

REFINITIV

# DELTA REPORT

## 10-Q

EGBN - EAGLE BANCORP INC

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

The following comparison report has been automatically generated

TOTAL DELTAS	2391
CHANGES	380
DELETIONS	866
ADDITIONS	1145

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 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 0-25923

**Eagle Bancorp, Inc.**

(Exact name of registrant as specified in its charter)

Maryland

(State or other jurisdiction of  
incorporation or organization)

7830 Old Georgetown Road, Third Floor, Bethesda, Maryland

(Address of principal executive offices)

52-2061461

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

20814

(Zip Code)

(301) 986-1800

(Registrant's telephone number, including area code)  
(Former name, former address and former fiscal year, if changed since last report)

Securities Registered Pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol(s)	Name of Each Exchange on Which Registered
Common Stock, \$0.01 par value	EGBN	The Nasdaq Stock Market LLC

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

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

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

Large accelerated filer ☒ 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 ☒

As of **November 2, 2023** **May 1, 2024**, the registrant had **29,926,182** **30,189,637** shares of Common Stock outstanding.

**EAGLE BANCORP, INC.**  
**TABLE OF CONTENTS**

**PART I. FINANCIAL INFORMATION**

<a href="#">Item 1.</a>	<a href="#">Financial Statements</a>	3
	<a href="#">Consolidated Balance Sheets at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 (unaudited)</a>	3
	<a href="#">Consolidated Statements of Income Operations for the Three and Nine Months Ended September 30, 2023 March 31, 2024 and 2022 2023 (unaudited)</a>	4
	<a href="#">Consolidated Statements of Comprehensive (Loss) Income (Loss) for the Three and Nine Months Ended September 30, 2023 March 31, 2024 and 2022 2023 (unaudited)</a>	5
	<a href="#">Consolidated Statements of Changes in Shareholders' Equity for the Three and Nine Months Ended September 30, 2023 March 31, 2024 and 2022 2023 (unaudited)</a>	6
	<a href="#">Consolidated Statements of Cash Flows for the Nine Three Months Ended September 30, 2023 March 31, 2024 and 2022 2023 (unaudited)</a>	8 7
	<a href="#">Notes to Consolidated Financial Statements</a>	10 9
<a href="#">Item 2.</a>	<a href="#">Management's Discussion and Analysis of Financial Condition and Results of Operations</a>	36 34
<a href="#">Item 3.</a>	<a href="#">Quantitative and Qualitative Disclosures About Market Risk</a>	65 61
<a href="#">Item 4.</a>	<a href="#">Controls and Procedures</a>	65 62
<b>PART II.</b>	<b>OTHER INFORMATION</b>	
<a href="#">Item 1.</a>	<a href="#">Legal Proceedings</a>	67 63
<a href="#">Item 1A.</a>	<a href="#">Risk Factors</a>	67 63
<a href="#">Item 2.</a>	<a href="#">Unregistered Sales of Equity Securities and Use of Proceeds and Issuer Purchases of Equity Securities</a>	67 63
<a href="#">Item 3.</a>	<a href="#">Defaults Upon Senior Securities</a>	67 63
<a href="#">Item 4.</a>	<a href="#">Mine Safety Disclosures</a>	67 63
<a href="#">Item 5.</a>	<a href="#">Other Information</a>	67 63
<a href="#">Item 6.</a>	<a href="#">Exhibits</a>	68 64
<a href="#">Signatures</a>		69 65

**PART I - FINANCIAL INFORMATION**

**Item 1 – Financial Statements ITEM 1. FINANCIAL STATEMENTS**

**EAGLE BANCORP, INC.**  
**Consolidated Balance Sheets (Unaudited)**  
(dollars in thousands, except share and per share data)

		September 30, 2023	December 31, 2022		
March 31, 2024				March 31, 2024	December 31, 2023
<b>Assets</b>	<b>Assets</b>				
Cash and due from banks					
Cash and due from banks					
Cash and due from banks	Cash and due from banks	\$	8,625	\$	12,655
Federal funds sold	Federal funds sold		13,611		33,927

Interest-bearing deposits with banks and other short-term investments	Interest-bearing deposits with banks and other short-term investments	235,819	265,272
Investment securities available-for-sale (amortized cost of \$1,700,233 and \$1,803,898, respectively, and allowance for credit losses of \$17 and \$17, respectively).		1,474,945	1,598,666
Investment securities held-to-maturity, net of allowance for credit losses of \$2,010 and \$766, respectively (fair value of \$872,710 and \$968,707, respectively)		1,032,485	1,093,374
Investment securities available-for-sale (amortized cost of \$1,613,659 and \$1,668,316, respectively, and allowance for credit losses of \$17 and \$17, respectively).			
Investment securities held-to-maturity, net of allowance for credit losses of \$1,957 and \$1,956, respectively (fair value of \$878,159 and \$901,582, respectively)			
Federal Reserve and Federal Home Loan Bank stock	Federal Reserve and Federal Home Loan Bank stock	25,689	65,067
Loans held for sale		—	6,734
Loans			
Loans			
Loans	Loans	7,916,391	7,635,632
Less: allowance for credit losses	Less: allowance for credit losses	(83,332)	(74,444)
Loans, net	Loans, net	7,833,059	7,561,188
Premises and equipment, net	Premises and equipment, net	11,216	13,475
Operating lease right-of-use assets		20,151	24,544
Right-of-use assets - operating leases			
Deferred income taxes	Deferred income taxes	98,987	96,567
Bank-owned life insurance	Bank-owned life insurance	112,234	110,998
Goodwill and other intangible assets, net	Goodwill and other intangible assets, net	105,239	104,233
Other real estate owned	Other real estate owned	1,487	1,962



Common stock, par value \$0.01 per share; shares authorized 100,000,000, shares issued and outstanding 30,185,732 and 29,925,612, respectively			
Common stock, par value \$0.01 per share; shares authorized 100,000,000, shares issued and outstanding 30,185,732 and 29,925,612, respectively			
Additional paid-in capital	Additional paid-in capital	372,394	412,303
Retained earnings	Retained earnings	1,054,699	1,015,215
Accumulated other comprehensive loss	Accumulated other comprehensive loss	(211,505)	(199,507)
<b>Total Shareholders' Equity</b>	<b>Total Shareholders' Equity</b>	<b>1,215,884</b>	<b>1,228,321</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>Total Liabilities and Shareholders' Equity</b>	<b>\$11,164,214</b>	<b>\$11,150,854</b>

See Notes to Consolidated Financial Statements.

**EAGLE BANCORP, INC.**  
**Consolidated Statements of Income Operations (Unaudited)**  
(dollars in thousands, except per share data)

	Three Months Ended		Nine Months Ended		
	September 30,		September 30,		
	2023	2022	2023	2022	
	Three Months Ended				
	March 31,				
	Three Months Ended				
	March 31,				
	Three Months Ended				
	March 31,				
	2024			2024	2023
Interest Income	Interest Income				
Interest and fees on loans					
Interest and fees on loans					
Interest and fees on loans	Interest and fees on loans	\$132,273	\$93,744	\$382,116	\$249,716
Interest and dividends on investment securities	Interest and dividends on investment securities	13,732	13,463	41,518	37,890
Interest on balances with other banks and short-term investments	Interest on balances with other banks and short-term investments	15,067	4,100	34,070	7,608

Interest on federal funds sold	Interest on federal funds sold	77	220	202	269
Total interest income	Total interest income	161,149	111,527	457,906	295,483
<b>Interest Expense</b>	<b>Interest Expense</b>				
Interest on deposits	Interest on deposits	70,929	26,125	179,305	44,022
Interest on deposits					
Interest on customer repurchase agreements	Interest on customer repurchase agreements	311	55	946	90
Interest on other short-term borrowings		18,152	412	56,989	992
Interest on long-term borrowings		1,038	1,038	3,112	3,112
Interest on borrowings					
Total interest expense					
Total interest expense	Total interest expense	90,430	27,630	240,352	48,216
<b>Net Interest Income</b>	<b>Net Interest Income</b>	70,719	83,897	217,554	247,267
<b>Provision for Credit Losses</b>	<b>Provision for Credit Losses</b>	5,644	3,022	17,046	730
<b>(Reversal of) Provision for Credit Losses for Unfunded Commitments</b>	<b>(Reversal of) Provision for Credit Losses for Unfunded Commitments</b>	(839)	774	327	1,316
<b>Net Interest Income After (Reversal of) Provision for Credit Losses</b>	<b>Net Interest Income After (Reversal of) Provision for Credit Losses</b>	65,914	80,101	200,181	245,221
Provision for Credit Losses for Unfunded Commitments					
Net Interest Income After Provision for Credit Losses					
<b>Noninterest Income</b>	<b>Noninterest Income</b>				
Noninterest Income					
Service charges on deposits	Service charges on deposits	1,631	1,339	4,767	3,970
(Loss) gain on sale of loans		(5)	821	395	3,168
Service charges on deposits					

Service charges on deposits					
Gain on sale of loans					
Net gain (loss) on sale of investment securities	Net gain (loss) on sale of investment securities	5	4	(14)	(172)
Increase in the cash surrender value of bank-owned life insurance	Increase in the cash surrender value of bank-owned life insurance	669	631	1,972	1,889
Other income	Other income	4,047	2,513	11,522	9,470
Total noninterest income	Total noninterest income	6,347	5,308	18,642	18,325
<b>Noninterest Expense</b>	<b>Noninterest Expense</b>				
Salaries and employee benefits					
Salaries and employee benefits					
Salaries and employee benefits	Salaries and employee benefits	21,549	21,538	67,680	60,362
Premises and equipment expenses	Premises and equipment expenses	3,095	3,275	9,639	9,926
Marketing and advertising	Marketing and advertising	768	1,181	2,288	3,431
Data processing	Data processing	3,194	3,445	9,647	9,054
Legal, accounting and professional fees	Legal, accounting and professional fees	2,162	2,332	8,065	6,030
FDIC insurance	FDIC insurance	3,342	1,287	7,409	3,251
Other expenses	Other expenses	3,523	3,148	11,467	34,126
Other expenses					
Other expenses					
Total noninterest expense	Total noninterest expense	37,633	36,206	116,195	126,180



Income Before Income Tax Expense	Income Before Income Tax Expense				
		34,628	49,203	102,628	137,366
Income Tax Expense	Income Tax Expense				
		7,245	11,906	22,319	38,629
Net Income		\$ 27,383	\$ 37,297	\$ 80,309	\$ 98,737
Net (Loss) Income					
Earnings Per Common Share					
(Loss) Earnings Per Common Share					
(Loss) Earnings Per Common Share					
(Loss) Earnings Per Common Share					
Basic					
Basic					
Basic	Basic	\$ 0.91	\$ 1.16	\$ 2.63	\$ 3.08
Diluted	Diluted	\$ 0.91	\$ 1.16	\$ 2.63	\$ 3.07

See Notes to Consolidated Financial Statements.

