrealized gains and losses can have a significant effect on fair value estimates and have not been considered in the estimates.

The following tables present the carrying amounts and estimated fair values of financial instruments at September 30, 2023 and December 31, 2022:

	September 30, 2023				
		Fair Value Hierarchy			
(dollars in thousands)	Carrying Amount	Level 1	Level 2	Level 3	Estimated Fair Value
Financial Assets:					
Cash and Due From Banks	$ 124,358	$ 124,358	$ —	$ —	$ 124,358
Bank-Owned Certificates of Deposit	1,225	—	1,210	—	1,210

Securities Available for Sale	553,076	2,864	550,212	—	553,076
FHLB Stock, at Cost	17,056	—	17,056	—	17,056
Loans, Net	3,664,464	—	3,522,379	—	3,522,379
Accrued Interest Receivable	15,182	—	15,182	—	15,182
Interest Rate Caps	23,006	—	23,006	—	23,006
Interest Rate Swaps	21,101	—	21,101	—	21,101
Financial Liabilities:					
Deposits	$ 3,675,509	$ —	$ 3,653,876	$ —	$ 3,653,876
Notes Payable	13,750	—	13,771	—	13,771
FHLB Advances	294,500	—	292,436	—	292,436
Subordinated Debentures	79,192	—	71,794	—	71,794
Accrued Interest Payable	3,816	—	3,816	—	3,816
Interest Rate Swaps	9,962	—	9,962	—	9,962

	December 31, 2022					December 31, 2023				
		Fair Value Hierarchy					Fair Value Hierarchy			
(dollars in thousands)	Carrying Amount	Level 1	Level 2	Level 3	Estimated Fair Value	Carrying Amount	Level 1	Level 2	Level 3	Estimated Fair Value
Financial Assets:										
Cash and Due From Banks	$ 87,043	$87,043	$ —	$ —	$ 87,043	$ 128,562	$128,562	$ —	$ —	$ 128,562
Bank-Owned Certificates of Deposit	1,181	—	1,173	—	1,173					
Securities Available for Sale	548,613	2,580	546,033	—	548,613	604,104	—	604,104	—	604,104
FHLB Stock, at Cost	19,606	—	19,606	—	19,606	17,097	—	17,097	—	17,097
Loans, Net	3,512,157	—	3,314,190	—	3,314,190	3,667,215	—	3,579,583	9,602	3,589,185
Accrued Interest Receivable	13,479	—	13,479	—	13,479	16,697	—	16,697	—	16,697
Interest Rate Caps	19,406	—	19,406	—	19,406	18,717	—	18,717	—	18,717
Interest Rate Swaps	18,717	—	18,717	—	18,717	13,872	—	13,872	—	13,872
Financial Liabilities:										
Deposits	$3,416,543	$ —	$3,390,416	$ —	$3,390,416	$3,709,948	$ —	$3,709,086	$ —	$3,709,086
Federal Funds Purchased	287,000	—	287,000	—	287,000					
Notes Payable	13,750	—	13,473	—	13,473	13,750	—	13,805	—	13,805
FHLB Advances	97,000	—	96,061	—	96,061	319,500	—	319,305	—	319,305
Subordinated Debentures	78,905	—	70,931	—	70,931	79,288	—	77,557	—	77,557
Accrued Interest Payable	2,831	—	2,831	—	2,831	5,282	—	5,282	—	5,282
Interest Rate Swaps	9,542	—	9,542	—	9,542	8,601	—	8,601	—	8,601

The following methods and assumptions were used by the Company to estimate fair value of consolidated financial statements instruments not previously discussed.

Cash and due from banks – The carrying amount of cash and cash equivalents approximates their fair value.

Table of Contents

Bank-owned certificates of deposit – Fair values of bank-owned certificates of deposit are estimated using the discounted cash flow analysis based on current rates for similar types of deposits.

FHLB stock – The carrying amount of FHLB stock approximates its fair value.

Loans, net – Fair values for loans are estimated based on discounted cash flows, using interest rates currently being offered for loans with similar terms to borrowers with similar credit quality.

Accrued interest receivable – The carrying amount of accrued interest receivable approximates its fair value since it is short term in nature and does not present anticipated credit concerns.

Deposits – The fair values disclosed for demand deposits without stated maturities (interest and noninterest transaction, savings, and money market accounts) are equal to the amount payable on demand at the reporting date (their carrying amounts). Fair values for the fixed-rate certificates of deposit are estimated using a discounted cash flow calculation that applies interest rates currently being offered on certificates to a schedule of aggregated expected monthly maturities on time deposits.

Federal funds purchasedNotes payable and subordinated debentures – The carrying amountfair values of federal funds purchased approximates the fair value.Company's notes payable and subordinated debentures are estimated using a discounted cash flow analysis, based on the Company's current incremental borrowing rate for similar types of borrowing arrangements.

FHLB advances – The fair values of the Company's FHLB advances are estimated using discounted cash flow analysis based on the Company's current incremental borrowing rates for similar types of borrowing agreements.

Subordinated debentures – The fair values of the Company's subordinated debt are estimated using a discounted cash flow analysis, based on the Company's current incremental borrowing rate for similar types of borrowing arrangements.

Accrued interest payable – The carrying amount of accrued interest payable approximates its fair value since it is short term in nature.

Off-balance sheet instruments – Fair values of the Company's off-balance sheet instruments (lending commitments and unused lines of credit) are based on fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements, the counterparties' credit standing and discounted cash flow analysis.

Table of Contents

The fair value of these off-balance sheet items approximates the recorded amounts of the related fees and was not material at September 30, 2023March 31, 2024 and December 31, 2022December 31, 2023.

Limitations – The fair value of a financial instrument is the current amount that would be exchanged between market participants, other than in a forced liquidation. Fair value is best determined based upon quoted market prices. However, in many instances, there are no quoted market prices for the Company's various financial instruments. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument. Consequently, the aggregate fair value amounts presented may not necessarily represent the underlying fair value of the Company.

Note 13: 14: Accumulated Other Comprehensive Income

The following table presents the components of other comprehensive income for the three months ended March 31, 2024 and 2023:

(dollars in thousands)	Before Tax	Tax Effect	Net of Tax
Three Months Ended March 31, 2024			
Net Unrealized Gain on Available for Sale Securities	$ 235	$ (67)	$ 168
Less: Reclassification Adjustment for Net Gains Included in Net Income	(93)	27	(66)
Total Unrealized Gain	142	(40)	102
Net Unrealized Gain on Cash Flow Hedge	5,712	(1,642)	4,070
Less: Reclassification Adjustment for Gains Included in Net Income	(2,303)	661	(1,642)
Total Unrealized Gain	3,409	(981)	2,428
Other Comprehensive Income	$ 3,551	$ (1,021)	$ 2,530
Three Months Ended March 31, 2023			
Net Unrealized Gain on Available for Sale Securities	$ 5,243	$ (1,506)	$ 3,737
Less: Reclassification Adjustment for Net Losses Included in Net Income	56	(16)	40
Total Unrealized Gain	5,299	(1,522)	3,777
Net Unrealized Loss on Cash Flow Hedge	(4,169)	1,198	(2,971)
Less: Reclassification Adjustment for Gains Included in Net Income	(1,067)	307	(760)
Total Unrealized Loss	(5,236)	1,505	(3,731)
Other Comprehensive Income	$ 63	$ (17)	$ 46

Table of Contents

The following table presents the changes in each component of accumulated other comprehensive income, net of tax, for the three months ended March 31, 2024 and 2023:

(dollars in thousands)	Available For Sale Securities	Cash Flow Hedge	Accumulated Other Comprehensive Income (Loss)
Three Months Ended March 31, 2024			
Balance at Beginning of Period	$ (31,720)	$ 13,474	$ (18,246)
Other Comprehensive Income Before Reclassifications	168	4,070	4,238
Amounts Reclassified from Accumulated Other Comprehensive Income	(66)	(1,642)	(1,708)
Net Other Comprehensive Income During Period	102	2,428	2,530
Balance at End of Period	$ (31,618)	$ 15,902	$ (15,716)
Three Months Ended March 31, 2023			
Balance at Beginning of Period	$ (34,124)	$ 16,182	$ (17,942)
Other Comprehensive Income (Loss) Before Reclassifications	3,737	(2,971)	766

Amounts Reclassified from Accumulated Other Comprehensive Income	40	(760)	(720)
Net Other Comprehensive Income (Loss) During Period	3,777	(3,731)	46
Balance at End of Period	$ (30,347)	$ 12,451	$ (17,896)

Note 15: Subsequent Events

On October 25, 2023 April 24, 2024, the Company's Board of Directors announced a quarterly cash dividend of $36.72 per share ($0.3672 per depositary share) on its 5.875% Non-Cumulative Perpetual Preferred Stock, Series A ("Series A Preferred Stock"), payable on December 1, 2023 June 3, 2024, to shareholders of record on the Series A Preferred Stock at the close of business on November 15, 2023 May 15, 2024.

Table of Contents

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

General

The following discussion explains the Company's financial condition and results of operations as of and for the three and nine months ended September 30, 2023 March 31, 2024. Annualized results for this interim period may not be indicative of results for the full year or future periods. The following discussion and analysis should be read in conjunction with the consolidated financial statements and related notes presented elsewhere in this report and the Company's Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023, filed with the Securities and Exchange Commission, or the SEC, on March 7, 2023 March 7, 2024.

Forward-Looking Statements

This Quarterly Report on Form 10-Q contains "forward-looking statements" within the meaning of the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995. Forward-looking statements include, without limitation, statements concerning plans, estimates, calculations, forecasts and projections with respect to the anticipated future performance of the Company. These statements are often, but not always, identified by words such as "may", "might", "should", "could", "predict", "potential", "believe", "expect", "continue", "will", "anticipate", "seek", "estimate", "intend", "plan", "projection", "would", "annualized", "target" and "outlook", or the negative version of those words or other comparable words of a future or forward-looking nature. Forward-looking statements are neither historical facts nor assurances of future performance. Instead, they are based only on our current beliefs, expectations and assumptions regarding our business, future plans and strategies, projections, anticipated events and trends, the economy and other future conditions. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict and many of which are outside of our control. Our actual results and financial condition may differ materially from those indicated in the forward-looking statements. Therefore, you should not rely on any of these forward-looking statements. Important factors that could

Table of Contents

cause our actual results and financial condition to differ materially from those indicated in the forward-looking statements include, among others, the following:

- interest rate risk, including the effects of recent and potential additional significant rate increases by the Federal Reserve; Reserve since 2022;
- fluctuations in the values of the securities held in our securities portfolio, including as the result of changes in interest rates;
- business and economic conditions generally and in the financial services industry, nationally and within our market area, including rising high rates of inflation and possible recession;
- loan concentrations in our loan portfolio;
- the effects of recent developments and events in the financial services industry, including the large-scale deposit withdrawals over a short period of time at Silicon Valley Bank, Signature Bank and First Republic Bank that resulted in the failure of those institutions; recent bank failures;
- loan concentrations in our loan portfolio;
- the overall health of the local and national real estate market;
- the ability to successfully manage credit risk;
- the ability to maintain an adequate level of allowance for credit losses; losses on loans;
- new or revised accounting standards, including as a result of the implementation of the new CECL standard; standards;
- the concentration of large loans to certain borrowers;
- the concentration of large deposits from certain clients, who have balances above current Federal Deposit Insurance Corporation ("FDIC") insurance limits;
- the ability to successfully manage liquidity risk, which may increase the dependence on non-core funding sources such as brokered deposits, and negatively impact our cost of funds;
- the ability to raise additional capital to implement our business plan;
- the ability to implement our growth strategy and manage costs effectively;

Table of Contents

- the composition of the Company's senior leadership team and the ability to attract and retain key personnel;
- talent and labor shortages and high rates of employee turnover;
- the occurrence of fraudulent activity, breaches or failures of our third party vendors' information security controls or cybersecurity-related incidents, including as a result of sophisticated attacks using artificial intelligence and similar tools;
- interruptions involving our information technology and telecommunications systems or third-party servicers;
- competition in the financial services industry, including from nonbank competitors such as credit unions and "fintech" companies;
- the effectiveness of the risk management framework;
- the commencement and outcome of litigation and other legal proceedings and regulatory actions against us;
- the impact of recent and future legislative and regulatory changes, including in response to the recent failures of Silicon Valley Bank, Signature Bank and First Republic Bank; bank failures;
- risks related to climate change and the negative impact it may have on our customers clients and their businesses;
- the imposition of other governmental policies impacting the value of products produced by our commercial borrowers;
- severe weather, natural disasters, wide spread disease or pandemics, (including the COVID-19 pandemic), acts of war or terrorism, or other adverse external events, including the ongoing Israeli-Palestinian conflict and the Russian invasion of Ukraine;
- potential impairment to the goodwill the Company recorded in connection with a past acquisition;
- changes to U.S. or state tax laws, regulations and guidance, including the new 1% excise tax on stock buybacks by publicly traded companies;
- success at managing the risks involved in the foregoing items; and

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Table of Contents

- any other risks described in the “Risk Factors” section of this report and in other reports filed by Bridgewater Bancshares, Inc. with the Securities and Exchange Commission.

The foregoing factors should not be construed as exhaustive and should be read together with the other cautionary statements included in this report. In addition, past results of operations are not necessarily indicative of future results. Any forward-looking statement made by us in this report is based only on information currently available to us and speaks only as of the date on which it is made. The Company undertakes no obligation to publicly update any forward-looking statement, whether written or oral, that may be made from time to time, whether as a result of new information, future developments or otherwise.

Overview

The Company is a financial holding company headquartered in St. Louis Park, Minnesota. The principal sources of funds for loans and investments are transaction, savings, time, and other deposits, and short-term and long-term borrowings. The Company’s principal sources of income are interest and fees collected on loans, interest and dividends earned on investment securities and service charges. The Company’s principal expenses are interest paid on deposit accounts and borrowings, employee compensation and other overhead expenses. The Company’s simple, efficient business model of providing responsive support and unconventional experiences to clients continues to be the underlying principle that drives the Company’s profitable growth.

Critical Accounting Policies and Estimates

The consolidated financial statements of the Company are prepared based on the application of certain accounting policies, the most significant of which are described in “Note 1 – Description of the Business and Summary

Table of Contents

of Significant Accounting Policies” of the notes to the consolidated financial statements included as a part of the Company’s most recent Annual Report on Form 10-K, filed with the SEC on March 7, 2023March 7, 2024. There have been no significant changes in the critical accounting policies or the assumptions and judgments utilized in applying these policies since December 31, 2023. Certain policies require numerous estimates and strategic or economic assumptions that may prove inaccurate or subject to variation and may significantly affect the reported results and financial position for the current period or in future periods. The use of estimates, assumptions, and judgments are necessary when financial assets and liabilities are required to be recorded or adjusted to reflect fair value. Assets carried at fair value inherently result in more financial statement volatility. Fair values and information used to record valuation adjustments for certain assets and liabilities are based on either quoted market prices or are provided by other independent third-party sources, when available. When such information is not available, management estimates valuation adjustments. Changes in underlying factors, assumptions or estimates in any of these areas could have a material impact on the future financial condition and results of operations. Management has discussed each critical accounting policy and the methodology for the identification and determination of critical accounting policies with the Company's Audit Committee.

The JOBS Act permits the Company an extended transition period for complying with new or revised accounting standards affecting public companies. The Company has elected to take advantage of this extended transition period, which means that the financial statements included in this report, as well as any financial statements filed in the future, will not be subject to all new or revised accounting standards generally applicable to public companies for the transition period for so long as the Company remains an emerging growth company or until the Company affirmatively and irrevocably opts out of the extended transition period under the JOBS Act.

The following is a discussion of the critical accounting policies and significant estimates that require the Company to make complex and subjective judgements.

Allowance for Credit Losses

In accordance with ASC 326, *Financial Instruments - Credit Losses*, the allowance for credit losses on loans is a valuation account that is deducted from the amortized cost basis of loans to present the net amount expected to be collected on the loans. Loans are charged against the allowance for credit losses when management determines all or a portion of the loan balance is uncollectible. Subsequent recoveries, if any, are credited to the allowance. The allowance is increased (decreased) by provisions (or reversals of) reported in the income statement as a component of provisions for credit loss. Under the new guidance, the allowance for credit losses on off-balance sheet credit exposures is a liability account representing expected credit losses over the contractual period for which the Company is exposed to credit risk resulting from an off-balance sheet exposure.

The amount of each allowance account represents management's best estimate of current expected credit losses on such financial instruments using relevant available information, from internal and external sources, relating to past events, current conditions and reasonable and supportable forecasts. The allowance for credit losses for loans is measured on a collective basis for portfolios of loans when similar risk characteristics exist. Loans that do not share risk characteristics are evaluated for expected credit losses on an individual basis and excluded from the collective evaluation. For determining the appropriate allowance for credit losses on a collective basis, the loan portfolio is segmented into pools based upon similar risk characteristics and a lifetime loss-rate model is utilized. Management qualitatively adjusts model results for reasonable and supportable forecasts and risk factors that are not considered within the modeling processes but are relevant in assessing the expected credit losses within the loan segment. These qualitative factor adjustments may increase or decrease management's estimate of expected credit losses by a calculated percentage or amount based upon the estimated level of risk. Due to the subjective nature of these estimates the various components of the calculation require significant management judgement and certain assumptions are highly subjective. Volatility in certain credit metrics and variations between expected and actual outcomes are likely.