EAGLE BANCORP, INC.  
Consolidated Statements of Comprehensive (Loss) Income (Loss) (Unaudited)  
(dollars in thousands)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2023	2022	2023	2022
Net Income	\$27,383	\$ 37,297	\$80,309	\$ 98,737
	Three Months Ended			
	March 31,			
	Three Months Ended			
	March 31,			
	Three Months Ended			
	March 31,			
	2024		2024	2023
Net (Loss) Income				
Other Comprehensive (Loss) Income, Net of Tax:	Other Comprehensive (Loss) Income, Net of Tax:			
Other Comprehensive (Loss) Income, Net of Tax:				
Other Comprehensive (Loss) Income, Net of Tax:				
Unrealized (loss) gain on securities available-for-sale				
Unrealized (loss) gain on securities available-for-sale				
Unrealized (loss) gain on securities available-for-sale	Unrealized (loss) gain on securities available-for-sale	(21,314)	(60,029)	(15,452)
		(151,453)		

Reclassification adjustment for (gain) loss included in net income	Reclassification adjustment for (gain) loss included in net income	(4)	(3)	10	114
Total unrealized (loss) gain on investment securities available-for-sale	Total unrealized (loss) gain on investment securities available-for-sale	(21,318)	(60,032)	(15,442)	(151,339)
Unrealized loss on securities transferred to held-to-maturity <sup>(1)</sup>		—	—	—	(49,095)
Amortization of unrealized loss on securities transferred to held-to-maturity	Amortization of unrealized loss on securities transferred to held-to-maturity	1,400	1,762	3,444	3,753
Total unrealized gain (loss) on investment securities held-to-maturity		1,400	1,762	3,444	(45,342)
Total unrealized gain on investment securities held-to-maturity					
Unrealized gain on derivatives	Unrealized gain on derivatives	—	—	—	284
Total unrealized gain on derivatives					
Total unrealized gain on derivatives					
Total unrealized gain on derivatives					
Other comprehensive (loss) income	Other comprehensive (loss) income	(19,918)	(58,270)	(11,998)	(196,397)
<b>Comprehensive Income (Loss)</b>		<b>\$ 7,465</b>	<b>\$ (20,973)</b>	<b>\$ 68,311</b>	<b>\$ (97,660)</b>
<b>Comprehensive (Loss) Income</b>					

(1) Represents unamortized accumulated other comprehensive loss on securities transferred to held-to-maturity status.

See Notes to Consolidated Financial Statements.

#### EAGLE BANCORP, INC.

#### Consolidated Statements of Changes in Shareholders' Equity(Unaudited) (dollars in thousands except share and per share data)

	Common		Additional Paid-in		Accumulated Other Comprehensive Income		Shareholders' Equity
	Shares	Amount	Capital	Retained Earnings	(Loss)		
<b>Balance July 1, 2023</b>	29,912,082	\$ 296	\$ 370,278	\$ 1,040,779	\$ (191,587)		\$ 1,219,766
Net Income	—	—	—	27,383	—		27,383
Other comprehensive loss, net of tax	—	—	—	—	(19,918)		(19,918)
Stock-based compensation expense	—	—	1,969	—	—		1,969
Vesting of time-based stock awards issued at date of grant, net of shares withheld for payroll taxes	(15,250)	—	—	—	—		—
Time-based stock awards granted	14,280	—	—	—	—		—
Issuance of common stock related to employee stock purchase plan	6,870	—	145	—	—		145
Cash dividends declared (\$0.45 per share)	—	—	—	(13,463)	—		(13,463)
Common stock repurchased	—	—	2	—	—		2

Balance September 30, 2023	29,917,982	\$ 296	\$ 372,394	\$ 1,054,699	\$ (211,505)	\$ 1,215,884
Balance July 1, 2022	32,081,241	\$ 318	\$ 440,418	\$ 964,353	\$ (152,369)	\$ 1,252,720
Net Income	—	—	—	37,297	—	37,297
Other comprehensive loss, net of tax	—	—	—	—	(58,270)	(58,270)
Stock-based compensation expense	—	—	2,274	—	—	2,274
Issuance of common stock related to options exercised, net of shares withheld for payroll taxes	—	—	—	—	—	—
Vesting of time-based stock awards issued at date of grant, net of shares withheld for payroll taxes	(2,893)	—	—	—	—	—
Time-based stock awards granted	—	—	—	—	—	—
Issuance of common stock related to employee stock purchase plan	3,973	—	188	—	—	188
Cash dividends declared (\$0.45 per share)	—	—	—	(14,438)	—	(14,438)
Balance September 30, 2022	32,082,321	\$ 318	\$ 442,880	\$ 987,212	\$ (210,639)	\$ 1,219,771

See Notes to Consolidated Financial Statements.

Consolidated Statements of Changes in Shareholders' Equity (Unaudited)			EAGLE BANCORP, INC.			Consolidated Statements of Changes in Shareholders' Equity - Continued (Unaudited)		

(dollars in thousands except share and per share data)

	Common		Additional Paid-in Capital		Retained Earnings		Accumulated Other Comprehensive Income (Loss)		Shareholders' Equity	
	Shares		Amount		Amount		Amount		Amount	
	Amount		Amount		Amount		Amount		Amount	
	Amount		Amount		Amount		Amount		Amount	
Balance January 1, 2024	31,346,903	\$ 310	\$ 412,303	\$ 1,015,215	Income (Loss)	\$ (199,507)	\$ 1,228,321			
Net Income	—	—	—	80,309	—	—	80,309			
Net Loss										
Net Loss										
Net Loss										
Other comprehensive income, net of tax	—	—	—	—	—	(11,998)	(11,998)			
Stock-based compensation	—	—	7,653	—	—	—	7,653			

expense	expense						
	Vesting of time-based stock awards issued at date of grant, net of shares withheld for payroll taxes	(59,314)	1	(1)	—	—	—
	Vesting of performance-based stock awards, net of shares withheld for payroll taxes	27,296	—	—	—	—	—
	Time-based stock awards granted	187,822	—	—	—	—	—
	Issuance of common stock related to employee stock purchase plan	15,275	—	459	—	—	459
	Cash dividends declared (\$1.35 per share)	—	—	—	(40,825)	—	(40,825)
	Common stock repurchased	(1,600,000)	(15)	(48,020)	—	—	(48,035)
	<b>Balance September 30, 2023</b>	<b>29,917,982</b>	<b>\$ 296</b>	<b>\$ 372,394</b>	<b>\$ 1,054,699</b>	<b>\$ (211,505)</b>	<b>\$ 1,215,884</b>
	<b>Balance January 1, 2022</b>	<b>31,950,092</b>	<b>\$ 316</b>	<b>\$ 434,640</b>	<b>\$ 930,061</b>	<b>\$ (14,242)</b>	<b>\$ 1,350,775</b>
	Net Income	—	—	—	98,737	—	98,737
	Other comprehensive loss, net of tax	—	—	—	—	(196,397)	(196,397)
	Stock-based compensation expense	—	—	7,587	—	—	7,587
	Issuance of common stock related to options exercised, net of shares withheld for payroll taxes	3,289	—	97	—	—	97
	Vesting of time-based stock awards issued at date of grant, net of shares withheld for payroll taxes	(68,931)	2	(2)	—	—	—
	Vesting of performance-based stock awards, net of shares withheld for payroll taxes	21,026	—	—	—	—	—
	Time-based stock awards granted	166,471	—	—	—	—	—
	Issuance of common stock related to employee stock purchase plan	10,374	—	558	—	—	558
	Cash dividends declared (\$1.30 per share)	—	—	—	(41,586)	—	(41,586)
	Cash dividends declared (\$0.45 per share)	—	—	—	—	—	—
	<b>Balance September 30, 2022</b>	<b>32,082,321</b>	<b>\$ 318</b>	<b>\$ 442,880</b>	<b>\$ 987,212</b>	<b>\$ (210,639)</b>	<b>\$ 1,219,771</b>
	<b>Balance March 31, 2024</b>						

Balance March 31, 2024
Balance March 31, 2024
Balance January 1, 2023
Balance January 1, 2023
Balance January 1, 2023
Net Income
Net Income
Net Income
Other comprehensive
loss, net of tax
Stock-based
compensation
expense
Vesting of time-based stock awards
issued at date of grant, net of shares
withheld for payroll taxes
Vesting of time-based stock awards
issued at date of grant, net of shares
withheld for payroll taxes
Vesting of time-based stock awards
issued at date of grant, net of shares
withheld for payroll taxes
Vesting of
performance-based
stock awards, net of
shares withheld for
payroll taxes
Time-based stock
awards granted
Issuance of common
stock related to
employee stock
purchase plan
Cash dividends
declared (\$0.45 per
share)
Common stock
repurchased
Balance March 31,
2023

See Notes to Consolidated Financial Statements.

EAGLE BANCORP, INC.  
Consolidated Statements of Cash Flows (Unaudited)  
(dollars in thousands)

		Nine Months Ended September 30,			
		2023	2022		
		Three Months Ended March 31,		Three Months Ended March 31,	
		2024		2024	2023
Cash Flows	Cash Flows				
From Operating	From Operating				
Activities:	Activities:				
Net Income		\$ 80,309	\$ 98,737	Cash Flows From Operating Activities:	

Adjustments to reconcile Net Income to net cash provided by operating activities:			
Net (Loss) Income			
Adjustments to reconcile Net (Loss) Income to net cash provided by operating activities:			
Provision for credit losses			
Provision for credit losses			
Provision for credit losses	Provision for credit losses	17,046	730
Provision for credit losses for unfunded commitments	Provision for credit losses for unfunded commitments	327	1,316
Depreciation and amortization	Depreciation and amortization	2,649	2,483
Gain on sale of loans	Gain on sale of loans	(395)	(3,168)
Loss (gain) on mortgage servicing rights		108	(872)
Loss on mortgage servicing rights			
Securities premium amortization, net	Securities premium amortization, net	4,766	7,191
Origination of loans held for sale	Origination of loans held for sale	(29,690)	(264,765)
Proceeds from sale of loans held for sale	Proceeds from sale of loans held for sale	36,819	305,764
Net gain on sale of other real estate owned		(134)	(107)
Net loss on sale of investment securities		14	172
(Gain) loss on sale of investment securities			
(Gain) loss on sale of investment securities			
(Gain) loss on sale of investment securities			
Net increase in cash surrender value of BOLI	Net increase in cash surrender value of BOLI	(1,972)	(1,889)

Stock-based compensation expense	Stock-based compensation expense	7,653	7,587
Increase in other assets	Increase in other assets	(29,589)	(19,055)
Increase in other liabilities		51,058	5,503
Increase in other assets			
Increase in other assets			
(Increase) decrease in other liabilities			
Net Cash Provided by Operating Activities	Net Cash Provided by Operating Activities	138,969	139,627
Cash Flows From Investing Activities:	Cash Flows From Investing Activities:		
Investment securities available-for-sale:	Investment securities available-for-sale:		
Purchases		—	(414,935)
Investment securities available-for-sale:			
Investment securities available-for-sale:			
Proceeds from maturities			
Proceeds from maturities			
Proceeds from maturities	Proceeds from maturities	92,647	182,767
Proceeds from sale/call	Proceeds from sale/call	8,303	6,225
Investment securities held-to-maturity:	Investment securities held-to-maturity:		
Purchases		—	(290,740)
Proceeds from maturities			
Proceeds from maturities			
Proceeds from maturities	Proceeds from maturities	60,312	82,163
Proceeds from call	Proceeds from call	2,906	19,944
Proceeds from (purchase of) sale of Federal Reserve stock		39,378	(8,158)
Purchase of Federal Reserve stock			

Purchase of Federal Home Loan Bank stock			
Net increase in loans			
Net increase in loans			
Net increase in loans	Net increase in loans	(287,673)	(239,089)
Redemption of BOLI	Redemption of BOLI	736	—
Proceeds from sale of OREO	Proceeds from sale of OREO	609	241
Net change in premises and equipment	Net change in premises and equipment	(298)	(1,518)
<b>Net Cash Used in Investing Activities</b>		<b>(83,080)</b>	<b>(663,100)</b>
<b>Net Cash Provided by (Used in) Investing Activities</b>			
<b>Cash Flows From Financing Activities:</b>	<b>Cash Flows From Financing Activities:</b>		
Decrease in deposits	Decrease in deposits	(336,876)	(1,218,190)
Decrease in customer repurchase agreements		(9,411)	(2,453)
Proceeds from short-term borrowings		325,000	215,000
Decrease in deposits			
Decrease in deposits			
Increase in customer repurchase agreements			
Proceeds from borrowings			
Repayment of borrowings			
Proceeds from employee stock purchase plan	Proceeds from employee stock purchase plan	459	558
Proceeds from exercise of equity compensation plans		—	97
Proceeds from employee stock purchase plan			
Proceeds from employee stock purchase plan			
Common stock repurchased			



Common stock repurchased			
Common stock repurchased	Common stock repurchased	(48,035)	—
Cash dividends paid			
Cash dividends paid			
Cash dividends paid	Cash dividends paid	(40,825)	(41,586)
Net Cash Used in Financing Activities	Net Cash Used in Financing Activities	(109,688)	(1,046,574)
Net Decrease in Cash and Cash Equivalents	Net Decrease in Cash and Cash Equivalents	(53,799)	(1,570,047)
Cash and Cash Equivalents at Beginning of Period	Cash and Cash Equivalents at Beginning of Period	311,854	1,714,222
Cash and Cash Equivalents at End of Period	Cash and Cash Equivalents at End of Period	\$ 258,055	\$ 144,175

See Notes to Consolidated Financial Statements.

EAGLE BANCORP, INC. Consolidated Statements of Cash Flows - Continued (Unaudited) (dollars in thousands)

		Nine Months Ended September 30,	
		2023	2022
		Three Months Ended March 31,	
		Three Months Ended March 31,	
		Three Months Ended March 31,	
		2024	2024
		2023	
Supplemental Cash Flows Information:	Supplemental Cash Flows Information:		
Interest paid	Interest paid	\$ 266,633	\$ 49,273
Income taxes paid		\$ 16,940	\$ 16,150
Interest paid			
Interest paid			
Non-Cash Investing Activities	Non-Cash Investing Activities		
Transfers of investment securities from available-for-sale to held-to-maturity		\$ —	\$ 922,795
Non-Cash Investing Activities			
Non-Cash Investing Activities			

Transfers from loans to other real estate owned	Transfers from loans to other real estate owned	\$	—	\$	475
Transfers from loans to other real estate owned					
Transfers from loans to other real estate owned					

See Notes to Consolidated Financial Statements.

**EAGLE BANCORP, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**

**Note 1. Summary of Significant Accounting Policies**

**Principles of Consolidation and Basis of Presentation**

The Consolidated Financial Statements include the accounts of Eagle Bancorp, Inc. (the "Parent") and its subsidiaries (together with the Parent, the "Company"), with all significant intercompany transactions eliminated. EagleBank (the "Bank"), a Maryland chartered commercial bank, is the Parent's principal subsidiary.

The accounting and reporting policies of the Company conform to generally accepted accounting principles in the United States of America ("GAAP") and to general practices in the banking industry. The Consolidated Financial Statements and accompanying notes of the Company included herein are unaudited. The Consolidated Balance Sheet as of **December 31, 2022** **December 31, 2023** was derived from the audited Consolidated Balance Sheet as of that date. The Consolidated Financial Statements reflect all adjustments, consisting of normal recurring adjustments, that in the opinion of management are necessary to present fairly the results for the periods presented. Certain information and note disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). In addition to the accounting policies described below, the Company applies the accounting policies contained in Note 1 to Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the year ended **December 31, 2022** **December 31, 2023**. Certain reclassifications have been made to **2022 2023** amounts previously reported to conform to the **2023 2024** presentation. Reclassifications had no effect on net income or shareholders' equity. These statements should be read in conjunction with the audited Consolidated Financial Statements and related notes included in the Company's Annual Report on Form 10-K for the year ended **December 31, 2022** **December 31, 2023**.

**Nature of Operations**

The Company, through the Bank, conducts a full service community banking business, primarily in Northern Virginia, Suburban Maryland, and Washington, D.C. The primary financial services offered by the Bank include real estate, commercial and consumer lending, as well as traditional deposit and repurchase agreement products. The Bank is also active in the origination of small business loans, and the origination, securitization and sale of multifamily Federal Housing Administration ("FHA") loans. The guaranteed portion of small business loans, guaranteed by the Small Business Administration ("SBA"), is typically sold to third party investors in a transaction apart from the loan's origination.

In April 2024, the Company closed a branch following the lease's expiration. The Bank offers its products and services through **thirteen** **twelve** banking offices, four lending centers and various digital capabilities, including remote deposit services and mobile banking services. **During Eagle Insurance Services, LLC, a subsidiary of the nine months ended September 30, 2023, the Company closed three branches following the leases' expiration. Bank that previously offered access to insurance products and services through a referral program with a third party insurance broker, continues to receive fee income in connection with such program.** Landroval Municipal Finance, Inc., a subsidiary of the Bank, focuses on lending to municipalities by buying debt on the public market as well as direct purchase issuance.

**The Company commenced the cessation of first lien residential mortgage origination for secondary sale during the three months ended March 31, 2023. The Company has completed residual origination and sales activities as of June 30, 2023.**

**Use of Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates and such differences could be material to the consolidated financial statements.

**Investment Securities**

The Company recognizes acquired securities on the trade date. Investment securities comprise debt securities, which are classified depending on the Company's intent and ability to hold the securities to maturity. Debt securities are classified as available-for-sale when management may have the intent to sell them prior to maturity. Debt securities are classified as held-to-maturity and carried at amortized cost when management has the positive intent and ability to hold them to maturity.

Securities available-for-sale are acquired as part of the Company's asset/liability management strategy and may be sold in response to changes in interest rates, current market conditions, loan demand, changes in prepayment risk and other factors. Securities available-for-sale are carried at fair value, with unrealized gains or losses, other than impairment losses, being reported as accumulated other comprehensive income/(loss), a separate component of shareholders' equity, net of deferred income tax. Realized gains and losses, using the specific identification method, are included as a separate component of noninterest income in the Consolidated Statements of Operations.