Investment Securities Impairment

In accordance with ASC 326, *Financial Instruments - Credit Losses*, available for sale securities in unrealized loss positions are evaluated for impairment related to credit losses. For any securities classified as available for sale that are in an unrealized loss position, the Company assesses whether or not it intends to sell the security, or if it is more likely than not it will be required to sell the security, before recovery of its amortized cost basis. If either criteria is met,

Table of Contents

the security's amortized cost basis is written down to fair value through income with the establishment of an allowance. For securities that do not meet the aforementioned criteria, the Company evaluates whether any portion of the decline in fair value is the result of credit deterioration. In making this assessment, management considers the extent to which the amortized cost of the security exceeds its fair value, changes in credit ratings and any other known adverse conditions related to the specific security, among other factors. If the assessment indicates that a credit loss exists, an allowance for credit losses is recorded for the amount by which the amortized cost basis of the security exceeds the present value of cash flows expected to be collected, limited by the amount by which the amortized cost exceeds fair value. Any impairment not recognized in the allowance for credit losses is recognized in other comprehensive income.

The fair values of investment securities are generally determined by various pricing models. The Company evaluates the methodologies used to develop the resulting fair values. The Company performs an annual analysis on the pricing of investment securities to ensure that the prices represent reasonable estimates of fair value. The procedures include initial and ongoing reviews of pricing methodologies and trends. The Company seeks to ensure prices represent reasonable estimates of fair value through the use of broker quotes, current sales transactions from the portfolio and pricing techniques, which are based on the net present value of future expected cash flows discounted at a rate of return market participants would require. As a result of this analysis, if the Company determines there is a more appropriate fair value, the price is adjusted accordingly.

Fair Value of Financial Instruments

The fair value of a financial instrument is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the market in which the reporting entity transacts business. A framework has been established for measuring the fair value of financial instruments that considers the attributes specific to particular assets or liabilities and includes a three-level hierarchy for determining fair value based on the transparency of inputs to each valuation as of the measurement date. The Company estimates the fair value of financial instruments using a variety of valuation methods. When financial instruments are actively traded and have quoted market prices, quoted market prices are used for fair value and are classified as Level 1. When financial instruments, such as investment securities and derivatives, are not actively traded, the Company determines fair value based on various sources and may apply matrix pricing with observable prices for similar instruments where a price for the identical instrument is not observable. The fair values of these financial instruments, which are classified as Level 2, are determined by pricing models that consider observable market data such as interest rate volatilities, yield curve, credit spreads, prices from external market data providers and/or nonbinding broker-dealer quotations. When observable inputs do not exist, the Company estimates fair value based on available market data, and these values are classified as Level 3. Imprecision in estimating fair values can impact the carrying value of assets and liabilities and the amount of revenue or loss recorded.

Deferred Tax Asset

The Company uses the asset and liability method of accounting for income taxes as prescribed by GAAP. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. If currently available information indicates it is “more likely than not” that the deferred tax asset will not be realized, a valuation allowance is established. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Accounting for deferred income taxes is a critical accounting estimate because the Company exercises significant judgment in evaluating the amount and timing of recognition of the resulting tax liabilities and assets. Management’s determination of the realization of deferred tax assets is based upon management’s judgment of various future events and uncertainties, including the timing and amount of future income, reversing temporary differences which may offset, and the implementation of various tax plans to maximize realization of the deferred tax asset. These judgments and estimates are inherently subjective and reviewed on a continual basis as regulatory and business factors change. Any reduction in estimated future taxable income may require the Company to record a valuation allowance against the deferred tax assets. A valuation allowance would result in additional income tax expense in such period, which would negatively affect earnings.

Table of Contents

Operating Results Overview

The following table summarizes certain key financial results as of and for the periods indicated:

	As of and for the Three Months Ended					As of and for the Three Months Ended				
	September 30,	June 30,	March 31,	December 31,	September 30,	March 31,	December 31	September 30,	June 30,	March 31,
(dollars in thousands, except per share data)	2023	2023	2023	2022	2022	2024	2023	2023	2023	2023
Income Statement										
Net Interest Income						$ 24,631	$ 25,314	$ 25,421	$ 25,872	$ 28,567
Provision for (Recovery of) Credit Losses						750	(250)	(600)	50	625
Noninterest Income						1,550	1,409	1,726	1,415	1,943
Noninterest Expense						15,189	15,740	15,237	14,274	14,069
Net Income						7,831	8,873	9,629	9,816	11,642

Net Income Available to Common Shareholders						6,818	7,859	8,616	8,802	10,629
Per Common Share Data										
Basic Earnings Per Share	$ 0.31	$ 0.32	$ 0.38	$ 0.46	$ 0.49	$ 0.25	$ 0.28	$ 0.31	$ 0.32	$ 0.38
Diluted Earnings Per Share	0.30	0.31	0.37	0.45	0.47	0.24	0.28	0.30	0.31	0.37
Book Value Per Share	12.47	12.25	12.05	11.80	11.44	13.30	12.94	12.47	12.25	12.05
Tangible Book Value Per Share (1)	12.37	12.15	11.95	11.69	11.33	13.20	12.84	12.37	12.15	11.95
Basic Weighted Average Shares Outstanding	27,943,409	27,886,425	27,726,894	27,558,983	27,520,117	27,691,401	27,870,430	27,943,409	27,886,425	27,726,894
Diluted Weighted Average Shares Outstanding	28,311,778	28,198,739	28,490,046	28,527,306	28,592,854	28,089,805	28,238,056	28,311,778	28,198,739	28,490,046
Shares Outstanding at Period End	28,015,505	27,973,995	27,845,244	27,751,950	27,587,978	27,589,827	27,748,965	28,015,505	27,973,995	27,845,244
Selected Performance Ratios										
Return on Average Assets (2)	0.85 %	0.88 %	1.07 %	1.28 %	1.46 %	0.69 %	0.77 %	0.85 %	0.88 %	1.07 %
Pre-Provision Net Revenue Return on Average Assets (1)(2)	1.01	1.16	1.49	1.82	2.15	0.95	0.96	1.01	1.16	1.49
Return on Average Shareholders' Equity (2)	9.23	9.69	11.70	14.06	14.99	7.35	8.43	9.23	9.69	11.70
Return on Average Tangible Common Equity (1)(2)	9.92	10.48	12.90	15.86	17.03	7.64	8.95	9.92	10.48	12.90
Average Shareholders' Equity to Average Assets						9.32	9.15	9.19	9.06	9.16

Net Interest Margin (3)						2.24	2.27	2.32	2.40	2.72
Core Net Interest Margin (1)(3)						2.18	2.21	2.24	2.31	2.62
Yield on Interest Earning Assets(3)	5.14	5.06	4.91	4.67	4.37	5.28	5.22	5.14	5.06	4.91
Yield on Total Loans, Gross(3)	5.26	5.19	5.06	4.87	4.59	5.38	5.33	5.26	5.19	5.06
Cost of Interest Bearing Liabilities	3.81	3.59	3.03	2.22	1.30	4.03	3.97	3.81	3.59	3.03
Cost of Total Deposits						3.32	3.19	2.99	2.66	2.01
Cost of Funds	3.10	2.91	2.41	1.67	0.93	3.34	3.23	3.10	2.91	2.41
Cost of Total Deposits	2.99	2.66	2.01	1.31	0.73					
Net Interest Margin (3)	2.32	2.40	2.72	3.16	3.53					
Core Net Interest Margin (1)(3)	2.24	2.31	2.62	3.05	3.38					
Efficiency Ratio (1)	56.5	52.7	46.2	43.8	39.8	58.2	58.8	56.1	52.3	45.9
Noninterest Expense to Average Assets (2)	1.35	1.29	1.31	1.42	1.42	1.33	1.37	1.34	1.28	1.30
Balance Sheet										
Total Assets						$ 4,723,109	$ 4,611,990	$ 4,557,070	$ 4,603,185	$ 4,602,899
Total Loans, Gross						3,784,205	3,724,282	3,722,271	3,736,211	3,684,360
Deposits						3,807,225	3,709,948	3,675,509	3,577,932	3,411,123
Total Shareholders' Equity						433,611	425,515	415,960	409,126	402,006
Loan to Deposit Ratio	101.3	104.4	108.0	104.5	102.3	99.4 %	100.4 %	101.3 %	104.4 %	108.0 %
Core Deposits to Total Deposits (4)	70.3	70.3	72.4	74.6	83.0	69.3	68.7	70.3	70.3	72.4
Uninsured Deposits to Total Deposits						26.0	24.3	22.2	22.1	24.0
Capital Ratios (Consolidated) (6)										
Tier 1 Leverage Ratio						9.66 %	9.57 %	9.62 %	9.47 %	9.41 %

Common Equity Tier 1 Risk-based Capital Ratio						9.21	9.16	9.07	8.72	8.48
Tier 1 Risk-based Capital Ratio						10.83	10.79	10.69	10.33	10.08
Total Risk-based Capital Ratio						14.00	13.97	13.88	13.50	13.25
Tangible Common Equity to Tangible Assets (1)	7.61	7.39	7.23	7.48	7.57	7.72	7.73	7.61	7.39	7.23

Table of Contents

	As of and for the Three Months Ended				
(dollars in thousands)	March 31, 2024	December 31 2023	September 30, 2023	June 30, 2023	March 31, 2023
Selected Asset Quality Data					
Loans 30-89 Days Past Due	$ —	$ 15,110	$ 11	$ —	$ 21
Loans 30-89 Days Past Due to Total Loans	0.00 %	0.41 %	0.00 %	0.00 %	0.00 %
Nonperforming Loans	$ 249	$ 919	$ 749	$ 662	$ 693
Nonperforming Loans to Total Loans	0.01 %	0.02 %	0.02 %	0.02 %	0.02 %
Nonaccrual Loans to Total Loans	0.01	0.02	0.02	0.02	0.02
Nonaccrual Loans and Loans Past Due 90 Days and Still Accruing to Total Loans	0.01	0.02	0.02	0.02	0.02
Foreclosed Assets	$ 20	$ —	$ —	$ 116	$ 116
Nonperforming Assets (5)	269	919	749	778	809
Nonperforming Assets to Total Assets (5)	0.01 %	0.02 %	0.02 %	0.02 %	0.02 %
Allowance for Credit Losses on Loans to Total Loans	1.36	1.36	1.36	1.36	1.36
Allowance for Credit Losses on Loans to Nonaccrual Loans	20,621.29	5,494.45	6,753.67	7,658.76	7,236.36
Net Loan Charge-Offs to Average Loans (2)	0.00	0.01	0.01	0.00	0.00
Watchlist Risk Rating Loans	$ 21,624	$ 26,485	$ 26,877	$ 27,215	$ 27,574
Substandard Risk Rating Loans	33,829	33,858	35,621	33,821	36,258

(1) Represents a non-GAAP financial measure. See "Non-GAAP Financial Measures" for further details.
(2) Annualized.
(3) Amounts calculated on a tax-equivalent basis using the statutory federal tax rate of 21%.
(4) Core deposits are defined as total deposits less brokered deposits and certificates of deposit greater than $250,000.

Selected Financial Data

The following tables summarize certain selected financial data as of and for the periods indicated:

(dollars in thousands)	As of and for the Three Months Ended September 30, 2023	June 30, 2023	March 31, 2023	December 31, 2022	September 30, 2022
Selected Balance Sheet Data					
Total Assets	$ 4,557,070	$ 4,603,185	$ 4,602,899	$ 4,345,662	$ 4,128,987
Total Loans, Gross	3,722,271	3,736,211	3,684,360	3,569,446	3,380,082
Allowance for Credit Losses	50,585	50,701	50,148	47,996	46,491
Goodwill and Other Intangibles	2,823	2,832	2,866	2,914	2,962
Deposits	3,675,509	3,577,932	3,411,123	3,416,543	3,305,074
Tangible Common Equity (1)	346,623	339,780	332,626	324,636	312,531
Total Shareholders' Equity	415,960	409,126	402,006	394,064	382,007
Average Total Assets - Quarter-to-Date	4,504,937	4,483,662	4,405,234	4,251,345	3,948,201
Average Shareholders' Equity - Quarter-to-Date	414,047	406,347	403,533	387,589	384,020

(1) (5 Represents a non-GAAP financial measure. See "Non-GAAP Financial Measures" for further details. Nonperforming assets are defined as nonaccrual loans plus 90 days past due plus foreclosed assets.

(dollars in thousands)	For the Three Months Ended September 30, 2023	June 30, 2023	March 31, 2023	December 31, 2022	September 30, 2022
Selected Income Statement Data					
Interest Income	$ 56,809	$ 55,001	$ 51,992	$ 48,860	$ 42,359
Interest Expense	31,388	29,129	23,425	15,967	8,264
Net Interest Income	25,421	25,872	28,567	32,893	34,095
Provision for (Recovery of) Credit Losses	(600)	50	625	1,500	1,500
Net Interest Income after Provision for Credit Losses	26,021	25,822	27,942	31,393	32,595
Noninterest Income	1,726	1,415	1,943	1,738	1,387
Noninterest Expense	15,350	14,388	14,183	15,203	14,157
Income Before Income Taxes	12,397	12,849	15,702	17,928	19,825
Provision for Income Taxes	2,768	3,033	4,060	4,193	5,312
Net Income	9,629	9,816	11,642	13,735	14,513
Preferred Stock Dividends	(1,013)	(1,014)	(1,013)	(1,014)	(1,013)
Net Income Available to Common Shareholders	$ 8,616	$ 8,802	$ 10,629	$ 12,721	$ 13,500

Discussion and Analysis of Results of Operations

Net Income

Net income was $9.6 million $7.8 million for the third first quarter of 2023, 2024, compared to net income of $14.5 million $11.6 million for the third first quarter of 2022. 2023. Earnings per diluted common share for the third first quarter of 2023 2024 were $0.30, $0.24, compared to $0.47 $0.37 per diluted common share for the third first quarter of 2022. Net income was $31.1 million for the nine months ended September 30, 2023, compared to net income of $39.7 million for the nine months ended September 30, 2022. Earnings per diluted common share for the nine months ended September 30, 2023 were $0.99, compared to $1.27 per diluted common share for the nine months ended September 30, 2022. 2023.

Net Interest Income

The Company's primary source of revenue is net interest income, which is impacted by the level of interest earning assets and related funding sources, as well as changes in the level of interest rates. The difference between the average yield on earning assets and the average rate paid for interest bearing liabilities is the net interest spread. Noninterest bearing sources of funds, such as demand deposits and shareholders' equity, also support earning assets. The impact of the noninterest bearing sources of funds is captured in the net interest margin, which is calculated as net interest income divided by average earning assets. Both the net interest margin and net interest spread are presented on a tax-equivalent basis, which means that tax-free interest income has been adjusted to pretax-equivalent income, assuming a 21% federal tax rate. Management's ability to respond to changes in interest rates by using effective asset-liability management techniques is critical to maintaining the stability of the managing net interest margin and the Company's primary source of earnings.

Table of Contents

Average Balances and Yields

The following tables present, table presents, for the three and nine months ended September 30, 2023 March 31, 2024 and 2022, 2023, the average balances of each principal category of assets, liabilities and shareholders' equity, and an analysis of net interest income. The average balances are principally daily averages and, for loans, include both performing and nonperforming balances. Interest income on loans includes the effects of net deferred loan origination fees and costs accounted for as yield adjustments. These tables are presented on a tax-equivalent basis, if applicable.

	For the Three Months Ended						For the Three Months Ended					
	September 30, 2023			September 30, 2022			March 31, 2024			March 31, 2023		
	Average Balance	Interest & Fees	Yield/ Rate	Average Balance	Interest & Fees	Yield/ Rate	Average Balance	Interest & Fees	Yield/ Rate	Average Balance	Interest & Fees	Yield/ Rate
(dollars in thousands)												
Interest Earning Assets:												
Cash Investments	$ 81,038	$ 903	4.42 %	$ 57,613	$ 165	1.13 %	$ 75,089	$ 829	4.44 %	$ 63,253	$ 447	2.86 %
Investment Securities:												
Taxable Investment Securities	565,008	6,234	4.38	461,255	3,741	3.22	638,509	7,600	4.79	574,242	5,958	4.21

Tax-Exempt Investment Securities (1)	29,955	346	4.58	75,801	799	4.18	31,745	400	5.07	29,803	330	4.49
Total Investment Securities	594,963	6,580	4.39	537,056	4,540	3.35	670,254	8,000	4.80	604,045	6,288	4.22
Paycheck Protection Program Loans (2)	828	2	1.00	2,424	96	15.75						
Loans (1)(2)	3,721,766	49,324	5.26	3,263,390	37,724	4.59	3,729,355	49,858	5.38	3,630,446	45,265	5.06
Total Loans	3,722,594	49,326	5.26	3,265,814	37,820	4.59						
Federal Home Loan Bank Stock	17,829	400	8.89	11,413	156	5.42	18,058	343	7.64	25,962	372	5.81
Total Interest Earning Assets	4,416,424	57,209	5.14 %	3,871,896	42,681	4.37 %	4,492,756	59,030	5.28 %	4,323,706	52,372	4.91 %
Noninterest Earning Assets	88,513			76,305			100,082			81,528		
Total Assets	$ 4,504,937			$ 3,948,201			$4,592,838			$4,405,234		
Interest Bearing Liabilities:												
Deposits:												
Interest Bearing Transaction Deposits	$ 730,244	$ 7,136	3.88 %	$ 517,658	$ 1,032	0.79 %	$ 732,186	$ 7,693	4.23 %	$ 461,372	$ 2,780	2.44 %
Savings and Money Market Deposits	874,612	8,089	3.67	999,932	2,494	0.99	896,844	8,781	3.94	1,044,794	6,499	2.52
Time Deposits	266,635	1,962	2.92	288,621	847	1.16	317,595	3,167	4.01	248,174	1,069	1.75
Brokered Deposits	985,276	10,038	4.04	447,034	1,612	1.43	1,014,197	10,549	4.18	743,465	6,026	3.29
Total Interest Bearing Deposits	2,856,767	27,225	3.78	2,253,245	5,985	1.05	2,960,822	30,190	4.10	2,497,805	16,374	2.66
Federal Funds Purchased	39,641	548	5.48	106,826	709	2.63	21,824	304	5.60	415,111	4,944	4.83
Notes Payable	13,750	296	8.58	—	—	—	13,750	295	8.64	13,750	263	7.77
FHLB Advances	275,261	2,316	3.34	72,343	328	1.80	318,648	2,258	2.85	128,222	861	2.72
Subordinated Debentures	79,137	1,003	5.03	92,503	1,242	5.33	79,328	991	5.02	78,945	983	5.05
Total Interest Bearing Liabilities	3,264,556	31,388	3.81 %	2,524,917	8,264	1.30 %	3,394,372	34,038	4.03 %	3,133,833	23,425	3.03 %
Noninterest Bearing Liabilities:												

Noninterest Bearing Transaction Deposits	754,567			991,545			701,175			813,598		
Other Noninterest Bearing Liabilities	71,767			47,719			69,043			54,270		
Total Noninterest Bearing Liabilities	826,334			1,039,264			770,218			867,868		
Shareholders' Equity	414,047			384,020			428,248			403,533		
Total Liabilities and Shareholders' Equity	$ 4,504,937			$ 3,948,201			$4,592,838			$4,405,234		
Net Interest Income / Interest Rate Spread		25,821	1.33 %		34,417	3.07 %		24,992	1.25 %		28,947	1.88 %
Net Interest Margin (3)			2.32 %			3.53 %			2.24 %			2.72 %
Taxable Equivalent Adjustment:												
Tax-Exempt Investment Securities and Loans		(400)			(322)			(361)			(380)	
Net Interest Income		$ 25,421			$ 34,095			$24,631			$28,567	

(1) Interest income and average rates for tax-exempt investment securities and loans are presented on a tax-equivalent basis, assuming a federal income tax rate of 21%.

(2) Average loan balances include nonaccrual loans. Interest income on loans includes amortization of deferred loan fees, net of deferred loan costs.

(3) Net interest margin includes the tax equivalent adjustment and represents the annualized results of: (i) the difference between interest income on interest earning assets and the interest expense on interest bearing liabilities, divided by (ii) average interest earning assets for the period.

Table of Contents

	For the Nine Months Ended					
	September 30, 2023			September 30, 2022		
(dollars in thousands)	Average Balance	Interest & Fees	Yield/ Rate	Average Balance	Interest & Fees	Yield/ Rate

Interest Earning Assets:						
Cash Investments	$ 68,150	$ 1,937	3.80 %	$ 66,301	$ 231	0.47 %
Investment Securities:						
Taxable Investment Securities	569,097	18,192	4.27	417,462	8,692	2.78
Tax-Exempt Investment Securities (1)	28,947	975	4.50	73,900	2,373	4.29
Total Investment Securities	598,044	19,167	4.29	491,362	11,065	3.01
Paycheck Protection Program Loans (2)	913	7	1.00	9,575	922	12.88
Loans (1)(2)	3,689,283	142,652	5.17	3,082,924	103,204	4.48
Total Loans	3,690,196	142,659	5.17	3,092,499	104,126	4.50
Federal Home Loan Bank Stock	22,343	1,228	7.34	9,593	269	3.75
Total Interest Earning Assets	4,378,733	164,991	5.04 %	3,659,755	115,691	4.23 %
Noninterest Earning Assets	86,243			77,028		
Total Assets	$ 4,464,976			$ 3,736,783		
Interest Bearing Liabilities:						
Deposits:						
Interest Bearing Transaction Deposits	$ 625,531	$ 15,833	3.38 %	$ 545,301	$ 2,322	0.57 %
Savings and Money Market Deposits	926,494	21,636	3.12	934,408	4,597	0.66
Time Deposits	261,474	4,734	2.42	286,059	2,257	1.05
Brokered Deposits	876,130	24,394	3.72	419,352	3,422	1.09
Total Interest Bearing Deposits	2,689,629	66,597	3.31	2,185,120	12,598	0.77
Federal Funds Purchased	220,434	8,253	5.01	85,287	1,128	1.77
Notes Payable	13,750	844	8.21	—	—	—
FHLB Advances	215,938	5,269	3.26	54,227	646	1.59
Subordinated Debentures	79,042	2,979	5.04	92,396	3,658	5.29
Total Interest Bearing Liabilities	3,218,793	83,942	3.49 %	2,417,030	18,030	1.00 %
Noninterest Bearing Liabilities:						
Noninterest Bearing Transaction Deposits	774,523			899,456		
Other Noninterest Bearing Liabilities	63,646			37,463		
Total Noninterest Bearing Liabilities	838,169			936,919		
Shareholders' Equity	408,014			382,834		
Total Liabilities and Shareholders' Equity	$ 4,464,976			$ 3,736,783		
Net Interest Income / Interest Rate Spread		81,049	1.55 %		97,661	3.23 %
Net Interest Margin (3)			2.47 %			3.57 %
Taxable Equivalent Adjustment:						
Tax-Exempt Investment Securities and Loans		(1,189)			(856)	
Net Interest Income		$ 79,860			$ 96,805	

(1) Interest income and average rates for tax-exempt investment securities and loans are presented on a tax-equivalent basis, assuming a federal income tax rate of 21%.

(2) Average loan balances include nonaccrual loans. Interest income on loans includes amortization of deferred loan fees, net of deferred loan costs.

(3) Net interest margin includes the tax equivalent adjustment and represents the annualized results of: (i) the difference between interest income on interest earning assets and the interest expense on interest bearing liabilities, divided by (ii) average interest earning assets for the period.

Table of Contents

Interest Rates and Operating Interest Differential

Increases and decreases in interest income and interest expense result from changes in average balances (volume) of interest earning assets and interest bearing liabilities, as well as changes in average interest rates. The following table presents the effect that these factors had on the interest earned on interest earning assets and the interest incurred on interest bearing liabilities. The effect of changes in volume is determined by multiplying the change in volume by the previous period's average rate. Similarly, the effect of rate changes is calculated by multiplying the change in average rate by the previous period's volume. The changes not attributable specifically to either volume or rate have been allocated to the changes due to volume. The following tables presenttable presents the changes in the volume and rate of interest bearing assets and liabilities for the three months ended September 30, 2023March 31, 2024, compared to the three months ended September 30, 2022March 31, 2023, and for the nine months ended September 30, 2023, compared to the nine months ended September 30, 2022:

	Three Months Ended September 30, 2023 Compared with Three Months Ended September 30, 2022			Three Months Ended March 31, 2024 Compared with Three Months Ended March 31, 2023		
	Change Due To:		Interest	Change Due To:		Interest
(dollars in thousands)	Volume	Rate	Variance	Volume	Rate	Variance
Interest Earning Assets:						
Cash Investments	$ 261	$ 477	$ 738	$ 134	$ 248	$ 382
Investment Securities:						
Taxable Investment Securities	1,145	1,348	2,493	814	828	1,642
Tax-Exempt Investment Securities	(529)	76	(453)	27	43	70
Total Securities	616	1,424	2,040	841	871	1,712
Loans:						
Paycheck Protection Program Loans	(4)	(90)	(94)			
Loans	6,074	5,526	11,600	1,705	2,888	4,593
Total Loans	6,070	5,436	11,506			
Federal Home Loan Bank Stock	144	100	244	(147)	118	(29)
Total Interest Earning Assets	$ 7,091	$ 7,437	$ 14,528	$ 2,533	$ 4,125	$ 6,658
Interest Bearing Liabilities:						
Interest Bearing Transaction Deposits	$ 2,077	$ 4,027	$ 6,104	$ 2,868	$ 2,045	$ 4,913
Savings and Money Market Deposits	(1,159)	6,754	5,595	(1,394)	3,676	2,282
Time Deposits	(162)	1,277	1,115	701	1,397	2,098
Brokered Deposits	5,484	2,942	8,426	2,867	1,656	4,523
Total Deposits	6,240	15,000	21,240	5,042	8,774	13,816
Federal Funds Purchased	(928)	767	(161)	(5,438)	798	(4,640)
Notes Payable	296	—	296	2	30	32
FHLB Advances	1,708	280	1,988	1,357	40	1,397
Subordinated Debentures	(170)	(69)	(239)	14	(6)	8
Total Interest Bearing Liabilities	7,146	15,978	23,124	977	9,636	10,613
Net Interest Income	$ (55)	$ (8,541)	$ (8,596)	$ 1,556	$ (5,511)	$ (3,955)

Table of Contents

	Nine Months Ended September 30, 2023 Compared with Nine Months Ended September 30, 2022

(dollars in thousands)	Change Due To: Volume	Rate	Interest Variance
Interest Earning Assets:			
Cash Investments	$ 52	$ 1,654	$ 1,706
Investment Securities:			
Taxable Investment Securities	4,848	4,652	9,500
Tax-Exempt Investment Securities	(1,514)	116	(1,398)
Total Securities	3,334	4,768	8,102
Loans:			
Paycheck Protection Program Loans	(64)	(851)	(915)
Loans	23,446	16,002	39,448
Total Loans	23,382	15,151	38,533
Federal Home Loan Bank Stock	701	258	959
Total Interest Earning Assets	$ 27,469	$ 21,831	$ 49,300
Interest Bearing Liabilities:			
Interest Bearing Transaction Deposits	$ 2,031	$ 11,480	$ 13,511
Savings and Money Market Deposits	(185)	17,224	17,039
Time Deposits	(445)	2,922	2,477
Brokered Deposits	12,718	8,254	20,972
Total Deposits	14,119	39,880	53,999
Federal Funds Purchased	5,059	2,066	7,125
Notes Payable	844	—	844
FHLB Advances	3,946	677	4,623
Subordinated Debentures	(504)	(175)	(679)
Total Interest Bearing Liabilities	23,464	42,448	65,912
Net Interest Income	$ 4,005	$ (20,617)	$ (16,612)

Comparison of Interest Income, Interest Expense, and Net Interest Margin

Third Quarter of 2023 Compared to Third Quarter of 2022

Net interest income was $25.4 million $24.6 million for the third first quarter of 2023, 2024, a decrease of $8.7 million, $3.9 million compared to $34.1 million $28.6 million for the third first quarter of 2022. 2023. The decrease in net interest income was primarily due to higher rates paid on deposits and increased borrowings growth in the rising interest rate environment. environment, which outpaced the repricing of the loan and securities portfolios.

Net interest margin (on a fully tax-equivalent basis) for the third first quarter of 2023 2024 was 2.32% 2.24%, a 121 48 basis point decline from 3.53% 2.72% in the third first quarter of 2022. 2023. Core net interest margin (on a fully tax-equivalent basis), a non-GAAP financial measure which excludes the impact of loan fees, and PPP balances, interest, and fees, was 2.18% for the third first quarter of 2023 was 2.24%, 2024, a 114 44 basis point decline from 3.38% 2.62% in the third first quarter of 2022. 2023. The decline in the margin was primarily due to higher funding costs, and increased borrowings in the rising interest rate environment, offset partially by higher earning asset yields.

Average interest earning assets were $4.49 million for the third first quarter of 2023 increased $544.5 million 2024, an increase of $169.0 million, or 14.1% 3.9%, compared to $4.42 billion, from $3.87 billion $4.32 billion for the third first quarter of 2022. 2023. This increase in average interest earning assets was primarily due to strong organic growth in the loan portfolio and purchases of investment securities. Average interest bearing liabilities increased $739.6 million were $3.39 billion for the first quarter of 2024, an increase of $260.5 million, or 29.3% 8.3%, compared to $3.26 billion $3.13 billion for the third first quarter of 2023, from $2.52 billion for the third quarter of 2022. 2023. The increase in average interest bearing liabilities was primarily due to an increase in interest bearing transaction deposits, time deposits, brokered deposits and FHLB advances. advances, offset partially by a decrease in federal funds purchased.

Average interest earning assets produced a tax-equivalent yield of 5.14% 5.28% for the third first quarter of 2023, 2024, compared to 4.37% 4.91% for the third first quarter of 2022. 2023. The increase in the yield on interest earning assets was primarily due to growth and repricing of the loan and securities portfolios in the rising interest rate environment. The average rate paid on

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Table of Contents

interest bearing liabilities was 3.81% 4.03% for the third first quarter of 2023, 2024, compared to 1.30% 3.03% for the third first quarter of 2022 2023. The increase was primarily due to the deposit repricing, which resulted from a rapid increase in market interest rates that occurred between the periods, which impacted all funding sources. rates.

Interest Income. Total interest income, on a tax-equivalent basis, was $57.2 million $59.0 million for the third first quarter of 2023, 2024, compared to $42.7 $52.4 million for the third first quarter of 2022. 2023. The $14.5 $6.7 million increase in total interest income on a tax-equivalent basis was primarily due to strong organic growth in the loan portfolio, continued purchases of investment securities and higher earning asset yields in the rising interest rate environment.

Interest income on the investment securities portfolio, on a tax-equivalent basis, increased $1.7 million for the first quarter of 2024, compared to the first quarter of 2023, primarily due to a $66.2 million, or 11.0%, increase in average balances between the two periods and higher rates earned on securities.

Interest income on loans, on a tax-equivalent basis, was $49.3 $49.9 million for the third first quarter of 2023, 2024, compared to $37.8 $45.3 million for the third first quarter of 2022. 2023. The $11.5 million $4.6 million increase was primarily due to a 14.0% increase in the average balance of loans outstanding from organic loan growth and a 67 basis point increase repricing of the loan portfolio in yield from the rising interest rate environment.

Loan interest income and loan fees remain the primary contributing factors to the changes in the yield on interest earning assets. The aggregate loan yield increased to 5.26% 5.38% in the third first quarter of 2023, 2024, which was 67 32 basis points higher than 4.59% 5.06% in the third first quarter of 2022. While loan fees have historically maintained a relatively stable contribution to the aggregate loan yield, the recent periods saw fewer loan prepayments, which historically has accelerated the recognition of loan fees. 2023. Despite the overall decrease in fee recognition, the Company is encouraged that the core loan yield continues to rise as new loan originations and the existing portfolio reprice in the higher interest rate environment.

The following table presents a summary of interest and fees recognized on loans excluding PPP loans, for the periods indicated:

	Three Months Ended					Three Months Ended			
	September 30, 2023	June 30, 2023	March 31, 2023	December 31, 2022	September 30, 2022	March 31, 2024	December 31, 2023	September 30, 2023	Ju
Interest	5.16 %	5.09 %	4.95 %	4.74 %	4.42 %	5.31 %	5.25 %	5.16 %	
Fees	0.10	0.10	0.11	0.12	0.17	0.07	0.08	0.10	
Yield on Loans, Excluding PPP Loans	5.26 %	5.19 %	5.06 %	4.86 %	4.59 %				
Yield on Loans						5.38 %	5.33 %	5.26 %	

Interest Expense. Interest expense on interest bearing liabilities increased $23.1 million, to $31.4 million was $34.0 million for the third first quarter of 2023, compared to $8.3 million 2024, an increase of $10.6 million, from $23.4 million for the third first quarter of 2022. 2023. The cost of interest bearing liabilities increased 251 basis points from 1.30% in the third quarter of 2022 to 3.81% in the third quarter of 2023, increase was primarily due to growth and upward repricing of the rapid increase deposit and FHLB advances portfolios in market the higher interest rates that occurred between the periods, which impacted all funding sources. rate environment.

Interest expense on deposits was $27.2 million $30.2 million for the third first quarter of 2023, 2024, an increase of $21.2 million $13.8 million, from $6.0 million $16.4 million for the third first quarter of 2022. 2023. The increase in interest expense on deposits was primarily due to upward repricing of the deposit portfolio in the higher interest rate environment and the average balance of interest bearing deposits increasing by $463.0 million, or 18.5%. The cost of total deposits increased 226 basis points from 0.73% was 3.32% in the third first quarter of 2022, 2024, a 131 basis point increase, compared to 2.99% 2.01% in the third first quarter of 2023, 2023. The increase was primarily due to the upward repricing of the deposit portfolio in the higher interest rate environment.

Interest expense on borrowings was $4.2 million $3.8 million for the third first quarter of 2023, an increase 2024, a decrease of $1.9 million from $2.3 million $3.2 million, compared to $7.1 million for the third first quarter of 2022. This increase 2023. The decrease was primarily due to higher average balances a decreased utilization of FHLB advances federal funds purchased in the higher interest rate environment, offset partially by a decreased increased utilization of federal funds purchased.

Nine Months Ended September 30, 2023 Compared to Nine Months Ended September 30, 2022

Net interest income was $79.9 million for the nine months ended September 30, 2023, a decrease of $16.9 million, or 17.5%, compared to $96.8 million for the nine months ended September 30, 2022. The decrease in net interest income was primarily due to higher rates paid on deposits and increased borrowings in the rising interest rate environment, offset partially by higher earning asset yields.
FHLB advances.