Premiums and discounts on investment securities **available-for-sale and held-to-maturity** are amortized or accreted to the earlier of call or maturity based on expected lives, which include prepayment adjustments and call optionality.

#### Transfers of Investment Securities from Available-for-Sale to Held-to-Maturity

Transfers of debt securities into the held-to-maturity category from the available-for-sale category are made at amortized cost, net of unrealized gain or loss reported in accumulated other comprehensive income (loss) at the date of transfer. The unrealized holding gain or loss at the date of transfer is retained in other comprehensive income and in the carrying value of the held-to-maturity ("HTM") securities. Such amounts are amortized over the remaining life of the security.

The Company does not intend to sell the held-to-maturity investments, and it is more likely than not that the Company will not have to sell the securities before recovery of its amortized cost basis, which may be at maturity.

#### Loans

Loans held for investment are stated at the principal amount outstanding, net of unamortized deferred costs and fees. Interest income on loans is recognized at the contractual rate on the principal amounts outstanding. Loan origination fees, net of direct loan origination costs, and commitment fees are deferred and amortized on the interest method over the term of the loan.

Past due loans are placed on nonaccrual status when there is a clear indication that the borrower's cash flow may not be sufficient to meet payments as they become due. Generally, this conclusion is reached when a loan is 90 days past due. When a loan is placed on nonaccrual status, all previously accrued and unpaid interest is reversed through interest income. Interest income is subsequently recognized on a cash basis as long as the remaining book balance of the asset is deemed to be collectible. If collectability is questionable, then cash payments are applied to principal. A loan is placed back on accrual status when both principal and interest are current and it is probable that we will be able to collect all amounts due (both principal and interest) according to the terms of the loan agreement.

#### Allowance for Credit Losses

The following table presents a breakdown of the provision for credit losses included in our Consolidated Statements of Operations for the applicable periods (in thousands):

(dollars in thousands)	Three Months Ended March 31,	
	2024	2023
Provision for credit losses - loans	\$ 35,174	\$ 4,908
Provision for credit losses - HTM debt securities	1	1,242
Provision for credit losses - AFS debt securities	—	14
Total	\$ 35,175	\$ 6,164

#### Allowance for Credit Losses - Loans

The allowance for credit losses ("ACL") - loans ("ACL") is an estimate of the expected credit losses in the loans held for investment portfolio.

Accounting Standards Codification ("ASC") 326, "Financial Instruments-Credit Losses" requires that an estimate of current expected credit losses ("CECL") be immediately recognized and reevaluated over The Company's ACL on the contractual life of the financial asset when a financial asset is originated or purchased. The ACL is a valuation account that loan portfolio is deducted from the amortized cost basis of loans to present the net amount expected to be collected on the loans. Loans, or portions thereof, are charged off against the allowance when they are deemed uncollectible. Expected recoveries are recorded to the extent they do not exceed the aggregate of amounts previously charged-off and expected to be charged-off.

Reserves on loans that do not share risk characteristics are evaluated on an individual basis. Nonaccrual loans are specifically reviewed for loss potential and when deemed appropriate are assigned a reserve based on an individual evaluation. The remainder of the portfolio, representing all loans not evaluated individually for impairment, is segregated by call report codes, and a loan-level probability of default ("PD") / Loss Given Default loss given default ("LGD") cash flow method is applied using an exposure at default ("EAD") model. These historical loss rates are then modified to incorporate our reasonable and supportable forecast of future losses at the portfolio segment level, as well as any necessary qualitative adjustments.

The Company uses regression analysis of historical internal and peer data provided by a third-party service provider (as Company loss data is insufficient) to determine suitable credit loss drivers to utilize when modeling lifetime PD and LGD. This analysis also determines how expected PD will be impacted by different forecasted levels of the loss drivers.

A similar process is employed to calculate a reserve assigned to off-balance sheet commitments, specifically unfunded loan commitments and letters of credit, and any needed reserve is recorded in reserve for unfunded commitments ("RUC" ("RUC")) on the Consolidated Balance Sheets. For periods beyond which we are able to develop reasonable and supportable forecasts, we revert to the historical loss rate on a straight-line basis over a twelve-month period.

For each of these loan segments, the Company generates cash flow projections at the instrument level wherein payment expectations are adjusted for estimated prepayment speeds, PD rates, and LGD rates. The modeling of expected prepayment speeds is based on historical internal data. EAD is based on each instrument's underlying amortization schedule in order to estimate the bank's expected credit loss exposure at the time of the borrower's potential default.

For our During the three months ended March 31, 2024, management enhanced the cash flow model management utilizes to incorporate three macroeconomic variables in addition to national unemployment. The four economic variables selected, national unemployment, which was the original variable used, Commercial Real Estate ("CRE") Price Index, House Price Index and forecasts Gross Domestic Product ("GDP"), are incorporated by utilizing a Loss Driver Analysis approach that factors in historical losses, including during the Great Recession, of regional unemployment by using peer banks and the Bank. The updated model incorporates a national weighting of three economic scenarios; baseline, upside and downside. The scenarios cover the four economic forecast and estimating a regional adjustment based variables, with each segment of the portfolio linked to

two of these variables, depending on historical differences between the two as the segment. The loss driver analysis is spread over our a reasonable and supportable period of 18 months and reverts back to a historical loss rate over twelve months on a straight-line basis over the loan's remaining maturity. Management leverages economic projections from reputable and independent third parties to inform its loss driver forecasts over the forecast period.

In addition The ACL also includes an amount for inherent risks not reflected in the historical analyses. Relevant factors include, but are not limited to, the quantitative model and individual evaluation conducted in connection with CECL, the Company applies qualitative and environmental factors into its methodology for the calculation concentrations of its ACL for its loan portfolio. The factors include: (i) credit risk, changes in the nature underwriting standards, experience and volume depth of the portfolio; (ii) changes lending staff and trends in the volume and severity of past due financial assets and the volume and severity of adversely classified assets; (iii) changes in the value of underlying collateral for loans not individually evaluated; (iv) changes in lending policies and procedures; (v) changes in the quality of credit review function; (vi) changes in lending management and staff; (vii) concentrations of credit; (viii) other external factors (competition, legal, regulatory, etc.); and (ix) changes in national, regional, and local economic and business conditions. The Company's quantitative model may reflect assumptions by management that are not covered by the qualitative and environmental factors. The Company reevaluates the qualitative and environmental factors on a quarterly basis. delinquencies.

While our methodology in establishing the ACL attributes portions of the ACL and RUC to the separate loan pools or segments, the entire ACL and RUC is available to absorb credit losses expected in the total loan portfolio and total amount of unfunded credit commitments, respectively. Portfolio segments are used to pool loans with similar risk characteristics and align with our methodology for measuring current expected credit losses. losses ("CECL").

A summary of our primary portfolio segments is as follows:

*Commercial.* The commercial loan portfolio comprises lines of credit and term loans for working capital, equipment, and other business assets across a variety of industries. These loans are used for general corporate purposes including financing working capital, internal growth, and acquisitions; and are generally secured by accounts receivable, inventory, equipment and other assets of our clients' businesses.

*Income producing - commercial real estate.* Income producing commercial real estate loans comprise permanent and bridge financing provided to professional real estate owners/managers of commercial and residential real estate projects and properties who generally have a demonstrated record of past success with similar properties. Collateral properties include apartment buildings, office buildings, hotels, mixed-use buildings, retail, data centers, warehouse, and shopping centers. The primary source of repayment on these loans is generally expected to come from lease or operation of the real property collateral. Income producing commercial real estate loans are impacted by fluctuation in collateral values, as well as rental demand and rates.

*Owner occupied - commercial real estate.* The owner occupied commercial real estate portfolio comprises permanent financing provided to operating companies and their related entities for the purchase or refinance of real property wherein their business operates. Collateral properties include industrial property, office buildings, religious facilities, mixed-use property, health care and educational facilities.

*Real estate mortgage - residential.* Real estate mortgage residential loans comprise consumer mortgages for the purpose of purchasing or refinancing first lien real estate loans secured by primary-residence, second-home, and rental residential real property.

*Construction - commercial and residential.* The construction commercial and residential loan portfolio comprises loans made to builders and developers of commercial and residential property, for both renovation, new construction, and development projects. Collateral properties include apartment buildings, mixed use property, residential condominiums, single and 1-4 residential property, and office buildings. The primary source of repayment on these loans is expected to come from the sale, permanent financing, or lease of the real property collateral. Construction loans are impacted by fluctuations in collateral values and the ability of the borrower or ultimate purchaser to obtain permanent financing.

*Construction - commercial and industrial ("C&I") (owner occupied).* The construction C&I (owner occupied) portfolio comprises loans to operating companies and their related entities for new construction or renovation of the real or leased property in which they operate. Generally these loans contain provisions for conversion to an owner occupied commercial real estate loan or to a commercial loan after completion of construction. Collateral properties include industrial, healthcare, religious facilities, restaurants, and office buildings.

*Home equity.* The home equity portfolio comprises consumer lines of credit and loans secured by subordinate liens on residential real property.

*Other consumer.* The other consumer portfolio comprises consumer purpose loans not secured by real property, including personal lines of credit and loans, overdraft lines, and vehicle loans. This category also includes other loan items such as overdrawn deposit accounts as well as loans and loan payments in process.

We have several pass credit grades that are assigned to loans based on varying levels of risk, ranging from credits that are secured by cash or marketable securities, to watch credits which have all the characteristics of an acceptable credit risk but warrant more than the normal level of monitoring. Special mention loans are those that are currently protected by the sound worth and paying capacity of the borrower, but that are potentially weak and constitute an additional credit risk. These loans have the potential to deteriorate to a substandard grade due to the existence of financial or administrative deficiencies. Substandard loans have a well-defined weakness or weaknesses that jeopardizes the liquidation of the debt. They are characterized by the distinct possibility that we will sustain some loss if the deficiencies are not corrected. Some substandard loans are inadequately protected by the sound worth and paying capacity of the borrower and of the collateral pledged and may be considered impaired. Substandard loans can be accruing or can be on nonaccrual depending on the circumstances of the individual loans.