Table of Contents

Net interest margin (on a fully tax-equivalent basis) for the nine months ended September 30, 2023 was 2.47%, compared to 3.57% for the nine months ended September 30, 2022, a decrease of 110 basis points. Core net interest margin (on a fully tax-equivalent basis), a non-GAAP financial measure which excludes the impact of loan fees and PPP balances, interest, and fees, for the nine months ended September 30, 2023 was 2.39%, a 96 basis point decrease from 3.35% for the nine months ended September 30, 2022.

Average interest earning assets for the nine months ended September 30, 2023 increased $719.0 million, or 19.6%, to $4.38 billion, from $3.66 billion for the nine months ended September 30, 2022. This increase in average interest earning assets was primarily due to strong organic growth in the loan portfolio and continued purchases of investment securities, offset partially by the forgiveness of PPP loans. Average interest bearing liabilities increased $801.8 million, or 33.2%, to $3.22 billion for the nine months ended September 30, 2023, from $2.42 billion for the nine months ended September 30, 2022. The increase in average interest bearing liabilities was primarily due to an increase in interest bearing transaction deposits, brokered deposits, federal funds purchased, and FHLB advances.

Average interest earning assets produced a tax-equivalent yield of 5.04% for the nine months ended September 30, 2023, compared to 4.23% for the nine months ended September 30, 2022. The average rate paid on interest bearing liabilities was 3.49% for the nine months ended September 30, 2023, compared to 1.00% for the nine months ended
September 30, 2022.

Interest Income. Total interest income on a tax-equivalent basis was $165.0 million for the nine months ended September 30, 2023, compared to $115.7 million for the nine months ended September 30, 2022. The $49.3 million increase in total interest income on a tax-equivalent basis was primarily due to strong organic growth in the loan portfolio, continued purchases of investment securities, and higher earning asset yields in the rising interest rate environment.

Interest income on the investment securities portfolio, on a fully-tax equivalent basis, increased $8.1 million during the nine months ended September 30, 2023, compared to the nine months ended September 30, 2022, primarily due to a $106.7 million, or 21.7%, increase in average balances and a 128 basis point increase in yield between the periods.

Interest income on loans, on a fully-tax equivalent basis, for the nine months ended September 30, 2023 was $142.7 million, compared to $104.1 million for the nine months ended September 30, 2022. The $38.5 million increase was primarily due to a 19.3% increase in the average balances of loans outstanding and a 67 basis point increase in yield.

Interest Expense. Interest expense on interest bearing liabilities increased $65.9 million to $83.9 million for the nine months ended September 30, 2023, compared to $18.0 million for the nine months ended September 30, 2022, primarily due to higher rates paid on deposits and increased utilization of federal funds purchased and FHLB advances in the rising interest rate environment.

Interest expense on deposits increased to $66.6 million for the nine months ended September 30, 2023, compared to $12.6 million for the nine months ended September 30, 2022. The $54.0 million increase in interest expense on deposits was primarily due to upward repricing of the deposit portfolio in the higher interest rate environment.

Interest expense on borrowings increased $11.9 million to $17.3 million for the nine months ended September 30, 2023, compared to $5.4 million for the nine months ended September 30, 2022. This increase was primarily due to higher average balances of federal funds purchased and FHLB advances in the higher interest rate environment.

Provision for Credit Losses

The provision for credit losses on loans was $-0- $850,000 for the third first quarter of 2023, 2024, compared to $1.5 million for the third first quarter of 2022. 2023. The provision for credit losses on loans was $2.1 million for the nine months ended September 30, 2023, compared to $6.2 million for the nine months ended September 30, 2022. No provision for credit losses on loans was recorded in the third first quarter of 2023 due 2024 was primarily attributable to a more managed pace the increased growth of the loan growth and continued strong asset quality. portfolio.

Table of Contents

The allowance for credit losses on loans to total loans was 1.36% at September 30, 2023, compared to 1.38% at September 30, 2022 both March 31, 2024 and March 31, 2023.

The following table presents a summary of the activity in the allowance for credit losses on loans for the periods indicated:

	Three Months Ended September 30,		Nine Months Ended September 30,		Three Months Ended March 31,	
(dollars in thousands)	2023	2022	2023	2022	2024	2023
Balance at Beginning of Period	$ 50,701	$ 44,711	$ 47,996	$ 40,020	$50,494	$47,996
Impact of Adopting CECL	—	—	650	—	—	650
Provision for Credit Losses	—	1,500	2,050	6,200	850	1,500
Charge-offs	(122)	(5)	(129)	(34)	(2)	(4)
Recoveries	6	285	18	305	5	6
Balance at End of Period	$ 50,585	$ 46,491	$ 50,585	$ 46,491	$51,347	$50,148

The provision for credit losses for off-balance sheet credit exposures was a negative provision of $600,000 $100,000 for the third first quarter of 2023, 2024, compared to $-0- for the third quarter of 2022. The provision for credit losses for off-balance sheet credit exposures was a negative provision of $2.0 million $875,000 for the nine months ended September 30, 2023, compared to $-0- for the nine months ended September 30, 2022. first quarter of 2023. The negative provision for both periods was due to a reduction in outstanding unfunded commitments primarily attributable to the migration to funded loans, as well as a moderation of volume of newly originated projects with unfunded commitments. The allowance for credit losses on off-balance sheet credit exposures was $3.2 million at September 30, 2023 $2.9 million as of March 31, 2024, compared to $360,000 at December 31, 2022 $3.0 million as of December 31, 2023.

The following table presents a summary of the activity in the provision for credit losses for the periods indicated:

	Three Months Ended September 30,		Increase/	Nine Months Ended September 30,		Increase/	Three Months Ended March 31,		Increase/
(dollars in thousands)	2023	2022	(Decrease)	2023	2022	(Decrease)	2024	2023	(Decrease)
Provision for Credit Losses on Loans	$ —	$ 1,500	$ (1,500)	$ 2,050	$ 6,200	$ (4,150)	$ 850	$ 1,500	$ (650)
Provision for (Recovery of) Credit Losses for Off-Balance Sheet Credit Exposures	(600)	—	(600)	(1,975)	—	(1,975)	(100)	(875)	775
Provision for (Recovery of) Credit Losses	$ (600)	$ 1,500	$ (2,100)	$ 75	$ 6,200	$ (6,125)			
Provision for Credit Losses							$ 750	$ 625	$ 125

Noninterest Income

Noninterest income was $1.7 million $1.6 million for the third first quarter of 2023, an increase 2024, a decrease of $339,000 $393,000 from $1.4 million $1.9 million for the third first quarter of 2022. 2023. The increase decrease was primarily due to lower letter of credit fees and $299,000 of FHLB prepayment income recognized in the previous year which did not reoccur, offset partially by lower other income. Noninterest income was $5.1 million for the nine months ended September 30, 2023, an increase a net gain on sale of $490,000, compared to $4.6 million for the nine months ended September 30, 2022. The increase was primarily due to increased customer service fees, swap fees, and bank-owned life insurance income, offset partially by lower other income. securities.

Table of Contents

The following table presents the major components of noninterest income for the periods indicated:

	Three Months Ended September 30,		Increase/	Nine Months Ended September 30,		Increase/	Three Months Ended March 31,		Increase/
(dollars in thousands)	2023	2022	(Decrease)	2023	2022	(Decrease)	2024	2023	(Decrease)
Noninterest Income:									
Customer Service Fees	$ 379	$ 313	$ 66	$ 1,096	$ 892	$ 204	$ 342	$ 349	$ (7)
Net Gain (Loss) on Sales of Securities	—	—	—	(6)	52	(58)	93	(56)	149
Letter of Credit Fees	315	428	(113)	1,328	1,234	94	316	634	(318)
Debit Card Interchange Fees	150	153	(3)	443	438	5	141	138	3
Swap Fees	—	—	—	—	557	(557)			
Bank-Owned Life Insurance	252	227	25	724	524	200	301	234	67
FHLB Prepayment Income	493	—	493	792	—	792	—	299	(299)
Other Income	137	266	(129)	707	897	(190)	357	345	12
Totals	$ 1,726	$ 1,387	$ 339	$ 5,084	$ 4,594	$ 490	$ 1,550	$ 1,943	$ (393)

Noninterest Expense

Third Quarter of 2023 Compared to Third Quarter of 2022

Noninterest expense was $15.4 million $15.2 million for the third first quarter of 2023, 2024, an increase of $1.2 million $1.1 million from $14.2 million $14.1 million for the third first quarter of 2022. 2023. The increase was primarily attributable to increases in salaries and employee benefits, industry-wide increases in the FDIC insurance assessment, higher professional and consulting fees, derivative collateral fees and information technology and telecommunications, offset partially by decreases in marketing occupancy and advertising expenses.

Nine months ended September 30, 2023 Compared to Nine months ended September 30, 2022

Noninterest expense was $43.9 million for the nine months ended September 30, 2023, an increase of $2.5 million, or 6.0%, from $41.4 million for the nine months ended September 30, 2022. The increase was primarily attributable to increases in the FDIC insurance assessment and derivative collateral fees, offset partially by decreases in marketing and advertising expenses.

The Company had 255 full-time equivalent employees at the end of the third first quarter of 2023 2024 compared to 246 employees at the end of the third first quarter of 2022. 2023.

Efficiency Ratio. The efficiency ratio, a non-GAAP financial measure, reports total noninterest expense, less amortization of intangible assets, as a percentage of net interest income plus total noninterest income, less gains (losses) on sales of securities. Management believes this non-GAAP financial measure provides a meaningful comparison of operational performance and facilitates investors' assessments of business performance and trends in comparison to peers in the banking industry.

The efficiency ratio was 56.5% 58.2% for the third first quarter of 2023, 2024, compared to 39.8% 45.9% for the third first quarter of 2022. The efficiency ratio for the nine months ended September 30, 2023 and 2022 was 51.6% and 40.7%, respectively.2023. The efficiencies of the Company's "branch-light" model have positioned the Company well to continue navigating a challenging environment for a more spread-based revenue model.

Table of Contents

The following table presents the major components of noninterest expense for the periods indicated:

	Three Months Ended September 30,		Increase/	Nine Months Ended September 30,		Increase/	Three Months Ended March 31,		Increase/
(dollars in thousands)	2023	2022	(Decrease)	2023	2022	(Decrease)	2024	2023	(Decrease)
Noninterest Expense:									
Salaries and Employee Benefits	$ 9,519	$ 9,449	$ 70	$ 26,923	$ 27,120	$ (197)	$ 9,433	$ 8,815	$ 618
Occupancy and Equipment	1,101	1,086	15	3,385	3,213	172	1,057	1,209	(152)
FDIC Insurance Assessment	1,075	315	760	2,640	1,005	1,635	875	665	210
Data Processing	392	372	20	1,150	1,025	125	412	357	55
Professional and Consulting Fees	715	594	121	2,299	2,030	269	889	755	134
Derivative Collateral Fees	543	122	421	1,327	151	1,176	486	380	106
Information Technology and Telecommunications	683	650	33	2,077	1,822	255	796	683	113
Marketing and Advertising	222	479	(257)	805	1,629	(824)	322	262	60
Intangible Asset Amortization	9	48	(39)	91	143	(52)	9	48	(39)
Amortization of Tax Credit Investments	113	114	(1)	341	294	47			
Other Expense	978	928	50	2,883	2,985	(102)	910	895	15
Totals	$ 15,350	$ 14,157	$ 1,193	$ 43,921	$ 41,417	$ 2,504	$ 15,189	$ 14,069	$ 1,120

Income Tax Expense

The provision for income taxes includes both federal and state taxes. Fluctuations in effective tax rates reflect the differences in the inclusion or deductibility of certain income and expenses for income tax purposes and the recognition of tax credits. The Company's future effective income tax rate will fluctuate based on the mix of taxable and tax-free investments and loans, the recognition and availability of tax credit investments, and overall taxable income.

Income tax expense was $2.8 million $2.4 million for the third first quarter of 2023, 2024, compared to $5.3 $4.1 million for the third first quarter of 2022. 2023. The effective combined federal and state income tax rate for the third first quarter of 2023 2024 was 22.3% 23.5%, compared to 26.8% 26.4% for the third first quarter of 2022. Income tax expense was $9.9 million for 2023. The decrease in the nine months ended September 30, 2023, compared to $14.1 million for the nine months ended September 30, 2022. The effective combined federal and state income tax rate for was primarily due to the nine months ended September 30, 2023 timing and 2022 was 24.1% and 26.3%, respectively. delivery of tax credits.

Financial Condition

Assets

Total assets at September 30, 2023 March 31, 2024 were $4.56 $4.72 billion, an increase of $211.4 million $111.1 million, or 4.9% 2.4%, over total assets of $4.35 $4.61 billion at December 31, 2022 December 31, 2023, and an increase of $428.1 million $120.2 million, or 10.4% 2.6%, over total assets of $4.13 billion $4.60 billion at September 30, 2022 March 31, 2023. The growth in both periods was primarily due to strong organic loan growth and an increase in cash and cash equivalents.

Total gross loans at September 30, 2023 were $3.72 billion, an increase purchases of $152.8 million, or 4.3%, over total gross loans of $3.57 billion at December 31, 2022, and an increase of $342.2 million, or 10.1%, over total gross loans of $3.38 billion at September 30, 2022. Although loan growth for the year has been strong, the pace of loan growth has been moderated due to active balance sheet management to align loan growth with the funding outlook, sales of participations on larger originations to manage growth, and ultimately the impact of the higher interest rate environment on the number of prospective deals that meet underwriting standards. investment securities.

Investment Securities Portfolio

The investment securities portfolio is used to make various term investments and is intended to provide the Company with adequate liquidity, a source of stable income, and at times, to serve as collateral for certain types of deposits or borrowings. Investment balances in the investment securities portfolio are subject to change over time based

on funding needs and interest rate risk management objectives. The liquidity levels take into account anticipated future cash flows and are maintained at levels management believes are appropriate to ensure future flexibility in meeting anticipated funding needs.

The investment securities portfolio consists primarily of U.S. government agency mortgage backed securities, municipal securities, and corporate securities comprised primarily of subordinated debentures of banks and financial holding companies. In addition, the Company also holds U.S. treasury securities other mortgage backed and other debt securities, all with varying contractual maturities. These maturities do not necessarily represent the expected life of the securities as the securities may be called or paid down without penalty prior to their stated maturities. All investment securities are held as available for sale.

Securities available for sale were $553.1 $633.3 million at September 30, 2023 March 31, 2024, compared to $548.6 $604.1 million at December 31, 2022 December 31, 2023, an increase of $4.5 million $29.2 million or 0.8% 4.8%. At September 30, 2023 March 31, 2024, U.S.

government agency mortgage-backed securities represented 25.1% 22.0% of the portfolio, municipal securities represented 22.2% 20.9% of the portfolio, corporate securities represented 22.0% of the portfolio, U.S. treasury securities represented 0.5% 21.0% of the portfolio, SBA securities represented 3.6% 2.7% of the portfolio, other mortgage-backed securities represented 12.9% 16.5% of the portfolio, and asset-backed securities represented 13.7% 16.9% of the portfolio.

Table of Contents

The following table presents the amortized cost and fair value of securities available for sale, by type, at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023:

(dollars in thousands)	September 30, 2023 Amortized Cost	September 30, 2023 Fair Value	December 31, 2022 Amortized Cost	December 31, 2022 Fair Value	March 31, 2024 Amortized Cost	March 31, 2024 Fair Value	December 31, 2023 Amortized Cost	December 31, 2023 Fair Value
U.S. Treasury Securities	$ 2,883	$ 2,864	$ 2,621	$ 2,580				
SBA Securities	19,779	19,966	20,957	20,877	$ 16,864	$ 17,025	$ 18,497	$ 18,674
Mortgage-Backed Securities Issued or Guaranteed by U.S. Agencies (MBS):								
Residential Pass-Through:								
Guaranteed by GNMA	45,372	44,044	55,200	54,441	45,065	44,825	45,256	44,188
Issued by FNMA and FHLMC	24,722	20,793	26,159	22,960	23,937	21,004	24,319	21,687
Other Residential Mortgage-Backed Securities	76,163	64,094	80,299	70,184	73,487	63,615	74,832	65,617
Commercial Mortgage-Backed Securities	10,847	10,029	10,993	10,345	10,688	10,113	10,811	10,292
All Other Commercial MBS	76,816	71,415	80,268	79,854	106,902	104,659	94,237	93,531
Total MBS	233,920	210,375	252,919	237,784	260,079	244,216	249,455	235,315
Municipal Securities	148,725	122,497	156,506	131,354	151,221	132,091	151,512	132,524
Corporate Securities	134,369	121,717	116,871	109,827	142,851	132,952	142,098	130,605
Asset-Backed Securities	75,616	75,657	46,623	46,191	106,637	106,998	87,054	86,986
Total	$ 615,292	$ 553,076	$ 596,497	$ 548,613	$677,652	$633,282	$648,616	$604,104

Loan Portfolio

The Company focuses on lending to borrowers located or investing in the Minneapolis-St. Paul-Bloomington, MN-WI Metropolitan Statistical Area across a diverse range of industries and property types. The Company lends primarily to commercial customers, consisting of loans secured by nonfarm, nonresidential properties, multifamily residential properties, land, and non-real estate business assets. Responsive service, local decision making, and an efficient turnaround time from application to closing have been significant factors in growing the loan portfolio.

The Company manages concentrations of credit exposure through a risk management program which implements formalized processes and procedures specifically for managing and mitigating risk within the loan portfolio. The processes and procedures include board and management oversight, commercial real estate exposure limits, portfolio monitoring tools, management information systems, market reports, underwriting standards, internal and external loan review, and stress testing.

Total gross loans at March 31, 2024 were $3.78 billion, an increase of $59.9 million, or 1.6%, over total gross loans of $3.72 billion at December 31, 2023, and an increase of $99.8 million, or 2.7%, over total gross loans of $3.68 billion at March 31, 2023. The increase in the loan portfolio during the first quarter of 2024 was primarily due to increased loan demand and originations as well as a moderation in loan payoffs. Gross loans grew on an annualized basis of 6.5% during the first quarter of 2024. The pace of loan growth has moderated, when compared to historical levels, due to active balance sheet management to align loan growth with the funding outlook and ultimately the impact of the higher interest rate environment on the number of prospective deals that meet underwriting standards.

Table of Contents

Total gross loans increased $152.8 million to $3.72 billion at September 30, 2023, compared to $3.57 billion at December 31, 2022, and increased $342.2 million from $3.38 billion at September 30, 2022. As of September 30, 2023, commercial loans increased $23.7 million, 1-4 family mortgage loans increased $49.2 million and multifamily loans increased $71.9 million, compared to December 31, 2022. Collectively, the Company's annualized loan growth for the nine months ended September 30, 2023 was 5.7%.

The following table presents the dollar and percentage composition of the loan portfolio by category, at the dates indicated:

(dollars in thousands)	September 30, 2023		June 30, 2023		March 31, 2023		December 31, 2022		September 30, 2022		March 31, 2024		December 31, 2023		September 30, 2
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount
Commercial	$ 459,063	12.3 %	$ 459,184	12.3 %	$ 454,193	12.3 %	$ 435,344	12.2 %	$ 412,448	12.2 %	$ 483,069	12.8 %	$ 464,061	12.4 %	$ 459,854
Paycheck Protection Program	791	—	877	—	963	—	1,049	—	1,192	—					
Construction and Land Development	294,818	7.9	351,069	9.4	312,277	8.5	295,554	8.3	280,380	8.3	200,970	5.3	232,804	6.3	294,818
1-4 Family Construction	64,463	1.7	69,648	1.8	85,797	2.3	70,242	2.0	55,177	1.6	65,606	1.7	65,087	1.8	64,463
Real Estate Mortgage:															
1 - 4 Family Mortgage	404,716	10.9	400,708	10.7	380,210	10.3	355,474	10.0	341,102	10.1					
1-4 Family Mortgage											417,773	11.0	402,396	10.8	404,716
Multifamily	1,378,669	37.0	1,314,524	35.2	1,320,081	35.8	1,306,738	36.6	1,230,509	36.4	1,389,345	36.7	1,388,541	37.3	1,378,669
CRE Owner Occupied	159,485	4.3	159,088	4.3	158,650	4.3	149,905	4.2	151,088	4.5	182,589	4.8	175,783	4.7	159,485
CRE Nonowner Occupied	951,263	25.6	971,532	26.0	962,671	26.2	947,008	26.5	900,691	26.7	1,035,702	27.4	987,306	26.5	951,263
Total Real Estate Mortgage Loans	2,894,133	77.8	2,845,852	76.2	2,821,612	76.6	2,759,125	77.3	2,623,390	77.7	3,025,409	79.9	2,954,026	79.3	2,894,133
Consumer and Other	9,003	0.3	9,581	0.3	9,518	0.3	8,132	0.2	7,495	0.2	9,151	0.3	8,304	0.2	9,003
Total Loans, Gross	3,722,271	100.0 %	3,736,211	100.0 %	3,684,360	100.0 %	3,569,446	100.0 %	3,380,082	100.0 %	3,784,205	100.0 %	3,724,282	100.0 %	3,722,271
Allowance for Credit Losses	(50,585)		(50,701)		(50,148)		(47,996)		(46,491)		(51,347)		(50,494)		(50,585)

Net Deferred Loan Fees	(7,222)	(7,718)	(8,735)	(9,293)	(9,088)	(6,356)	(6,573)	(7,222)
Total Loans, Net	$3,664,464	$3,677,792	$3,625,477	$3,512,157	$3,324,503	$3,726,502	$3,667,215	$3,664,464

The Company's primary focus throughout its history has been Company primarily focuses on real estate mortgage lending, which constituted 77.8% 79.9% of the portfolio as of September 30, 2023 March 31, 2024. The composition of the portfolio has remained relatively consistent with prior periods and the Company does not expect any significant changes in the foreseeable future in the composition of the loan portfolio or in the emphasis on real estate lending.

As of September 30, 2023 March 31, 2024, investor CRE loans totaled $2.69 billion, consisting of $951.3 million $1.04 billion of loans secured by nonowner occupied CRE, $1.38 billion $1.39 billion of loans secured by multifamily residential properties, $64.5 million $65.6 million of 1-4 family construction loans and $294.8 million $201.0 million of construction and land development loans. Investor CRE loans represented 72.2% 71.1% of the total gross loan portfolio and 494.4% 476.0% of the Bank's total risk-based capital at September 30, 2023 March 31, 2024, compared to 73.4% 71.8% and 514.9% 482.4%, respectively, at December 31, 2022 December 31, 2023.

The following table provides a breakdown of CRE nonowner occupied loans by collateral types as of March 31, 2024:

(dollars in thousands)	**Balance**	**Percent of CRE Nonowner Occupied Portfolio**	**Percent of Total Loan Portfolio**
Collateral Type:			
Industrial	$ 263,269	25.4 %	7.0 %
Office	199,656	19.3	5.3
Retail	147,669	14.3	3.9
Nursing/Assisted Living	143,748	13.9	3.8
Mini Storage Facility	101,473	9.8	2.7
Medical Office	80,779	7.8	2.1
Other	99,108	9.5	2.6
Total CRE Nonowner Occupied	$ 1,035,702	100.0 %	27.4 %

Table of Contents

The following tables present time to contractual maturity and sensitivity to interest rate changes for the loan portfolio as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023:

	As of September 30, 2023				**As of March 31, 2024**			
(dollars in thousands)	**Due in One Year or Less**	**More Than One Year to Five Years**	**More Than Five Year to Fifteen Years**	**After Fifteen Years**	**Due in One Year or Less**	**More Than One Year to Five Years**	**More Than Five Year to Fifteen Years**	**After Fifteen Years**
Commercial	$ 165,607	$ 195,627	$ 94,844	$ 2,985	$ 192,788	$ 190,706	$ 95,875	$ 3,700
Paycheck Protection Program	—	791	—	—				
Construction and Land Development	95,708	135,525	63,585	—	74,580	94,660	31,730	—

1-4 Family Construction	49,895	9,040	5,528	—	46,898	9,463	9,245	—
Real Estate Mortgage:								
1 - 4 Family Mortgage	66,485	257,028	80,553	650				
1-4 Family Mortgage					57,260	280,317	79,554	642
Multifamily	254,101	456,778	580,048	87,742	219,491	533,350	549,203	87,301
CRE Owner Occupied	7,087	65,501	86,897	—	6,959	92,602	83,028	—
CRE Nonowner Occupied	170,999	506,886	273,378	—	232,918	533,134	269,650	—
Total Real Estate Mortgage Loans	498,672	1,286,193	1,020,876	88,392	516,628	1,439,403	981,435	87,943
Consumer and Other	2,611	6,180	—	212	5,086	3,857	—	208
Total Loans, Gross	$ 812,493	$ 1,633,356	$ 1,184,833	$ 91,589	$ 835,980	$ 1,738,089	$ 1,118,285	$ 91,851
Interest Rate Sensitivity:								
Fixed Interest Rates	$ 459,365	$ 1,380,238	$ 682,841	$ 25,345	$ 515,299	$ 1,451,798	$ 615,691	$ 26,287
Floating or Adjustable Rates	353,128	253,118	501,992	66,244	320,681	286,291	502,594	65,564
Total Loans, Gross	$ 812,493	$ 1,633,356	$ 1,184,833	$ 91,589	$ 835,980	$ 1,738,089	$ 1,118,285	$ 91,851

	As of December 31, 2022				As of December 31, 2023			
(dollars in thousands)	Due in One Year or Less	More Than One Year to Five Years	More Than Five Year to Fifteen Years	After Fifteen Years	Due in One Year or Less	More Than One Year to Five Years	More Than Five Year to Fifteen Years	After Fifteen Years
Commercial	$ 137,657	$ 197,363	$ 97,259	$ 3,065	$ 157,047	$ 206,460	$ 96,826	$ 3,728
Paycheck Protection Program	—	1,049	—	—				
Construction and Land Development	96,702	125,996	66,156	6,700	99,183	93,013	40,608	—
1-4 Family Construction	54,469	10,510	5,263	—	46,601	9,476	9,010	—
Real Estate Mortgage:								
1 - 4 Family Mortgage	54,499	214,434	85,880	661				

1-4 Family Mortgage					59,962	262,468	79,320	646
Multifamily	157,585	454,880	642,029	52,244	242,291	482,380	576,348	87,522
CRE Owner Occupied	5,709	47,894	96,302	—	8,271	83,280	84,232	—
CRE Nonowner Occupied	120,645	471,656	354,707	—	204,297	503,196	279,813	—
Total Real Estate Mortgage Loans	338,438	1,188,864	1,178,918	52,905	514,821	1,331,324	1,019,713	88,168
Consumer and Other	4,921	2,988	—	223	2,568	5,533	—	203
Total Loans, Gross	$ 632,187	$ 1,526,770	$ 1,347,596	$ 62,893	$ 820,220	$ 1,645,806	$ 1,166,157	$ 92,099
Interest Rate Sensitivity:								
Fixed Interest Rates	$ 333,898	$ 1,187,519	$ 804,838	$ 11,115	$ 502,454	$ 1,414,656	$ 673,563	$ 26,172
Floating or Adjustable Rates	298,289	339,251	542,758	51,778	317,766	231,150	492,594	65,927
Total Loans, Gross	$ 632,187	$ 1,526,770	$ 1,347,596	$ 62,893	$ 820,220	$ 1,645,806	$ 1,166,157	$ 92,099

Asset Quality

The Company emphasizes credit quality in the originating and monitoring of the loan portfolio, and success in underwriting is measured by the levels of classified and nonperforming assets and net charge-offs. Federal regulations and internal policies require the use of an asset classification system as a means of managing and reporting problem and potential problem assets. The Company has incorporated an internal asset classification system, substantially consistent with federal banking regulations, as a part of the credit monitoring system. Federal banking regulations set forth a classification scheme for problem and potential problem assets as “substandard,” “doubtful” or “loss” assets. An asset is considered “substandard” if it is inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. “Substandard” assets include those characterized by the “distinct possibility” that the financial institution will sustain “some loss” if the deficiencies are not corrected. Assets classified as “doubtful” have all

Table of Contents

of the weaknesses inherent in those classified “substandard” with the added characteristic that the weaknesses present make “collection or liquidation in full,” on the basis of currently existing facts, conditions, and values, “highly questionable and improbable." Assets classified as "loss" are those considered "uncollectible" and of such little value that their continuance as assets without the establishment of a specific loss reserve is not warranted. Assets which do not currently expose the insured institution to sufficient risk to warrant classification in one of the aforementioned categories but possess weaknesses are required to be designated "watch."

The following table presents information on loan classifications at September 30, 2023 March 31, 2024. The Company had no assets classified as doubtful or loss at September 30, 2023 March 31, 2024.

(dollars in thousands)	Risk Category			Risk Category		
	Watch	Substandard	Total	Watch	Substandard	Total
Commercial	$ 4,360	$ 15,831	$ 20,191	$ 519	$ 15,124	$15,643
Construction and Land Development	—	86	86	—	74	74
Real Estate Mortgage:						
1 - 4 Family Mortgage	1	663	664			
1-4 Family Mortgage				—	655	655
Multifamily	2,929	—	2,929	2,904	—	2,904
CRE Owner Occupied	—	1,569	1,569	—	996	996
CRE Nonowner Occupied	19,587	17,472	37,059	18,201	16,980	35,181
Total Real Estate Mortgage Loans	22,517	19,704	42,221	21,105	18,631	39,736
Totals	$ 26,877	$ 35,621	$ 62,498	$21,624	$ 33,829	$55,453

Loans that have potential weaknesses that warranted a watchlist risk rating at September 30, 2023 March 31, 2024, totaled $26.9 million $21.6 million, compared to $32.3 million $26.5 million at December 31, 2022 December 31, 2023. Loans that warranted a substandard risk rating at September 30, 2023 March 31, 2024 totaled $35.6 million $33.8 million, compared to $28.0 million $35.9 million at December 31, 2022 December 31, 2023. Management continues to actively work with these borrowers and closely monitor substandard credits.

Nonperforming Assets

Nonperforming loans include loans accounted for on a nonaccrual basis and loans 90 days past due and still accruing. Nonaccrual loans totaled $749,000 $249,000 at September 30, 2023 March 31, 2024 and $639,000 $919,000 at December 31, 2022 December 31, 2023, an increase a decrease of $110,000. $670,000. There were no loans 90 days past due and still accruing as of September 30, 2023 March 31, 2024 or December 31, 2022 December 31, 2023. There were no foreclosed assets of $20,000 and -$0- as of September 30, 2023 March 31, 2024 and December 31, 2022. December 31, 2023, respectively.

The following table presents a summary of nonperforming assets, by category, at the dates indicated:

(dollars in thousands)	September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023
Total Nonaccrual Loans	$ 749	$ 639	$ 249	$ 919
Total Nonperforming Loans	$ 749	$ 639	$ 249	$ 919
Plus: Foreclosed Assets			20	—
Total Nonperforming Assets (1)	$ 749	$ 639	$ 269	$ 919
Total Modified Accruing Loans (2)	9,702	82		
Total Nonperforming Assets and Modified Accruing Loans (2)	$ 10,451	$ 721		
Nonaccrual Loans to Total Loans	0.02 %	0.02 %	0.01 %	0.02 %
Nonperforming Loans to Total Loans	0.02	0.02	0.01	0.02
Nonperforming Assets to Total Loans Plus Foreclosed Assets (1)	0.02	0.02	0.01	0.02

(1) Nonperforming assets are defined as nonaccrual loans and loans greater than 90 days past due still accruing plus foreclosed assets. There were no loans greater than 90 days past due still accruing for any period shown.

(2) Reflects the balance outstanding at September 30, 2023 of accruing modified loans to borrowers experiencing financial difficulty since adoption of ASU 2022-02. See "Note 1 – Description of the Business and Summary of Significant Accounting Policies" of the Company's Consolidated Financial Statements included as part of this report for a discussion for this standard. Periods presented prior to that date reflect the outstanding balance of accruing troubled debt restructures as defined by superseded accounting guidance of ASC 310-40. Accruing loans are those where the Company expects to collect all amounts contractually due.

Table of Contents

The balance of nonperforming assets can fluctuate due to changes in economic conditions. The Company has established a policy to discontinue accruing interest on a loan (that is, place the loan on nonaccrual status) after it has become 90 days delinquent as to payment of principal or interest, unless the loan is considered to be well-collateralized and is actively in the process of collection. In addition, a loan will be placed on nonaccrual status before it becomes 90 days delinquent unless management believes that the collection of interest is expected. Interest previously accrued but uncollected on such loans is reversed and charged against current income when the receivable is determined to be uncollectible. If management believes that a loan will not be collected in full, an increase to the allowance for credit

Table of Contents

losses on loans is recorded to reflect management's estimate of any potential exposure or loss. Generally, payments received on nonaccrual loans are applied directly to principal. Gross income that would have been recorded on nonaccrual loans during the three and nine months ended September 30, 2023 March 31, 2024 and 2023 was $20,000 $13,000 and $51,000, $16,000, respectively.

Allowance for Credit Losses

The allowance for credit losses on loans is a reserve established through charges to earnings in the form of a provision for credit losses. The Company maintains an allowance for credit losses at a level management considers adequate to provide for expected lifetime losses in the portfolio. Although management strives to maintain an allowance it deems adequate, future economic changes, deterioration of borrowers' creditworthiness, and the impact of examinations by regulatory agencies, among other factors, all could cause changes to the allowance for credit losses on loans.

At September 30, 2023 March 31, 2024, the allowance for credit losses on loans was $50.6 million $51.3 million, an increase of $2.6 million $853,000 from $48.0 million $50.5 million at December 31, 2022 December 31, 2023. Net charge-offs (recoveries) totaled $116,000 ($3,000) during the third first quarter of 2023 2024 and ($280,000) 2,000) during the third first quarter of 2022. Net charge-offs (recoveries) totaled $111,000 for the nine months ended September 30, 2023 and ($271,000) during the nine months ended September 30, 2022. 2023. The allowance for credit losses on loans as a percentage of total loans was 1.36% at September 30, 2023 compared to 1.34% at December 31, 2022 both March 31, 2024 and December 31, 2023.