Loans classified as doubtful have all the weaknesses inherent in substandard loans with the added characteristics that the weaknesses make collection in full highly questionable and improbable. The possibility of loss is extremely high. All doubtful loans are on nonaccrual.

Classified loans represent the sum of loans graded substandard and doubtful.

The methodology used in the estimation of the allowance, which is performed at least quarterly, is designed to be dynamic and responsive to changes in portfolio credit quality and forecasted economic conditions. Changes are reflected in the pool-basis allowance on collectively assessed and individually assessed loans as the collectability of classified loans is evaluated with new information. As our portfolio has matured, historical loss ratios have been closely monitored. The review of the appropriateness of the allowance is performed by executive management and presented to management committees Risk Committee, and the Audit Committee and of the Board of Directors, Directors (the "Board"). The committees' reports to the Board are part of the Board review on a quarterly basis of our consolidated financial statements.

When management determines that foreclosure is probable, and for certain collateral-dependent loans where foreclosure is not considered probable, expected credit losses are based on the estimated fair value of the collateral adjusted for selling costs, when appropriate. A loan is considered collateral-dependent when the borrower is experiencing financial difficulty and repayment is expected to be provided substantially through the operation or sale of the collateral.

Expected credit losses are estimated over the contractual term of the loans, adjusted for expected prepayments when appropriate. The contractual term excludes expected extensions, renewals and modifications unless management has a reasonable expectation that a borrower will result in financial difficulty.

We do not measure an ACL on accrued interest receivable balances because these balances are written off in a timely manner as a reduction to interest income when loans are placed on nonaccrual status.

### Collateral Dependent Financial Assets

Loans that do not share risk characteristics are evaluated on an individual basis. For collateral dependent financial assets where the Company has determined that foreclosure of the collateral is probable, or where the borrower is experiencing financial difficulty and the Company expects repayment of the financial asset to be provided substantially through the sale of the collateral, the ACL is measured based on the difference between the fair value of the collateral and the amortized cost basis of the asset as of the measurement date. When repayment is expected to be from the operation of the collateral, expected credit losses are calculated as the amount by which the amortized cost basis of the financial asset exceeds the net present value ("NPV") from the operation of the collateral. When repayment is expected to be from the sale of the collateral, expected credit losses are calculated as the amount by which the amortized cost basis of the financial asset exceeds the fair value of the underlying collateral less estimated cost to sell. The ACL may be zero if the fair value of the collateral at the measurement date exceeds the amortized cost basis of the financial asset.

### Loan Modifications to Borrowers in Financial Difficulty

On January 1, 2023, the Company adopted the accounting guidance in ASU No. 2022-02, which eliminated the recognition and measurement of troubled debt restructurings ("TDR"). Due to the removal of the TDR designation, the Company evaluates loan restructurings to determine if we have a loan modification and whether it results in a new loan or the continuation of the existing loan. Loan modifications to borrowers experiencing financial difficulty that result in a direct change in the timing or amount of contractual cash flows include situations where there are principal forgiveness, interest rate reductions, other-than-insignificant payment delays, term extensions, and combinations of the listed modifications.

A loan that is considered a modified loan may be subject to an individually-evaluated loan analysis if the commitment is \$1.0 million or greater; otherwise, the restructured loan remains in the appropriate segment in the ACL model and associated provisions are adjusted based on changes in the discounted cash flows resulting from the modification of the restructured loan.

Management strives to identify borrowers in financial difficulty early and work with them to modify their loan to more affordable terms before their loan reaches nonaccrual status, foreclosure or repossession of the collateral to minimize economic loss to the Company.

### Allowance for Credit Losses - Available-for-Sale Securities

The Company utilizes ASC 326 to evaluate its available-for-sale ("AFS") and held-to-maturity ("HTM") debt security portfolio for expected credit losses. For AFS debt securities in an unrealized loss position, the Company first assesses whether it intends to sell, or it is more likely than not that it will be required to sell, the security before recovery of its amortized cost basis. If either criterion is met, the security's amortized cost basis is written down to fair value through income. For AFS debt securities that do not meet the aforementioned criteria, the Company evaluates whether the decline in fair value has resulted from credit losses or other factors. In making this assessment, management considers the extent to which fair value is less than amortized cost, any changes to the rating of the security by a rating agency, and adverse conditions specifically related to the security, among other factors. If this assessment indicates that a credit loss exists, the present value of cash flows expected to be collected from the security is compared to the amortized cost basis of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an ACL is recorded for the credit loss, limited by the amount that the fair value is less than the amortized cost basis. Any impairment that has not been recorded through an ACL is recognized in other comprehensive income, as a non-credit-related impairment.

The entire amount of an impairment loss is recognized in earnings only when: (1) the Company intends to sell the security; (2) it is more likely than not that the Company will have to sell the security before recovery of its amortized cost basis; or (3) the Company does not expect to recover the entire amortized cost basis of the security. In all other situations, only the portion of the impairment loss representing the credit loss must be recognized in earnings, with the remaining portion being recognized in shareholders' equity as other comprehensive income, net of deferred taxes.

Changes in the allowance for credit losses ACL are recorded as a provision for (or reversal of) credit losses. Losses are charged against the allowance when management believes the uncollectibility of an AFS security is confirmed or when either of the criteria regarding intent or requirement to sell is met.

We have made a policy election to exclude accrued interest from the amortized cost basis of available-for-sale debt securities and report accrued interest separately in accrued interest and other assets in the Consolidated Balance Sheets. Available-for-sale debt securities are placed on nonaccrual status when we no longer expect to receive all contractual amounts due, which is generally at 90 days past due. Accrued interest receivable is reversed against interest income when a security is placed on nonaccrual status. Accordingly, we do not recognize an allowance for credit loss against accrued interest receivable.

### Allowance for Credit Losses - Held-to-Maturity Debt Securities

The Company separately evaluates its HTM investment securities for any credit losses. The Company pools like securities and calculates expected credit losses through an estimate based on a security's credit rating, which is recognized as part of the **allowance for credit losses** **ACL** for held-to-maturity securities and included in the balance of investment securities held-to-maturity on the Consolidated Balance Sheets. If the Company determines that a security indicates evidence of deteriorated credit quality, the security is individually evaluated and **enhanced analysis is performed**. This may consist of evaluating the security as if it were a below investment grade rated security or a discounted cash flow analysis may be performed and compared to the amortized cost basis.

#### Loan Commitments and Allowance for Credit Losses on Off-Balance Sheet Credit Exposures

Financial instruments include off-balance sheet credit instruments such as commitments to make loans and commercial letters of credit issued to meet customer financing needs. The Company's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for off-balance sheet loan commitments is represented by the contractual amount of those instruments. Such financial instruments are recorded when they are funded.

The Company records **an allowance for a RUC on** off-balance sheet credit exposures through a charge to provision for credit loss expense in the Company's Consolidated Statement of **Income, Operations**.

The RUC on off-balance sheet credit exposures is estimated by loan segment at each balance sheet date under the current expected credit loss model using the same methodologies as portfolio loans, taking into consideration the likelihood that funding will occur, and is included in the RUC on the Company's Consolidated Balance **Sheet**.

**The following table presents a breakdown of the provision for credit losses included in our Consolidated Statements of Income for the applicable periods (in thousands):**

(dollars in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Provision for credit losses - loans	\$ 5,643	\$ 3,046	\$ 15,802	\$ 532
Provision for (reversal of) credit losses - HTM debt securities	1	(24)	1,244	800
Reversal of credit losses - AFS debt securities	—	—	—	(602)
Total	\$ 5,644	\$ 3,022	\$ 17,046	\$ 730

**Sheets.**

#### Goodwill Assessment

Goodwill represents the excess of the cost of an acquisition over the fair value of the net assets acquired. Goodwill is subject to impairment testing, which must be conducted at least annually or upon the occurrence of a triggering event. Various factors, such as the Company's results of operations, the trading price of the Company's common stock relative to the book value per share, macroeconomic conditions and conditions in the banking sector, inform whether a triggering event for an interim goodwill impairment test has occurred. Goodwill is recorded and evaluated for impairment at its reporting unit, the Company. The Company's policy is to test goodwill for impairment annually as of December 31, or on an interim basis if an event triggering an impairment assessment is determined to have occurred.

Testing of goodwill impairment comprises a two-step process. First, the Company performs a qualitative assessment to evaluate relevant events or circumstances to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If the Company determines that it is more likely than not that an impairment has occurred, it proceeds to the quantitative impairment test, whereby it calculates the fair value of the reporting unit and compares it with its carrying amount, including goodwill. In its performance of impairment testing, the Company has the unconditional option to proceed directly to the quantitative impairment test, bypassing the qualitative assessment. If the carrying amount of the reporting unit exceeds the fair value, the amount by which the carrying amount exceeds fair value, up to the carrying value of goodwill, is recorded through earnings as an impairment charge. If the results of the qualitative assessment indicate that it is not more likely than not that an impairment has occurred, or if the quantitative impairment test results in a fair value of the reporting unit that is greater than the carrying amount, then no impairment charge is recorded.

**In As part of its annual testing for goodwill impairment, the second quarter of 2023, Management determined Company concluded that a triggering event had occurred as a result of a sustained decrease in the Company's stock price and as a result of a revision in the earnings outlook in comparison to budget for the remainder of 2023 due primarily to the economic uncertainty and market volatility resulting from the rising interest rate environment and the recent events in the banking sector. The Company performed a qualitative assessment and quantitative impairment test on its only reporting unit as of May 31, 2023 and determined that there was no impairment as the fair value exceeded the carrying amount of the Company. existed at December 31, 2023. Management has evaluated and will continue to evaluate economic conditions in interim periods for triggering events. As of the time of this report's filing, the Company did not identify any triggering events for interim testing. However, future events including a continuation of the recent trading price of the Company's common stock relative to the book value per share through the second quarter of 2024 could cause the Company to conclude that goodwill or other intangibles have become impaired, which would result in recording an impairment loss. Any resulting impairment loss could have a material adverse impact on the Company's financial condition and results of operations, however, it would not impact our regulatory capital ratios, tangible common equity ratio, nor its liquidity position.**

#### New Authoritative Accounting Guidance

##### Accounting Standards Pending Adoption

**ASU No. 2023-06, "Disclosure Improvements: Codification Amendments in Response to the SEC's Disclosure Update and Simplification Initiative" ("ASU 2023-06")** incorporates into the Accounting Standards Codification ("ASC" or "Codification") several SEC disclosure requirements under Regulations S-K and S-X. The amendments in the ASU are intended to clarify or improve disclosure and presentation requirements of a variety of Codification Topics, 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 Codification with the SEC's regulations. These requirements are similar to, but require more information than, generally accepted accounting principles. The new updates modify the disclosure or presentation requirements of a variety of Topics in the Codification. Entities should apply the amendments in ASU 2023-06 prospectively. For entities subject to the SEC's existing disclosure requirements and for entities that have to file or provide financial statements with or to the SEC for the purpose of selling or issuing securities that do not have contractual limits on transfer, the effective date for each amendment will be the date on which the SEC removes that related disclosure from its rules. As a result, the effective date will be different for each individual



disclosure based on the effective date of the SEC's deletion of the related disclosure. Early adoption is prohibited. For all other entities, the effective date will be two years later. Early adoption is permitted for these entities, but not before the provisions of the ASU become effective for entities subject to SEC's regulation. The effective dates of the amendments are predicated on the SEC removing its related disclosure requirements from its regulations. However, if by June 30, 2027, the SEC has not removed the related disclosure from its regulations, the amendments will be removed from the Codification and not become effective for any entity. We are currently in the process of evaluating this guidance.

ASU No. 2023-09, "Income Taxes (Topic 740): Improvements to Income Tax Disclosures" ("ASU 2023-09"). The ASU requires additional income tax disclosures around effective tax rates and cash income taxes paid. ASU 2023-09 is effective for public business entities for annual periods beginning after December 15, 2024 and interim periods within those fiscal years. The impact of ASU 2023-09 should be applied prospectively. We are currently in the process of evaluating this guidance.

ASU No. 2024-01, "Compensation—Stock Compensation (Topic 718): Scope Application of Profits Interest and Similar Awards" ("ASU 2024-01") clarifies how an entity determines whether a profits interest or similar award (hereafter a "profits interest award") is accounted for either (1) as a share-based payment arrangement, and therefore, within the scope of ASC 718 or (2) not a share-based payment arrangement and therefore within the scope of other guidance. ASU 2024-01 also improves the clarity and operation of the guidance in ASC 718-10-15-3. The guidance in ASU 2024-01 applies to all entities that issue profits interest awards as compensation to employees or non employees in exchange for goods or services. For public business entities, the amendments are effective for annual periods beginning after December 15, 2024, and interim periods within those annual periods. For all other entities, the amendments are effective for annual periods beginning after December 15, 2025, and interim periods within those annual periods. Early adoption is permitted for both interim and annual financial statements that have not yet been issued or made available for issuance. If an entity adopts the amendments in an interim period, it should adopt them as of the beginning of the annual period that includes that interim period. The amendments should be applied (i) retrospectively to all prior periods presented in the financial statements or (ii) prospectively to profits interest and similar awards granted or modified on or after the date at which the entity first applies the amendments. If the amendments are applied prospectively, an entity is required to disclose the nature of and reason for the change in accounting principle. We are currently in the process of evaluating this guidance.

ASU No. 2024-02, "Codification Improvements—Amendments to Remove References to the Concepts Statements" ("ASU 2024-02") amends the Accounting Standard Codification ("Codification") by removing references to various concepts statements. In most instances, the references are extraneous and not required to understand or apply the guidance. In other instances, the references were used in prior statements to provide guidance in certain topical areas. As stated in paragraph 105-10-05-3 of the Codification, FASB Concepts Statements are non authoritative. These amendments will simplify the Codification which will further draw a distinction between authoritative and non authoritative literature. The amendments are effective for public business entities for fiscal years beginning after December 15, 2024. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2025. Early application of the amendments is permitted for all entities, for any fiscal year or interim period for which financial statements have not yet been issued (or made available for issuance). If an entity adopts the amendments in an interim period, it must adopt them as of the beginning of the fiscal year that includes that interim period. An entity should apply the amendments using one of the following transition methods: (i) prospectively to all new transactions recognized on or after the date that the entity first applies the amendments, or (ii) retrospectively to the beginning of the earliest comparative period presented in which the amendments were first applied. We are currently in the process of evaluating this guidance.

Accounting Standards Adopted in 2023 2024:

ASU No. 2022-02, "Financial Instruments—Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures 2023-07,"Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures." ("ASU 2023-07") requires filers to disclose significant segment expenses, an amount and description for other segment items, the title and position of the entity's chief operating decision maker ("CODM") and an explanation of how the CODM uses the reported measures of profit or loss to assess segment performance, and, on an interim basis, certain segment related disclosures that previously were required only on an annual basis. ASU 2022-02") eliminates the accounting guidance for TDRs while enhancing disclosure 2023-07 also clarifies that entities with a single reportable segment are subject to both new and existing segment reporting requirements for certain loan refinancings and restructurings by creditors when a borrower is experiencing financial difficulty that assess whether a modification has created a new loan. Additionally, ASU 2022-02 requires that an entity is permitted to disclose current-period gross write-offs by year multiple measures of origination segment profit or loss, provided that certain criteria are met. ASU 2023-07 is effective for financing receivables the Company for fiscal years beginning after December 15, 2023 and net investments in leases. Effective January 1, 2023 interim periods within fiscal years beginning after December 15, 2024, with early adoption permitted. Since early adoption is permitted, the Company adopted the guidance prescribed under ASU 2022-02. Refer to the "Loan Modifications" subsection above and Note 4 2023-07 effective January 1, 2024. Adoption of this guidance did not have a material impact on our consolidated financial statements for additional disclosure. fiscal year 2024.

Note 2. Cash and Due from Banks

For the nine three months ended September 30, 2023 March 31, 2024 and 2022, 2023, the Bank maintained an average daily balance at the Federal Reserve Bank of \$892.8 million \$1.9 billion and \$1.4 billion \$662.4 million, respectively, on which interest is paid.

Additionally, the Bank maintains interest-bearing balances with the Federal Home Loan Bank of Atlanta ("FHLB") and noninterest-bearing balances with domestic correspondent banks to cover associated costs for services they provide to the Bank.

Note 3. Investment Securities

The amortized cost and estimated fair value of the Company's available-for-sale and held-to-maturity securities are summarized as follows:

(dollars in thousands)	(dollars in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Losses	Estimated Fair Value	(dollars in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Losses	Estimated Fair Value
September 30, 2023												

March 31, 2024						
Investment securities available-for-sale:	Investment securities available-for-sale:					
Investment securities available-for-sale:						
Investment securities available-for-sale:						
U.S. treasury bonds						
U.S. treasury bonds						
U.S. treasury bonds	U.S. treasury bonds	\$ 49,868	\$ —	\$ (2,818)	\$ —	\$ 47,050
U.S. agency securities	U.S. agency securities	736,078	1	(79,802)	—	656,277
Residential mortgage-backed securities	Residential mortgage-backed securities	848,555	—	(134,407)	—	714,148
Commercial mortgage-backed securities	Commercial mortgage-backed securities	54,904	—	(6,900)	—	48,004
Municipal bonds	Municipal bonds	8,828	—	(1,026)	—	7,802
Corporate bonds	Corporate bonds	2,000	—	(319)	(17)	1,664
Total available-for-sale securities	Total available-for-sale securities	\$1,700,233	\$ 1	\$ (225,272)	\$ (17)	\$1,474,945
Total available-for-sale securities						
Total available-for-sale securities						

(dollars in thousands)	Amortized Cost	Gross Unrecognized Gains	Gross Unrecognized Losses	Estimated Fair Value
September 30, 2023				
Investment securities held-to-maturity:				
Residential mortgage-backed securities	\$ 685,648	\$ —	\$ (109,590)	\$ 576,058
Commercial mortgage-backed securities	91,337	—	(16,805)	74,532
Municipal bonds	125,224	2,828	(19,533)	108,519
Corporate bonds	132,286	—	(18,685)	113,601
Total	<u>\$ 1,034,495</u>	<u>\$ 2,828</u>	<u>\$ (164,613)</u>	<u>\$ 872,710</u>
Allowance for credit losses	(2,010)			
Total held-to-maturity securities, net of ACL	<u>\$ 1,032,485</u>			

(dollars in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Losses	Estimated Fair Value
December 31, 2022					
Investment securities available-for-sale:					
U.S. treasury bonds	\$ 49,793	\$ —	\$ (3,466)	\$ —	\$ 46,327



U.S. agency securities	747,777	—	(78,049)	—	669,728
Residential mortgage-backed securities	937,557	18	(117,072)	—	820,503
Commercial mortgage-backed securities	56,071	—	(5,858)	—	50,213
Municipal bonds	10,700	45	(658)	—	10,087
Corporate bonds	2,000	—	(175)	(17)	1,808
Total available-for-sale securities	\$ 1,803,898	\$ 63	\$ (205,278)	\$ (17)	\$ 1,598,666