The following table presents a summary of net charge-offs for the periods indicated:

	Three Months Ended September 30,		Nine Months Ended September 30,		Three Months Ended March 31,	
(dollars in thousands)	2023	2022	2023	2022	2024	2023
Net Charge-offs (Recoveries)						
Commercial	$ 94	$ (3)	$ 89	$ 6	$ (3)	$ (3)
Real Estate Mortgage:						
1 - 4 Family Mortgage	(2)	(281)	(4)	(286)		
1-4 Family Mortgage					(1)	(1)
Total Real Estate Mortgage Loans	(2)	(281)	(4)	(286)	(1)	(1)
Consumer and Other	24	4	26	9	1	2
Total Net Charge-offs (Recoveries)	$ 116	$ (280)	$ 111	$ (271)	$ (3)	$ (2)

Net Charge-offs to Average Loans						
Commercial	0.08 %	0.00 %	0.03 %	0.00 %	0.00 %	0.00 %
Real Estate Mortgage:						
1 - 4 Family Mortgage	0.00	(0.33)	0.00	(0.12)		
1-4 Family Mortgage					0.00	0.00
Total Real Estate Mortgage Loans	0.00	(0.04)	0.00	(0.02)	0.00	0.00
Consumer and Other	1.02	0.22	0.36	0.16	0.04	0.09
Total Net Charge-offs (Recoveries) (Annualized) to Average Loans	0.01 %	(0.03)%	0.00 %	(0.01)%	0.00 %	0.00 %
Gross Loans, End of Period	$ 3,722,271	$ 3,380,082	$ 3,722,271	$ 3,380,082	$ 3,784,205	$ 3,684,360
Average Loans	3,722,594	3,265,814	3,690,196	3,092,499	3,729,355	3,630,446
Allowance to Total Gross Loans	1.36 %	1.38 %	1.36 %	1.38 %		
Allowance for Credit Losses to Total Gross Loans					1.36 %	1.36 %

[Table of Contents](#)

The following table presents a summary of the allocation of the allowance for credit losses on loans by loan portfolio segment as of the dates indicated:

	September 30, 2023		December 31, 2022		March 31, 2024		December 31, 2023	
(dollars in thousands)	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
Commercial	$ 5,496	10.9 %	$ 6,500	13.5 %	$ 5,607	10.9 %	$ 5,398	10.7 %
Paycheck Protection Program	—	—	1	—				
Construction and Land Development	2,772	5.5	3,911	8.1	1,828	3.6	2,156	4.3
1-4 Family Construction	574	1.1	845	1.8	577	1.1	558	1.1
Real Estate Mortgage:								
1 - 4 Family Mortgage	2,860	5.6	4,325	9.0	2,754	5.4	2,651	5.3
Multifamily	22,216	43.9	17,459	36.4	22,230	43.3	22,217	44.0
CRE Owner Occupied	1,089	2.2	1,965	4.1	1,235	2.4	1,184	2.3
CRE Nonowner Occupied	15,512	30.7	12,576	26.2	17,005	33.1	16,225	32.1
Total Real Estate Mortgage Loans	41,677	82.4	36,325	75.7	43,224	84.2	42,277	83.7
Consumer and Other	66	0.1	151	0.3	111	0.2	105	0.2
Unallocated	—	—	263	0.6				
Total Allowance for Credit Losses	$ 50,585	100.0 %	$ 47,996	100.0 %	$51,347	100.0 %	$50,494	100.0 %

Deposits

The principal sources of funds for the Company are deposits, consisting of demand deposits, money market accounts, savings accounts, and certificates of deposit. The following table presents the dollar and percentage composition of the deposit portfolio, by category, at the dates indicated:

	September 30, 2023		June 30, 2023		March 31, 2023		December 31, 2022		September 30, 2022		March 31, 2024		December 31, 2023		September 30, 2	
(dollars in thousands)	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	P

Noninterest Bearing Transaction Deposits	$ 754,297	20.5 %	$ 751,217	21.0 %	$ 742,198	21.8 %	$ 884,272	25.9 %	$ 961,084	29.1 %	$ 698,432	18.3 %	$ 756,964	20.4 %	$ 754,297	
Interest Bearing Transaction Deposits	780,863	21.3	719,488	20.1	630,037	18.4	451,992	13.2	510,396	15.4	783,736	20.6	692,801	18.7	780,863	
Savings and Money Market Deposits	872,534	23.7	860,613	24.1	913,013	26.8	1,031,873	30.2	1,077,333	32.6	979,773	25.7	935,091	25.2	872,534	
Time Deposits	265,737	7.2	271,783	7.6	266,213	7.8	272,253	8.0	293,052	8.9	352,510	9.3	300,651	8.1	265,737	
Brokered Deposits	1,002,078	27.3	974,831	27.2	859,662	25.2	776,153	22.7	463,209	14.0	992,774	26.1	1,024,441	27.6	1,002,078	
Total Deposits	$3,675,509	100.0 %	$3,577,932	100.0 %	$3,411,123	100.0 %	$3,416,543	100.0 %	$3,305,074	100.0 %	$3,807,225	100.0 %	$3,709,948	100.0 %	$3,675,509	1

Total deposits at September 30, 2023 March 31, 2024 were $3.68 billion $3.81 billion, an increase of $259.0 million $97.3 million, or 7.6% 2.6%, compared to total deposits of $3.42 billion $3.71 billion at December 31, 2022 December 31, 2023, and an increase of $370.4 million $396.1 million, or 11.2% 11.6%, over total deposits of $3.31 billion $3.41 billion at September 30, 2022 March 31, 2023. Deposits increased in the third first quarter of 2023 2024 primarily due to inflows of core deposits, defined as deposits excluding brokered deposits and time deposits greater than $250,000. Brokered Core deposits continue increased $90.3 million, or 14.3% annualized, from the fourth quarter of 2023. Growth in core deposits was primarily due to be used increased balances of existing clients and new client acquisitions. Based on the nature of these inflows, management believes core deposits could fluctuate in future periods as a supplemental funding source, as needed, to support loan portfolio growth. deposit growth is not always linear.

The Company relies on increasing the deposit base to fund loans and other asset growth. The Company is in a highly competitive market and competes for local deposits by offering attractive products with competitive rates. The Company expects to have a higher average cost of funds for local deposits compared to competitor banks due to the lack of an extensive branch network. The Company's strategy is to offset the higher cost of funding with a lower level of operating expense. When appropriate, the Company utilizes alternative funding sources such as brokered deposits. The brokered deposit market provides flexibility in structure, optionality and efficiency not afforded in traditional retail deposit channels. At September 30, 2023 March 31, 2024, total brokered deposits were $1.0 billion $992.8 million, an increase a decrease of $225.9 million $31.7 million, compared to total brokered deposits of $776.2 million $1.02 billion at December 31, 2022 December 31, 2023. Brokered deposits, which declined for the first time since the fourth quarter of 2021, continue to be used as a supplemental funding source, as needed, to support loan portfolio growth.

Table of Contents

The following table presents the average balance and average rate paid on each of the following deposit categories as of and for the three months ended September 30, 2023 March 31, 2024 and 2022: 2023:

	As of and for the Three Months Ended September 30, 2023		As of and for the Three Months Ended September 30, 2022		As of and for the Three Months Ended March 31, 2024		As of and for the Three Months Ended March 31, 2023	
(dollars in thousands)	**Average Balance**	**Average Rate**	**Average Balance**	**Average Rate**	**Average Balance**	**Average Rate**	**Average Balance**	**Average Rate**

Noninterest Bearing Transaction Deposits	$ 754,567	— %	$ 991,545	— %	$ 701,175	— %	$ 813,598	— %
Interest Bearing Transaction Deposits	730,244	3.88	517,658	0.79	732,186	4.23	461,372	2.44
Savings and Money Market Deposits	874,612	3.67	999,932	0.99	896,844	3.94	1,044,794	2.52
Time Deposits < $250,000	181,689	2.56	209,200	0.95	169,622	3.40	179,168	1.61
Time Deposits > $250,000	84,946	3.70	79,421	1.74	147,973	4.71	69,006	2.10
Brokered Deposits	985,276	4.04	447,034	1.43	1,014,197	4.18	743,465	3.29
Total Deposits	$ 3,611,334	2.99 %	$ 3,244,790	0.73 %	$3,661,997	3.32 %	$3,311,403	2.01 %

The Company's total uninsured deposits, which are the amounts of deposit accounts that exceed the FDIC insurance limit, currently $250,000, were approximately $814.7 million $989.1 million, or 22% 26.0% of total deposits, at September 30, 2023 March 31, 2024 and $1.32 billion $900.0 million, or 38% 24.3% of total deposits, at December 31, 2022 December 31, 2023. These amounts were estimated based on the same methodologies and assumptions used for regulatory reporting purposes.

Borrowed Funds

Federal Funds Purchased

In addition to deposits, the Company utilizes overnight borrowings to meet the daily liquidity needs as a supplemental funding source for loan growth. The Company had $-0- and $287.0 million federal funds purchased as of September 30, 2023 and December 31, 2022, respectively.

Other Borrowings

At September 30, 2023 March 31, 2024, other borrowings the Company had outstanding consisted of FHLB advances of $294.5 million $317.0 million, compared to $97.0 million $319.5 million at December 31, 2022 December 31, 2023. The Company's borrowing capacity at the FHLB is determined based on collateral pledged, generally consisting of loans. The Company had additional borrowing capacity under this credit facility of $516.5 million $446.8 million and $390.9 million $498.7 million at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively.

The Company has an outstanding Loan and Security Agreement and revolving note with a third party correspondent lender, which is secured by 100% of the issued and outstanding stock of the Bank. On September 1, 2022, the Company entered into a second amendment to the agreement which increased the The maximum principal amount of the Company's revolving line of credit from $25.0 million to is $40.0 million and extended the maturity date from February 28, 2023 to matures on September 1, 2024. As of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, the Company had $13.8 million of outstanding balances under the revolving line of credit.

Additionally, the Company has borrowing capacity from other sources. As of September 30, 2023 March 31, 2024, the Bank was eligible to use the Federal Reserve discount window for borrowings. Based on assets pledged as collateral as of the applicable date, the Bank's borrowing availability was approximately $1.02 billion $1.01 billion and $157.8 million $979.4 million at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively. As of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, the Company had no outstanding advances from the discount window or the Bank Term Funding Program (BTFP). window.

Subordinated Debentures

As of March 31, 2024 and December 31, 2023, the Company had subordinated debentures, net of issuance costs, of $79.4 million and $79.3 million, respectively.

For additional information, see "Note 8 – Subordinated Debentures" of the Company's Consolidated Financial Statements included as part of this report.

Table of Contents

Contractual Obligations

The following table presents supplemental information regarding total contractual obligations at September 30, 2023 March 31, 2024:

(dollars in thousands)	Within One Year	One to Three Years	Three to Five Years	After Five Years	Total	Within One Year	One to Three Years	Three to Five Years	After Five Years	Total
Deposits Without a Stated Maturity	$2,585,427	$ —	$ —	$ —	$2,585,427	$2,617,482	$ —	$ —	$ —	$2,617,482
Time Deposits	397,981	494,245	165,147	32,709	1,090,082	389,466	585,335	170,236	44,706	1,189,743
Notes Payable	13,750	—	—	—	13,750	13,750	—	—	—	13,750
FHLB Advances	208,000	42,500	44,000	—	294,500	243,000	34,000	40,000	—	317,000
Subordinated Debentures	—	—	—	80,000	80,000	—	—	—	80,000	80,000
Commitment to Fund Tax Credit Investments	1,100	—	—	—	1,100	9,932	—	—	—	9,932
Operating Lease Obligations	584	980	503	117	2,184	590	807	474	21	1,892
Totals	$3,206,842	$537,725	$209,650	$112,826	$4,067,043	$3,274,220	$620,142	$210,710	$124,727	$4,229,799

The Company believes that it will be able to meet all contractual obligations as they come due through the maintenance of adequate cash levels. The Company expects to maintain adequate cash levels through earnings, loan and securities repayments and maturity activity and continued deposit gathering activities. As described above, the Company has in place various borrowing mechanisms for both short-term and long-term liquidity needs.

Capital

Total shareholders' equity at September 30, 2023 March 31, 2024 was $416.0 million $433.6 million, an increase of $21.9 million $8.1 million, or 1.9%, compared to total shareholders' equity of $394.1 million $425.5 million at December 31, 2022 December 31, 2023. The increase was primarily due to net income retained and an increase in unrealized gains in the derivatives portfolio, offset partially by the day 1 impact of adopting CECL, preferred stock dividends and net unrealized losses. stock repurchases.

Tangible book value per share, a non-GAAP financial measure, was $12.37 $13.20 as of September 30, 2023 March 31, 2024, an increase of 5.8% 2.9% from $11.69 $12.84 as of December 31, 2022 December 31, 2023. The increase occurred despite the market value depreciation of the securities portfolio driven by the rising interest rate environment. Tangible common equity as a percentage of tangible assets, a non-GAAP financial measure, was 7.61% 7.72% at September 30, 2023 March 31, 2024, compared to 7.48% 7.73% at December 31, 2022 December 31, 2023.

Stock Repurchase Program. The Company has a stock repurchase program which authorizes During the three months ended March 31, 2024, the Company to repurchase up to $25.0 million repurchased 193,802 shares of its common stock, subject to certain limitations and conditions. The representing less than 1% of the Company's outstanding shares. Shares were repurchased during this period at a weighted average price of $11.75 for a total of $2.3 million. All shares repurchased under the stock repurchase program will expire on August 16, 2024. As of September 30, 2023, no shares had been repurchased under the plan. were converted to authorized but unissued shares. The Company remains committed to maintaining strong capital levels while enhancing shareholder value as it strategically executes its stock repurchase program based on various factors including valuation, capital levels and other uses of capital.

Regulatory Capital. The Company and the Bank are subject to various regulatory capital requirements administered by federal banking regulators. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by federal banking regulators that, if undertaken, could have a direct material effect on the Company's and Bank's business.

Table of Contents

Management believes the Company and the Bank met all capital adequacy requirements to which they were subject as of September 30, 2023 March 31, 2024. The regulatory capital ratios for the Company and the Bank to meet the minimum capital adequacy standards and for the Bank to be considered well capitalized under the prompt corrective action framework are set forth in the following tables. The Company's and the Bank's actual capital amounts and ratios were as of the dates indicated:

	Actual		Minimum Required For Capital Adequacy Purposes		For Capital Adequacy Purposes Plus Capital Conservation Buffer		To be Well Capitalized Under Prompt Corrective Action Regulations		Actual		Minimum Required For Capital Adequacy Purposes		For Capital A Purposes Plu Conservatio
(dollars in thousands)	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount
September 30, 2023													
March 31, 2024													
Company (Consolidated):													
Total Risk-based Capital	$567,202	13.88 %	$326,865	8.00 %	$429,010	10.50 %	N/A	N/A	$577,485	14.00 %	$329,909	8.00 %	$433,006
Tier 1 Risk-based Capital	436,903	10.69	245,149	6.00	347,294	8.50	N/A	N/A	446,521	10.83	247,432	6.00	350,529
Common Equity Tier 1 Capital	370,389	9.07	183,861	4.50	286,007	7.00	N/A	N/A	380,007	9.21	185,574	4.50	288,671
Tier 1 Leverage Ratio	436,903	9.62	181,605	4.00	181,605	4.00	N/A	N/A	446,521	9.66	184,949	4.00	184,949
Bank:													
Total Risk-based Capital	$543,914	13.33 %	$326,519	8.00 %	$428,556	10.50 %	$ 408,149	10.00 %	$565,440	13.73 %	$329,510	8.00 %	$432,482
Tier 1 Risk-based Capital	492,861	12.08	244,889	6.00	346,926	8.50	326,519	8.00	513,920	12.48	247,132	6.00	350,104
Common Equity Tier 1 Capital	492,861	12.08	183,667	4.50	285,704	7.00	265,297	6.50	513,920	12.48	185,349	4.50	288,321
Tier 1 Leverage Ratio	492,861	10.88	181,256	4.00	181,256	4.00	226,570	5.00	513,920	11.12	184,797	4.00	184,797

	Actual		Minimum Required For Capital Adequacy Purposes		For Capital Adequacy Purposes Plus Capital Conservation Buffer		To be Well Capitalized Under Prompt Corrective Action Regulations		Actual		Minimum Required For Capital Adequacy Purposes		For Capital A Purposes Plu Conservatio
(dollars in thousands)	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount
December 31, 2022													
December 31, 2023													
Company (Consolidated):													
Total Risk-based Capital	$536,352	13.15 %	$326,190	8.00 %	$428,125	10.50 %	N/A	N/A	$570,770	13.97 %	$326,872	8.00 %	$429,019
Tier 1 Risk-based Capital	409,092	10.03	244,643	6.00	346,577	8.50	N/A	N/A	440,947	10.79	245,154	6.00	347,301
Common Equity Tier 1 Capital	342,578	8.40	183,482	4.50	285,417	7.00	N/A	N/A	374,433	9.16	183,865	4.50	286,013
Tier 1 Leverage Ratio	409,092	9.55	171,368	4.00	171,368	4.00	N/A	N/A	440,947	9.57	184,383	4.00	184,383

Bank:													
Total Risk-based Capital	$508,760	12.47 %	$326,288	8.00 %	$428,253	10.50 %	$ 407,860	10.00 %	$554,269	13.58 %	$326,528	8.00 %	$428,568
Tier 1 Risk-based Capital	460,404	11.29	244,716	6.00	346,681	8.50	326,288	8.00	503,787	12.34	244,896	6.00	346,936
Common Equity Tier 1 Capital	460,404	11.29	183,537	4.50	285,502	7.00	265,109	6.50	503,787	12.34	183,672	4.50	285,712
Tier 1 Leverage Ratio	460,404	10.76	171,113	4.00	171,113	4.00	213,891	5.00	503,787	10.95	184,037	4.00	184,037

Regulations include a capital conservation buffer of 2.5% that was added to the minimum requirements for capital adequacy purposes. A banking organization with a conservation buffer of less than the required amount is subject to limitations on capital distributions, including dividend payments, stock repurchases and certain discretionary bonus payments to executive officers. At September 30, 2023 March 31, 2024, the ratios for the Company and the Bank were sufficient to meet the conservation buffer.

Off-Balance Sheet Arrangements

In the normal course of business, the Company enters into various transactions to meet the financing needs of clients, which, in accordance with GAAP, are not included in the consolidated balance sheets. These transactions include commitments to extend credit, standby letters of credit, and commercial letters of credit, which involve, to varying degrees, elements of credit risk and interest rate risk in excess of the amounts recognized in the consolidated balance sheets. Most of these commitments mature within two years and the standby letters of credit are expected to expire without being drawn upon. All off-balance sheet commitments are included in the determination of the amount of risk-based capital that the Company and the Bank are required to hold.

Table of Contents

The Company's exposure to credit loss in the event of non-performance by the other party to the financial instrument for commitments to extend credit, standby letters of credit, and commercial letters of credit is represented by the contractual or notional amount of those instruments. The Company decreases its exposure to losses under these commitments by subjecting them to credit approval and monitoring procedures. The Company assesses the credit risk associated with certain commitments to extend credit and establishes a liability for probable credit losses.

The following table presents credit arrangements and financial instruments whose contract amounts represented credit risk as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023:

	September 30, 2023		December 31, 2022		March 31, 2024		December 31, 2023	
(dollars in thousands)	**Fixed**	**Variable**	**Fixed**	**Variable**	**Fixed**	**Variable**	**Fixed**	**Variable**
Unfunded Commitments Under Lines of Credit	$ 191,186	$ 379,177	$ 444,669	$ 404,065	$147,951	$359,753	$164,880	$381,752
Letters of Credit	7,573	99,719	20,658	95,111	7,468	92,339	6,780	96,509
Totals	$ 198,759	$ 478,896	$ 465,327	$ 499,176	$155,419	$452,092	$171,660	$478,261

The Company had outstanding letters of credit with the FHLB in the amount of $164.9 million and $114.4 million at March 31, 2024 and December 31, 2023, respectively, on behalf of customers and to secure public deposits.

Liquidity

Liquidity is the Company's capacity to meet cash and collateral obligations at a reasonable cost. Maintaining an adequate level of liquidity depends on the Company's ability to efficiently meet both expected and unexpected cash flows and collateral needs without adversely affecting either daily operations or financial condition. The Bank's Asset Liability Management, or ALM, Committee, which is comprised of members of senior management, is responsible for managing commitments to meet the needs of customers while achieving the Company's financial objectives. The ALM Committee meets regularly to review balance sheet composition, funding capacities, and current and forecasted loan demand.

The Company manages liquidity by maintaining adequate levels of cash and other assets from on- and off-balance sheet arrangements. Specifically, on-balance sheet liquidity consists of cash and due from banks and unpledged investment securities available for sale, which are referred to as primary liquidity. In regards to off-balance sheet capacity, the Company maintains available borrowing capacity under secured borrowing lines with the FHLB, the Federal Reserve Bank of Minneapolis, and a correspondent lender, as well as unsecured lines of credit for the purpose of overnight funds with various correspondent banks, which the Company refers to as secondary liquidity.

In addition, the Bank is a member of the American Financial Exchange, or AFX, through which it may either borrow or lend funds on an overnight or short-term basis with a group of approved commercial banks. The availability of funds changes daily. As of September 30, 2023 March 31, 2024 and December 31, 2023, the Company had no borrowings outstanding through the AFX.

Total on- and off-balance sheet liquidity was $2.18 billion $2.25 billion as of September 30, 2023 March 31, 2024, compared to $1.38 billion $2.23 billion at December 31, 2022 December 31, 2023. The Company did not utilize the Bank Term Funding Program (BTFP) or Federal Reserve Discount Window during the nine three months ended September 30, 2023 March 31, 2024.

Table of Contents

The following tables present a summary of primary and secondary liquidity levels as of the dates indicated:

Primary Liquidity—On-Balance Sheet	September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023
(dollars in thousands)				
Cash and Cash Equivalents	$ 77,617	$ 48,090	$ 105,784	$ 96,594
Securities Available for Sale	553,076	548,613	633,282	604,104
Less: Pledged Securities	(164,277)	—	(169,479)	(170,727)
Total Primary Liquidity	$ 466,416	$ 596,703	$ 569,587	$ 529,971
Ratio of Primary Liquidity to Total Deposits	12.7 %	17.5 %	15.0 %	14.3 %
Secondary Liquidity—Off-Balance Sheet				
Net Secured Borrowing Capacity with the FHLB			$ 446,801	$ 498,736
Net Secured Borrowing Capacity with the Federal Reserve Bank			1,006,010	979,448
Unsecured Borrowing Capacity with Correspondent Lenders			200,000	200,000
Secured Borrowing Capacity with Correspondent Lender			26,250	26,250
Total Secondary Liquidity			1,679,061	1,704,434
Total Primary and Secondary Liquidity			$ 2,248,648	$ 2,234,405
Ratio of Primary and Secondary Liquidity to Total Deposits			59.1 %	60.2 %

Secondary Liquidity—Off-Balance Sheet Borrowing Capacity	September 30, 2023	December 31, 2022
(dollars in thousands)		
Net Secured Borrowing Capacity with the FHLB	$ 516,501	$ 390,898
Net Secured Borrowing Capacity with the Federal Reserve Bank	1,022,128	157,827
Unsecured Borrowing Capacity with Correspondent Lenders	150,000	208,000
Secured Borrowing Capacity with Correspondent Lender	26,250	26,250

Total Secondary Liquidity	1,714,879	782,975
Total Primary and Secondary Liquidity	$ 2,181,295	$ 1,379,678
Ratio of Primary and Secondary Liquidity to Total Deposits	59.3 %	40.4 %

During the nine three months ended September 30, 2023 March 31, 2024, primary liquidity decreased increased by $130.3 million $39.6 million due to pledging $164.3 million of securities, partially offset by a $29.5 million $9.2 million increase in cash and cash equivalents, and a $4.5 million $29.2 million increase in securities available for sale and a $1.2 million decrease in pledged securities, when compared to December 31, 2022 December 31, 2023. Secondary liquidity increased decreased by $931.9 million $25.4 million as of September 30, 2023 March 31, 2024, when compared to December 31, 2022 December 31, 2023, due to an $864.3 million increase in the borrowing capacity with the Federal Reserve Bank and a $125.6 million increase $51.9 million decrease in the borrowing capacity with the FHLB, offset partially by a $58.0 million decrease $26.6 million increase in the unsecured borrowing capacity with correspondent lenders. the Federal Reserve Bank.

In addition to primary liquidity, the Company generates liquidity from cash flows from the loan and securities portfolios and from the large base of core customer deposits, defined as noninterest bearing transaction, interest bearing transaction, savings, non-brokered money market accounts and non-brokered time deposits less than $250,000. At September 30, 2023 March 31, 2024, core deposits totaled approximately $2.58 $2.64 billion and represented 70.3% 69.3% of total deposits. These core deposits are normally less volatile, often with customer relationships tied to other products offered by the Company, which promote long-standing relationships and stable funding sources.

The Company uses brokered deposits, the availability of which is uncertain and subject to competitive market forces and regulation, for liquidity and interest rate risk management purposes. At September 30, 2023 March 31, 2024, brokered deposits totaled $1.0 billion $992.8 million, consisting of $824.3 million $837.2 million of brokered time deposits and $177.7 million $155.5 million of non-maturity brokered money market and transaction accounts. At December 31, 2022 December 31, 2023, brokered deposits totaled $776.2 million, $1.02 billion, consisting of $591.9 $850.5 million of brokered time deposits and $184.3 $174.0 million of non-maturity brokered money market and transaction accounts.

The Company's liquidity policy includes guidelines for On-Balance Sheet Liquidity (a measurement of primary liquidity to total deposits plus borrowings), Total On-Balance Sheet Liquidity with Borrowing Capacity (a measurement of primary and secondary liquidity to total deposits plus borrowings), Wholesale Funding Ratio (a measurement of total wholesale funding to total deposits plus borrowings), and other guidelines developed for measuring and maintaining liquidity.

Table of Contents

Non-GAAP Financial Measures

In addition to the results presented in accordance with GAAP, the Company routinely supplements its evaluation with an analysis of certain non-GAAP financial measures. The Company believes these non-GAAP financial measures, in addition to the related GAAP measures, provide meaningful information to investors to help them understand the Company's operating performance and trends, and to facilitate comparisons with the performance of peers. These disclosures should not be viewed as a substitute for operating results determined in accordance with GAAP, nor are they necessarily comparable to non-GAAP performance measures that may be presented by other companies. Reconciliations of non-GAAP disclosures used in this report to the comparable GAAP measures are provided in the following tables:

	For the Three Months Ended					For the Nine Months Ended		For the Three Months Ended			
(dollars in thousands)	September 30, 2023	June 30, 2023	March 31, 2023	December 31, 2022	September 30, 2022	September 30, 2023	September 30, 2022	March 31, 2024	December 31, 2023	September 30, 2023	Ju
Pre-Provision Net Revenue											
Noninterest Income	$ 1,726	$ 1,415	$ 1,943	$ 1,738	$ 1,387	$ 5,084	$ 4,594	$ 1,550	$ 1,409	$ 1,726	$
Less: (Gain) Loss on Sales of Securities	—	(50)	56	(30)	—	6	(52)	(93)	27	—	

Less: FHLB Advance Prepayment Income	(493)	—	(299)	—	—	(792)	—	—	—	(493)	
Total Operating Noninterest Income	1,233	1,365	1,700	1,708	1,387	4,298	4,542	1,457	1,436	1,233	
Plus: Net Interest Income	25,421	25,872	28,567	32,893	34,095	79,860	96,805	24,631	25,314	25,421	
Net Operating Revenue	$ 26,654	$ 27,237	$ 30,267	$ 34,601	$ 35,482	$ 84,158	$ 101,347	$ 26,088	$ 26,750	$ 26,654	$
Noninterest Expense	$ 15,350	$ 14,388	$ 14,183	$ 15,203	$ 14,157	$ 43,921	$ 41,417	$ 15,189	$ 15,740	$ 15,237	$
Less: Amortization of Tax Credit Investments	(113)	(114)	(114)	(114)	(114)	(341)	(294)				
Total Operating Noninterest Expense	$ 15,237	$ 14,274	$ 14,069	$ 15,089	$ 14,043	$ 43,580	$ 41,123	$ 15,189	$ 15,740	$ 15,237	$
Pre-Provision Net Revenue	$ 11,417	$ 12,963	$ 16,198	$ 19,512	$ 21,439	$ 40,578	$ 60,224	$ 10,899	$ 11,010	$ 11,417	$
Plus:											
Non-Operating Revenue Adjustments	493	50	243	30	—	786	52	93	(27)	493	
Less:											
Provision for Credit Losses	(600)	50	625	1,500	1,500	75	6,200				
Non-Operating Expense Adjustments	113	114	114	114	114	341	294				
Provision for (Recovery of) Credit Losses								750	(250)	(600)	
Provision for Income Taxes	2,768	3,033	4,060	4,193	5,312	9,861	14,125	2,411	2,360	2,881	
Net Income	$ 9,629	$ 9,816	$ 11,642	$ 13,735	$ 14,513	$ 31,087	$ 39,657	$ 7,831	$ 8,873	$ 9,629	$
Average Assets	$ 4,504,937	$4,483,662	$4,405,234	$ 4,251,345	$ 3,948,201	$ 4,464,976	$ 3,736,783	$4,592,838	$ 4,567,446	$ 4,504,937	$4,(
Pre-Provision Net Revenue Return on Average Assets	1.01 %	1.16 %	1.49 %	1.82 %	2.15 %	1.22 %	2.15 %	0.95 %	0.96 %	1.01 %	

	For the Three Months Ended					For the Nine Months Ended		For the Three Months Ended				
(dollars in thousands)	**September 30, 2023**	**June 30, 2023**	**March 31, 2023**	**December 31, 2022**	**September 30, 2022**	**September 30, 2023**	**September 30, 2022**	**March 31, 2024**	**December 31, 2023**	**September 30, 2023**	**June 30, 2023**	**March 3 2023**
Core Net Interest Margin												
Net Interest Income (Tax-equivalent Basis)	$ 25,822	$ 26,280	$ 28,947	$ 33,260	$ 34,417	$ 81,049	$ 97,661	$ 24,992	$ 25,683	$ 25,822	$ 26,280	$ 28,9
Less: Loan Fees	(914)	(941)	(998)	(1,100)	(1,400)	(2,853)	(5,173)	(608)	(751)	(914)	(941)	(9
Less: PPP Interest and Fees	(2)	(3)	(2)	(48)	(96)	(7)	(922)					
Core Net Interest Income	$ 24,906	$ 25,336	$ 27,947	$ 32,112	$ 32,921	$ 78,189	$ 91,566	$ 24,384	$ 24,932	$ 24,908	$ 25,339	$ 27,9
Average Interest Earning Assets	$ 4,416,424	$4,395,050	$4,323,706	$ 4,177,644	$ 3,871,896	$ 4,378,733	$ 3,659,755	$4,492,756	$ 4,480,428	$ 4,416,424	$4,395,050	$4,323,7

Less: Average PPP Loans	(828)	(913)	(999)	(1,109)	(2,424)	(913)	(9,575)					
Core Average Interest Earning Assets	$ 4,415,596	$4,394,137	$4,322,707	$ 4,176,535	$ 3,869,472	$ 4,377,820	$ 3,650,180					
Core Net Interest Margin	2.24 %	2.31 %	2.62 %	3.05 %	3.38 %	2.39 %	3.35 %	2.18 %	2.21 %	2.24 %	2.31 %	2

Table of Contents

(dollars in thousands)	For the Three Months Ended September 30, 2023	June 30, 2023	March 31, 2023	December 31, 2022	September 30, 2022	For the Nine Months Ended September 30, 2023	September 30, 2022	For the Three Months Ended March 31, 2024	December 31, 2023	September 30, 2023	June 30, 2023	March 31, 2023
Efficiency Ratio												
Noninterest Expense	$ 15,350	$ 14,388	$ 14,183	$ 15,203	$ 14,157	$ 43,921	$ 41,417	$ 15,189	$ 15,740	$ 15,237	$ 14,274	$ 14,069
Less: Amortization of Intangible Assets	(9)	(34)	(48)	(48)	(48)	(91)	(143)	(9)	(9)	(9)	(34)	(48)
Adjusted Noninterest Expense	$ 15,341	$ 14,354	$ 14,135	$ 15,155	$ 14,109	$ 43,830	$ 41,274	$ 15,180	$ 15,731	$ 15,228	$ 14,240	$ 14,021
Net Interest Income	25,421	25,872	28,567	32,893	34,095	79,860	96,805	$ 24,631	$ 25,314	$ 25,421	$ 25,872	$ 28,567
Noninterest Income	1,726	1,415	1,943	1,738	1,387	5,084	4,594	1,550	1,409	1,726	1,415	1,943
Less: Gain on Sales of Securities	—	(50)	56	(30)	—	6	(52)					
Less: Gain (Loss) on Sales of Securities								(93)	27	—	(50)	56
Adjusted Operating Revenue	$ 27,147	$ 27,237	$ 30,566	$ 34,601	$ 35,482	$ 84,950	$ 101,347	$ 26,088	$ 26,750	$ 27,147	$ 27,237	$ 30,566

Efficiency Ratio	56.5 %	52.7 %	46.2 %	43.8 %	39.8 %	51.6 %	40.7 %	58.2 %	58.8 %	56.1 %	52.3 %	45.9 %