		Gross		Gross						
(dollars in thousands)	(dollars in thousands)	Amortized Cost	Unrecognized Gains	Unrecognized Losses	Estimated Fair Value	(dollars in thousands)	Amortized Cost	Gross Unrecognized Gains	Gross Unrecognized Losses	Estimated Fair Value
December 31, 2022										
March 31, 2024										
Investment securities held-to-maturity:	Investment securities held-to-maturity:									
Investment securities held-to-maturity:										
Residential mortgage-backed securities										
Residential mortgage-backed securities										
Residential mortgage-backed securities	Residential mortgage-backed securities	\$ 741,057	\$ —	\$ (88,390)	\$652,667					
Commercial mortgage-backed securities	Commercial mortgage-backed securities	92,557	—	(11,993)	80,564					
Municipal bonds	Municipal bonds	128,273	—	(12,092)	116,181					
Corporate bonds	Corporate bonds	132,253	—	(12,958)	119,295					
Total	Total	\$1,094,140	\$ —	\$ (125,433)	\$968,707					
Total										
Total										
Allowance for credit losses	Allowance for credit losses	(766)								
Total held-to-maturity securities, net of ACL	Total held-to-maturity securities, net of ACL	\$1,093,374								
Total held-to-maturity securities, net of ACL										
Total held-to-maturity securities, net of ACL										

In addition, at September 30, 2023

	Allowance for Credit					
(dollars in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Losses	Estimated Fair Value	
December 31, 2023						
Investment securities available-for-sale:						
U.S. treasury bonds	\$ 49,894	\$ —	\$ (1,993)	\$ —	\$ 47,901	
U.S. agency securities	729,090	—	(57,693)	—	671,397	
Residential mortgage-backed securities	823,992	45	(96,684)	—	727,353	
Commercial mortgage-backed securities	54,557	—	(4,993)	—	49,564	
Municipal bonds	8,783	—	(293)	—	8,490	
Corporate bonds	2,000	—	(300)	(17)	1,683	
Total available-for-sale securities	\$ 1,668,316	\$ 45	\$ (161,956)	\$ (17)	\$ 1,506,388	

		Gross Unrecognized	Gross Unrecognized	
(dollars in thousands)	Amortized Cost	Gains	Losses	Estimated Fair Value
December 31, 2023				
Investment securities held-to-maturity:				
Residential mortgage-backed securities	\$ 670,043	\$ —	\$ (79,980)	\$ 590,063
Commercial mortgage-backed securities	90,227	—	(12,867)	77,360
Municipal bonds	125,114	5	(8,540)	116,579
Corporate bonds	132,309	—	(14,729)	117,580
Total	\$ 1,017,693	\$ 5	\$ (116,116)	\$ 901,582
Allowance for credit losses	(1,956)			
Total held-to-maturity securities, net of ACL	\$ 1,015,737			

At March 31, 2024 and December 31, 2022 December 31, 2023, the Company held \$25.7 million \$54.7 million and \$65.1 million \$25.7 million, respectively, in of equity securities in a combination of Federal Reserve Bank System ("Federal Reserve Board," "Federal Reserve" or "FRB") and FHLB stocks, which were are required to be held for regulatory purposes and which were purposes. The securities are not marketable, and therefore are carried at cost. cost; they are classified as restricted securities, and periodically evaluated for impairment based on ultimate recovery of par value.

The At March 31, 2024 and December 31, 2023, the Company reassessed classification had \$50.0 million and \$51.7 million, respectively, of certain investments in unamortized unrealized losses outstanding following the first quarter transfer of 2022 and, effective March 31, 2022, it transferred a total of \$1.1 billion of mortgage-backed investment securities municipal bonds and corporate bonds from available-for-sale to held-to-maturity securities, including \$237.0 million of securities acquired in the first quarter of 2022 for which its intention to hold to maturity was finalized. At the time of transfer, the Company reversed the allowance for credit 2022. These unrealized losses associated with the available-for-sale securities through the provision for credit losses. The securities were transferred at their amortized cost basis, net of any remaining unrealized gain or loss reported in accumulated other comprehensive income. The related unrealized loss of \$66.2 million was are included in other comprehensive loss at the time of transfer and, as of September 30, 2023, \$53.5 million remains in accumulated other comprehensive loss to be and are amortized through interest income as a yield adjustment over the remaining term of the securities. No gain or loss was recorded at the time of transfer. Subsequent to transfer, the allowance for credit losses on these securities was evaluated under the accounting policy for held-to-maturity securities.

Accrued interest receivable on available-for-sale investment securities totaled \$4.0 million \$7.8 million and \$4.3 million \$7.6 million at September 30, 2023 March 31, 2024 and December 31, 2022, respectively, and accrued interest receivable on held-to-maturity securities totaled \$3.6 million and \$3.5 million at September 30, 2023 and December 31, 2022 December 31, 2023, respectively. The accrued interest on investment securities receivable is excluded from the amortized cost of the securities and is reported in other assets in the Consolidated Balance Sheets.

The following tables summarizes summarize available-for-sale and held-to-maturity securities in an unrealized loss position by length of time:

Less Than 12 Months									12 Months or Greater		Total									
Less Than 12 Months									Less Than 12 Months								12 Months or Greater			
(dollars in thousands)	(dollars in thousands)	Number of Securities	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses	(dollars in thousands)	Number of Securities	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses				
September 30, 2023																				
March 31, 2024																				

Investment securities available-for-sale:	Investment securities available-for-sale:									
Investment securities available-for-sale:	Investment securities available-for-sale:									
U.S. treasury bonds	U.S. treasury bonds									
U.S. treasury bonds	U.S. treasury bonds	2	\$	—	\$	—	\$ 47,050	\$ (2,818)	\$ 47,050	\$ (2,818)
U. S. agency securities	U. S. agency securities	78	485,494	(59,495)	167,358	(20,307)	652,852	(79,802)		
Residential mortgage-backed securities	Residential mortgage-backed securities	156	8	—	714,068	(134,407)	714,076	(134,407)		
Commercial mortgage-backed securities	Commercial mortgage-backed securities	13	—	—	48,004	(6,900)	48,004	(6,900)		
Municipal bonds	Municipal bonds	1	—	—	7,802	(1,026)	7,802	(1,026)		
Corporate bonds	Corporate bonds	1	—	—	1,664	(319)	1,664	(319)		
Total	Total	251	\$485,502	\$(59,495)	\$985,946	\$(165,777)	\$1,471,448	\$(225,272)		

Less Than 12 Months				12 Months or Greater				Total								
Less Than 12 Months																
Months																
(dollars in thousands)	(dollars in thousands)	Number of Securities	Estimated Fair Value	Unrecognized Losses	Estimated Fair Value	Unrecognized Losses	Estimated Fair Value	Unrecognized Losses	(dollars in thousands)	Number of Securities	Estimated Fair Value	Unrecognized Losses	Estimated Fair Value	Unrecognized Losses	Estimated Fair Value	
September 30, 2023																
March 31, 2024																
Investment securities held-to-maturity:	Investment securities held-to-maturity:															
Investment securities held-to-maturity:																
Residential mortgage-backed securities																
Residential mortgage-backed securities																
Residential mortgage-backed securities	Residential mortgage-backed securities	143	\$ —	\$ —	\$576,058	\$ (109,590)	\$576,058	\$ (109,590)								

Commercial mortgage-backed securities	Commercial mortgage-backed securities	16	—	—	74,532	(16,805)	74,532	(16,805)
Municipal bonds	Municipal bonds	41	5,866	(162)	97,879	(19,371)	103,745	(19,533)
Corporate bonds	Corporate bonds	30	23,577	(3,434)	77,964	(15,251)	101,541	(18,685)
Total	Total	230	\$ 29,443	\$ (3,596)	\$ 826,433	\$ (161,017)	\$ 855,876	\$ (164,613)

		Less Than 12 Months		12 Months or Greater		Total	
(dollars in thousands)	Number of Securities	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses
December 31, 2023							
Investment securities available-for-sale:							
U.S. treasury bonds	2	\$ —	\$ —	\$ 47,901	\$ (1,993)	\$ 47,901	\$ (1,993)
U. S. agency securities	78	3,084	(4)	668,313	(57,689)	671,397	(57,693)
Residential mortgage-backed securities	149	—	—	718,042	(96,684)	718,042	(96,684)
Commercial mortgage-backed securities	13	—	—	49,564	(4,993)	49,564	(4,993)
Municipal bonds	1	—	—	8,490	(293)	8,490	(293)
Corporate bonds	1	—	—	1,683	(300)	1,683	(300)
Total	244	\$ 3,084	\$ (4)	\$ 1,493,993	\$ (161,952)	\$ 1,497,077	\$ (161,956)

		Less Than 12 Months		12 Months or Greater		Total	
(dollars in thousands)	Number of Securities	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses
December 31, 2022							
Investment securities available-for-sale:							
U.S. treasury bond	2	\$ —	\$ —	\$ 46,327	\$ (3,466)	\$ 46,327	\$ (3,466)
U. S. agency securities	85	490,699	(58,437)	179,029	(19,612)	669,728	(78,049)
Residential mortgage-backed securities	157	3,994	—	808,697	(117,072)	812,691	(117,072)
Commercial mortgage-backed securities	14	471	(2)	49,742	(5,856)	50,213	(5,858)
Municipal bonds	1	—	—	8,299	(658)	8,299	(658)
Corporate bonds	1	—	—	1,825	(175)	1,825	(175)
Total	260	\$ 495,164	\$ (58,439)	\$ 1,093,919	\$ (146,839)	\$ 1,589,083	\$ (205,278)

		Less Than 12 Months		12 Months or Greater		Total	
		Less Than 12 Months		Less Than 12 Months		12 Months or Greater	
(dollars in thousands)	(dollars in thousands)	Number of Securities	Estimated Fair Value	Unrecognized Losses	Estimated Fair Value	Unrecognized Losses	Estimated Fair Value
December 31, 2022							
December 31, 2023							
Investment securities held-to-maturity:	Investment securities held-to-maturity:						
Investment securities held-to-maturity:							
Investment securities held-to-maturity:							

Residential mortgage-backed securities								
Residential mortgage-backed securities								
Residential mortgage-backed securities	Residential mortgage-backed securities	143	\$ —	\$ —	\$652,667	\$ (88,390)	\$652,667	\$ (88,390)
Commercial mortgage-backed securities	Commercial mortgage-backed securities	16	—	—	80,564	(11,993)	80,564	(11,993)
Municipal bonds	Municipal bonds	43	3,110	(45)	113,071	(12,047)	116,181	(12,092)
Corporate bonds	Corporate bonds	30	20,771	(3,183)	86,451	(9,775)	107,222	(12,958)
Total	Total	232	\$23,881	\$ (3,228)	\$932,753	\$ (122,205)	\$956,634	\$ (125,433)

Unrealized losses at September 30, 2023 March 31, 2024 were generally attributable to changes in market interest rates and interest spread relationships subsequent to the dates the securities were originally purchased and were considered to be temporary, and not due to credit quality concerns on the investment securities. The fair values of these securities are expected to recover as the securities approach their respective maturity dates. The Company does not intend to sell and it is likely that it will not be required to sell the securities prior to their anticipated recovery.