	For the Three Months Ended					For the Nine Months Ended	
(dollars in thousands)	September 30, 2023	June 30, 2023	March 31, 2023	December 31, 2022	September 30, 2022	September 30, 2023	September 30, 2022
Tangible Common Equity and Tangible Common Equity/Tangible Assets							
Total Shareholders' Equity	$ 415,960	$ 409,126	$ 402,006	$ 394,064	$ 382,007		
Less: Preferred Stock	(66,514)	(66,514)	(66,514)	(66,514)	(66,514)		
Total Common Shareholders' Equity	349,446	342,612	335,492	327,550	315,493		
Less: Intangible Assets	(2,823)	(2,832)	(2,866)	(2,914)	(2,962)		
Tangible Common Equity	$ 346,623	$ 339,780	$ 332,626	$ 324,636	$ 312,531		
Total Assets	$ 4,557,070	$ 4,603,185	$ 4,602,899	$ 4,345,662	$ 4,128,987		
Less: Intangible Assets	(2,823)	(2,832)	(2,866)	(2,914)	(2,962)		
Tangible Assets	$ 4,554,247	$ 4,600,353	$ 4,600,033	$ 4,342,748	$ 4,126,025		
Tangible Common Equity/Tangible Assets	7.61 %	7.39 %	7.23 %	7.48 %	7.57 %		
Tangible Book Value Per Share							
Book Value Per Common Share	$ 12.47	$ 12.25	$ 12.05	$ 11.80	$ 11.44		
Less: Effects of Intangible Assets	(0.10)	(0.10)	(0.10)	(0.11)	(0.11)		
Tangible Book Value Per Common Share	$ 12.37	$ 12.15	$ 11.95	$ 11.69	$ 11.33		
Return on Average Tangible Common Equity							
Net Income Available to Common Shareholders	$ 8,616	$ 8,802	$ 10,629	$ 12,721	$ 13,500	$ 28,047	$ 36,617
Average Shareholders' Equity	$ 414,047	$ 406,347	$ 403,533	$ 387,589	$ 384,020	$ 408,014	$ 382,834
Less: Average Preferred Stock	(66,514)	(66,514)	(66,514)	(66,514)	(66,514)	(66,514)	(66,514)
Average Common Equity	347,533	339,833	337,019	321,075	317,506	341,500	316,320
Less: Effects of Average Intangible Assets	(2,828)	(2,846)	(2,894)	(2,941)	(2,989)	(2,856)	(3,036)
Average Tangible Common Equity	$ 344,705	$ 336,987	$ 334,125	$ 318,134	$ 314,517	$ 338,644	$ 313,284
Return on Average Tangible Common Equity	9.92 %	10.48 %	12.90 %	15.86 %	17.03 %	11.07 %	15.63 %

	For the Three Months Ended				
(dollars in thousands)	March 31, 2024	December 31, 2023	September 30, 2023	June 30, 2023	March 31, 2023
Tangible Common Equity and Tangible Common Equity/Tangible Assets					
Total Shareholders' Equity	$ 433,611	$ 425,515	$ 415,960	$ 409,126	$ 402,006
Less: Preferred Stock	(66,514)	(66,514)	(66,514)	(66,514)	(66,514)
Total Common Shareholders' Equity	367,097	359,001	349,446	342,612	335,492
Less: Intangible Assets	(2,806)	(2,814)	(2,823)	(2,832)	(2,866)
Tangible Common Equity	$ 364,291	$ 356,187	$ 346,623	$ 339,780	$ 332,626
Total Assets	$ 4,723,109	$ 4,611,990	$ 4,557,070	$ 4,603,185	$ 4,602,899
Less: Intangible Assets	(2,806)	(2,814)	(2,823)	(2,832)	(2,866)
Tangible Assets	$ 4,720,303	$ 4,609,176	$ 4,554,247	$ 4,600,353	$ 4,600,033
Tangible Common Equity/Tangible Assets	7.72 %	7.73 %	7.61 %	7.39 %	7.23 %

Tangible Book Value Per Share					
Book Value Per Common Share	$ 13.30	$ 12.94	$ 12.47	$ 12.25	$ 12.05
Less: Effects of Intangible Assets	(0.10)	(0.10)	(0.10)	(0.10)	(0.10)
Tangible Book Value Per Common Share	$ 13.20	$ 12.84	$ 12.37	$ 12.15	$ 11.95
Return on Average Tangible Common Equity					
Net Income Available to Common Shareholders	$ 6,818	$ 7,859	$ 8,616	$ 8,802	$ 10,629
Average Shareholders' Equity	$ 428,248	$ 417,789	$ 414,047	$ 406,347	$ 403,533
Less: Average Preferred Stock	(66,514)	(66,514)	(66,514)	(66,514)	(66,514)
Average Common Equity	361,734	351,275	347,533	339,833	337,019
Less: Effects of Average Intangible Assets	(2,811)	(2,819)	(2,828)	(2,846)	(2,894)
Average Tangible Common Equity	$ 358,923	$ 348,456	$ 344,705	$ 336,987	$ 334,125
Return on Average Tangible Common Equity	7.64 %	8.95 %	9.92 %	10.48 %	12.90 %

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Interest Rate Risk

As a financial institution, the Company’s primary market risk is interest rate risk, which is defined as the risk of loss of net interest income or net interest margin because of changes in interest rates. The Company continually seeks to measure and manage the potential impact of interest rate risk. Interest rate risk occurs when interest earning assets and interest bearing liabilities mature or re-price at different times, on a different basis or in unequal amounts. Interest rate risk also arises when assets and liabilities each respond differently to changes in interest rates.

The Company’s management of interest rate risk is overseen by its ALM Committee, based on a risk management infrastructure approved by the board of directors that outlines reporting and measurement requirements. In particular, this infrastructure sets limits and management targets for various metrics, including net interest income simulation involving parallel shifts in interest rate curves, steepening and flattening yield curves, and various prepayment and deposit duration assumptions. The Company’s risk management infrastructure also requires a periodic review of all key assumptions used, such as identifying appropriate interest rate scenarios, setting loan prepayment rates

Table of Contents

based on historical analysis and noninterest bearing and interest bearing transaction deposit durations based on historical analysis. The Company does not engage in speculative trading activities relating to interest rates, foreign exchange rates, commodity prices, equities or credit.

The Company manages the interest rate risk associated with interest earning assets by managing the interest rates and terms associated with the investment securities portfolio by purchasing and selling investment securities from time to time. The Company manages the interest rate risk associated with interest bearing liabilities by managing the interest rates and terms associated with wholesale borrowings and deposits from customers which the Company relies on for funding. For example, the Company occasionally uses special offers on deposits to alter the interest rates and terms associated with interest bearing liabilities.

The Company has entered into certain hedging transactions including interest rate swaps and caps, which are designed to lessen elements of the Company’s interest rate exposure. Cash flow hedge relationships mitigate exposure to the variability of future cash flows or other forecasted transactions. The Company utilizes cash flow hedges to manage interest rate exposure for the brokered deposit and wholesale borrowing portfolios. At September 30, 2023 both March 31, 2024 and December 31, 2022 December 31, 2023, these cash flow hedges had a total notional amount of $308.0 million and $288.0 million, respectively. . In the event that interest rates do not change in the manner anticipated, such transactions may adversely affect the Company's results of operations.

Net Interest Income Simulation

The Company uses a net interest income simulation model to measure and evaluate potential changes in net interest income that would result over the next 12 months from immediate and sustained changes in interest rates as of the measurement date. This model has inherent limitations and the results are based on a given set of rate changes and assumptions as of a certain point in time. For purposes of the simulation, the Company assumes no growth in either interest-sensitive assets or liabilities over the next 12 months; therefore, the model's results reflect an interest rate shock to a static balance sheet. The simulation model also incorporates various other assumptions, which the Company believes are reasonable but which may have a significant impact on results, such as: (1) the timing of changes in interest rates, (2) shifts or rotations in the yield curve, (3) re-pricing characteristics for market-rate-sensitive instruments, (4) differing sensitivities of financial instruments due to differing underlying rate indices, (5) varying loan prepayment speeds for different interest rate scenarios, (6) the effect of interest rate limitations in assets, such as floors and caps, and (7) overall growth and repayment rates and product mix of assets and liabilities. Because of the limitations inherent in any approach used to measure interest rate risk, simulation results are not intended as a forecast of the actual effect of a change in market interest rates on the results, but rather as a means to better plan and execute appropriate asset-liability management strategies and to manage interest rate risk.

Potential changes to the Company's net interest income in hypothetical rising and declining rate scenarios calculated as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 are presented in the table below. The projections assume an immediate, parallel shift downward of the yield curve of 100, 200, and 300 basis points and immediate, parallel shifts

68

Table of Contents

upward of the yield curve of 100, 200, 300 and 400 basis points. In the current interest rate environment, a downward shift of the yield curve of 400 basis points does not provide us with meaningful results and thus is not presented.

(dollars in thousands)	September 30, 2023		December 31, 2022		March 31, 2024		December 31, 2023	
Change (basis points) in Interest Rates (12-Month Projection)	Forecasted Net Interest Income	Percentage Change from Base	Forecasted Net Interest Income	Percentage Change from Base	Forecasted Net Interest Income	Percentage Change from Base	Forecasted Net Interest Income	Percentage Change from Base
+400	$ 130,379	(1.69)%	$ 129,621	(4.84)%	$118,158	(1.74)%	$118,597	(2.39)%
+300	130,562	(1.55)	131,357	(3.57)	118,278	(1.64)	118,983	(2.08)
+200	131,101	(1.14)	133,089	(2.30)	118,417	(1.52)	119,395	(1.74)
+100	131,791	(0.62)	134,591	(1.20)	118,866	(1.15)	119,916	(1.31)
0	132,617	—	136,220	—	120,244	—	121,504	—
−100	135,862	2.45	137,641	1.04	122,798	2.12	125,138	2.99
−200	139,058	4.86	137,968	1.28	125,228	4.14	128,643	5.87
−300	142,200	7.23	138,587	1.74	128,022	6.47	132,269	8.86

58

Table of Contents

The table above indicates that as of September 30, 2023 March 31, 2024, in the event of an immediate and sustained 400 basis point increase in interest rates, the Company would experience an 1.69% 1.74% decrease in net interest income. In the event of an immediate 300 basis point decrease in interest rates, the Company would experience an 7.23% a 6.47% increase in net interest income.

The results of this simulation analysis are hypothetical, and a variety of factors might cause actual results to differ substantially from what is depicted. For example, if the timing and magnitude of interest rate changes differ from those projected, net interest income might vary significantly. Non-parallel yield curve shifts such as a flattening or steepening of the yield curve or changes in interest rate spreads would also cause net interest income to be different from that depicted. An increasing interest rate environment could reduce projected net interest income if deposits and other short-term liabilities re-price faster than expected or re-price faster than the Company's assets. Actual results could differ from those projected if the Company grows assets and liabilities faster or slower than estimated, if the Company experienced a net outflow of deposit liabilities, or if the mix of assets and liabilities otherwise changes. Actual results could also differ from those projected if the Company experienced substantially different repayment speeds in the loan portfolio than those assumed in the simulation model. Finally, these simulation results do not contemplate all the actions that the Company may undertake in response to potential or actual changes in interest rates, such as changes to the Company's loan, investment, deposit, or funding strategies.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

The Company's Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of the design and operation of the Company's "disclosure controls and procedures" (as that term is defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, or the Exchange Act) as of September 30, 2023 March 31, 2024, the end of the fiscal quarter covered by this Quarterly Report on Form 10-Q. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that, as of September 30, 2023 March 31, 2024, the Company's disclosure controls and procedures were effective to ensure that the information required to be disclosed by the Company in the reports it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and is accumulated and communicated to the Company's management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

There has been no change in the Company's internal control over financial reporting that occurred during the period covered by this Quarterly Report on Form 10-Q that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Table of Contents

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

Neither the Company nor any of its subsidiaries is a party, and no property of these entities is subject, to any material pending legal proceedings, other than ordinary routine litigation incidental to the Bank's business. The Company does not know of any proceeding contemplated by a governmental authority against the Company or any of its subsidiaries.

Item 1.A. Risk Factors

There have been no material changes to the risk factors disclosed in the Company's Annual Report on Form 10-K filed with the SEC on March 7, 2023 March 7, 2024.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds and Issuer Purchases of Equity Securities

Issuer Repurchases of Equity Securities

The following table presents stock purchases made during the third first quarter of 2023: 2024:

Period	Total Number of Shares Purchased (1)	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (2)	Maximum Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs	Total Number of Shares Purchased (1)	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (2)	Maximum Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
July 1 - 31, 2023	1,078	$ 9.85	—	$ 25,000,000				
August 1 - 31, 2023	—	—	—	25,000,000				
September 1 - 30, 2023	—	—	—	25,000,000				
January 1 - 31, 2024					225	$ 12.62	—	$ 20,458,801
February 1 - 29, 2024					63,286	11.75	57,893	19,779,536
March 1 - 31, 2024					136,444	11.76	135,909	18,181,490
Total	1,078	$ 9.85	—	$ 25,000,000	199,955	$ 11.76	193,802	$ 18,181,490

(1) The total number of shares repurchased during the periods indicated includes shares repurchased as part of the Company's stock repurchase program and shares withheld for income tax purposes in connection with vesting of restricted stock. The shares were purchased or otherwise valued at the closing price of the Company's common stock on the date of purchase and/or withholding.

(2) On August 17, 2022, the Company's board of directors approved a new stock repurchase program which authorizes the Company to repurchase up to $25.0 million of its common stock, subject to certain limitations and conditions. The new stock repurchase program replaced and superseded the previous $40.0 million stock repurchase program which expired on October 27, 2022, under which approximately $1.6 million remained. The new stock repurchase program will expire on August 16, 2024. The stock repurchase program does not obligate the Company to repurchase any shares of its common stock, and other than repurchases that have been completed to date, there is no assurance that the Company will do so. Under the stock repurchase program, the Company may repurchase shares of common stock from time to time in open market or privately negotiated transactions. The extent to which the Company repurchases its shares, and the timing of such repurchases, will depend upon a variety of factors, including general market and economic conditions, regulatory requirements, availability of funds, and other relevant considerations, as determined by the Company. The Company may, in its discretion, begin, suspend or terminate repurchases at any time prior to the Program's expiration, without any prior notice.

Unregistered Sales of Equity Securities

None.

Use of Proceeds from Registered Securities

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Rule 10b5-1 Trading Plans

During the quarter ended September 30, 2023 March 31, 2024, none of the Company's directors or executive officers adopted or terminated any contract, instruction or written plan for the purchase or sale of Company securities that was intended to satisfy the affirmative defense conditions of Rule10b5-1(c) or any non-Rule 10b5-1 trading arrangement.

Item 6. Exhibits

Exhibit Number	Description
3.1	Third Amended and Restated Articles of Incorporation of Bridgewater Bancshares, Inc. (incorporated herein by reference to Exhibit 3.1 on Form 8-K filed on April 27, 2023)
3.2	Second Amended and Restated Bylaws of Bridgewater Bancshares, Inc. (incorporated herein by reference to Exhibit 3.2 on Form 8-K filed on April 27, 2023)
3.3	Statement of Designation of 5.875% Non-Cumulative Perpetual Preferred Stock, Series A (incorporated herein by reference to Exhibit 3.1 on Form 8-K filed on August 17, 2021)
10.1	Second Amendment to Loan and Security Agreement, dated as of September 1, 2022, by and between Bridgewater Bancshares, Inc. and ServisFirst Bank (incorporated herein by reference to Exhibit 10.1 on Form 8-K filed on September 1, 2022)
10.2	Amended and Restated Revolving Note, dated as of September 1, 2022, made by Bridgewater Bancshares, Inc. to and in favor of ServisFirst Bank (incorporated herein by reference to Exhibit 10.2 on Form 8-K filed on September 1, 2022)
31.1	Certification of the Chief Executive Officer required by Rule 13a-14(a) of the Securities Exchange Act of 1934, and Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of the Chief Financial Officer required by Rule 13a-14(a) of the Securities Exchange Act of 1934, and Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.1	Financial information from the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2023 March 31, 2024, formatted in inline XBRL interactive data files pursuant to Rule 405 of Regulation S-T: (i) Consolidated Balance Sheets; (ii) Consolidated Statements of Income; (iii) Consolidated Statements of Comprehensive Income; (iv) Consolidated Statements of Shareholders' Equity; (v) Consolidated Statements of Cash Flows; and (vi) Notes to Consolidated Financial Statements
104	The cover page for Bridgewater Bancshares, Inc's Form 10-Q Report for the quarterly period ended September 30, 2023 March 31, 2024 formatted in inline XBRL and contained in Exhibit 101

Table of Contents

SIGNATURES

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

Bridgewater Bancshares, Inc.

Date: November 2, 2023 May 2, 2024	By:	/s/ Jerry J. Baack
	Name:	Jerry J. Baack
	Title:	Chairman and Chief Executive Officer and President
		(Principal Executive Officer)
Date: November 2, 2023 May 2, 2024	By:	/s/ Joe M. Chybowski
	Name:	Joe M. Chybowski
	Title:	President and Chief Financial Officer
		(Principal Financial and Accounting Officer)

Exhibit 31.1

Certification of Chief Executive Officer Pursuant to Exchange Act Rule 13a-14(a)/15d-14(a) as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Jerry J. Baack, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Bridgewater Bancshares, Inc.;

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.

November May 2, 2023 2024

/s/ Jerry J. Baack

Jerry J. Baack
Chairman and Chief Executive Officer and President

Exhibit 31.2

Certification of Chief Financial Officer Pursuant to Exchange Act Rule 13a-14(a)/15d-14(a) as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Joe M. Chybowski, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Bridgewater Bancshares, Inc.;

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.

November May 2, 2023 2024

/s/ Joe M. Chybowski

Joe M. Chybowski
President and Chief Financial Officer

Exhibit 32.1

Certification of Chief Executive Officer
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 Bridgewater Bancshares, Inc. (the "Company") on Form 10-Q for the quarter ended September 30, 2023 March 31, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jerry J. Baack, Chairman and Chief Executive Officer and President of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and

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

Dated: November 2, 2023 May 2, 2024

/s/ Jerry J. Baack

Jerry J. Baack
Chairman and Chief Executive Officer and President

Exhibit 32.2

Certification of Chief Financial Officer
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 Bridgewater Bancshares, Inc. (the "Company") on Form 10-Q for the quarter ended September 30, 2023 March 31, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Joe M. Chybowski, President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and

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

Dated: November 2, 2023 May 2, 2024

/s/ Joe M. Chybowski

Joe M. Chybowski
President and Chief Financial Officer