The Company measures its AFS and HTM security portfolios for current expected credit losses as part of its allowance for credit losses ACL analysis. During the nine three months ended September 30, 2023, March 31, 2024 and 2023, the Company recorded a provision for credit losses on its held-to-maturity portfolio of \$1 thousand and \$1.2 million, respectively. During the three months ended March 31, 2023, the Company recorded a provision for credit losses on its available-for-sale portfolio of \$14 thousand. No provision was recorded for its available-for-sale security portfolio during the nine three months ended September 30, 2023 March 31, 2024. At September 30, 2023 March 31, 2024 and December 31, 2023, the Company had a total allowance of \$17 thousand and \$2.0 million on its available-for-sale securities and \$2.0 million on its held-to-maturity securities, respectively, each of which primarily comprise allowances for corporate bonds. The weighted average duration of debt securities, which comprise 100% of total investment securities, is 4.59 years. If quoted prices are not available, fair value is measured using independent pricing models or other model-based valuation techniques such as the present value of future cash flows, adjusted for the security's credit rating, prepayment assumptions and other factors such as credit loss assumptions. The Company currently has no plans to sell the investments, and it is more likely than not that the Company will not have to sell the securities before recovery of its amortized cost basis, which may be at maturity.

The amortized cost and estimated fair value of following table summarizes the Company's investment securities available-for-sale and held-to-maturity investment securities at September 30, 2023 and December 31, 2022 held-to-maturity by contractual maturity are shown in the table below. Contractual maturity. Expected maturities for mortgage-backed securities ("MBS") are excluded as they may will differ significantly from expected contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

(dollars in thousands)	September 30, 2023		December 31, 2022	
	Amortized	Estimated	Amortized	Estimated
	Cost (1)	Fair Value	Cost	Fair Value
<b>Investment securities available-for-sale</b>				
U.S. Treasury bonds (after one year through five years)	49,868	47,050	49,793	46,327
U. S. agency securities maturing:				
One year or less	544,988	485,494	\$ 549,137	\$ 490,699
After one year through five years	135,014	122,355	111,742	100,297
After five years through ten years	43,971	39,077	73,886	68,180
After ten years	12,105	9,351	13,012	10,552
Residential mortgage-backed securities	848,555	714,148	937,557	820,503
Commercial mortgage-backed securities	54,904	48,004	56,071	50,213
Municipal bonds maturing:				
One year or less	—	—	300	300
After one year through five years	—	—	1,444	1,488
After five years through ten years	8,828	7,802	8,956	8,299
After ten years	—	—	—	—
Corporate bonds maturing:				
One year or less	—	—	—	—
After one year through five years	2,000	1,681	2,000	1,825

After five years through ten years	—	—	—	—
Allowance for credit losses	—	(17)	—	(17)
	<u>1,700,233</u>	<u>1,474,945</u>	<u>1,803,898</u>	<u>1,598,666</u>
<b>Investment securities held-to-maturity</b>				
Residential mortgage-backed securities	685,648	576,058	741,057	652,667
Commercial mortgage-backed securities	91,337	74,532	92,557	80,564
Municipal bonds maturing:				
One year or less	6,028	5,866	3,139	3,110
After one year through five years	35,000	31,813	35,579	33,743
After five years through ten years	72,011	60,765	77,262	67,945
After ten years	12,185	10,075	12,293	11,383
Corporate bonds maturing:				
One year or less	27,011	23,577	23,954	20,771
After one year through five years	88,443	76,666	84,953	77,997
After five years through ten years	16,832	13,358	23,346	20,527
Allowance for credit losses	(2,010)	—	(766)	—
	<u>1,032,485</u>	<u>872,710</u>	<u>1,093,374</u>	<u>968,707</u>
	<u>\$ 2,732,718</u>	<u>\$ 2,347,655</u>	<u>\$ 2,897,272</u>	<u>\$ 2,567,373</u>

(dollars in thousands)	March 31, 2024	
	Amortized Cost	Estimated Fair Value
<b>Investment securities available-for-sale:</b>		
Within one year	\$ 139,224	\$ 135,426
One to five years	486,394	446,955
Five to ten years	112,838	97,570
Beyond ten years	20,392	17,612
Residential mortgage-backed securities	800,793	698,550
Commercial mortgage-backed securities	54,018	48,938
Less: allowance for credit losses	—	(17)
Total investment securities available-for-sale	<u>1,613,659</u>	<u>1,445,034</u>
<b>Investment securities held-to-maturity:</b>		
Within one year	4,282	4,247
One to five years	61,707	59,309
Five to ten years	117,237	102,274
Beyond ten years	74,109	67,323
Residential mortgage-backed securities:	655,388	568,040
Commercial mortgage-backed securities	89,966	76,966
Less: allowance for credit losses	(1,957)	—
Total investment securities held-to-maturity	<u>1,000,732</u>	<u>878,159</u>
Total	<u>\$ 2,614,391</u>	<u>\$ 2,323,193</u>

<sup>(a)</sup> Amortized cost for investment securities held-to-maturity is presented net of the allowance for credit losses on the Consolidated Balance Sheet.

For the three and nine months ended September 30, 2023, March 31, 2024 and 2023, gross realized gains on sales and calls of investments investment securities were \$5 thousand and \$126 thousand, respectively, as compared to \$4 thousand and \$16 \$5 thousand, for the three and nine months ended September 30, 2022, respectively.

For the nine months ended September 30, 2023, There were no gross realized losses on sales or calls of investments investment securities were \$140 thousand as compared to \$187 thousand for the three and nine months ended September 30, 2022, respectively. There were no realized losses incurred during the three months ended September 30, 2023 and 2022, March 31, 2024. During the three months ended March 31, 2023, there were \$26 thousand of gross realized losses on sales or calls of investment securities.

Gross sales and call proceeds were \$2.6 million \$27.1 million and \$11.2 million \$8.4 million for the three and nine months ended September 30, 2023, respectively, March 31, 2024 and \$6.2 million and \$26.2 million for the three and nine months ended September 30, 2022, 2023, respectively.

The book value of securities pledged as collateral for certain government deposits, securities sold under agreements to repurchase, and certain lines of credit with correspondent banks at **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023** was **\$2.3 billion** and **\$220.1 million** **\$2.1 billion**, respectively, which were well in excess of required amounts in order to operationally provide significant reserve amounts for new business. As of **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**, there were no holdings of securities of any one issuer, other than the U.S. Government and U.S. agency securities, which exceeded ten percent of shareholders' equity.

#### Note 4. Loans and Allowance for Credit Losses

The Bank makes loans to customers primarily in the Washington, D.C. metropolitan area and surrounding communities. A substantial portion of the Bank's loan portfolio consists of loans to businesses secured by real estate and other business assets.

Loans, net of unamortized deferred fees and costs, at **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023** are summarized by portfolio segment as follows:

		September 30, 2023				December 31, 2022							
		March 31, 2024								March 31, 2024			
(dollars in thousands, except amounts in the footnote)	(dollars in thousands, except amounts in the footnote)	Amount	%	Amount	%	(dollars in thousands, except amounts in the footnote)	Amount	%	%	Amount	%	%	%
Commercial	Commercial	\$1,418,760	18 %	\$1,487,349	19 %	Commercial	\$1,408,767	18	18 %	\$1,473,766	18	18	%
PPP loans	PPP loans	588	— %	3,256	— %	PPP loans	467	—	— %	528	—	—	%
Income-producing - commercial real estate	Income-producing - commercial real estate	4,147,301	52 %	3,919,941	51 %	Income-producing - commercial real estate	4,040,655	50	50 %	4,094,614	51	51	%
Owner-occupied - commercial real estate	Owner-occupied - commercial real estate	1,182,959	15 %	1,110,325	15 %	Owner-occupied - commercial real estate	1,185,582	15	15 %	1,172,239	15	15	%
Real estate mortgage - residential	Real estate mortgage - residential	76,511	1 %	73,001	1 %	Real estate mortgage - residential	72,087	1	1 %	73,396	1	1	%
Construction - commercial and residential	Construction - commercial and residential	904,282	11 %	877,755	12 %	Construction - commercial and residential	1,082,556	13	13 %	969,766	12	12	%
Construction - C&I (owner-occupied)	Construction - C&I (owner-occupied)	129,616	2 %	110,479	1 %	Construction - C&I (owner-occupied)	138,379	2	2 %	132,021	2	2	%
Home equity	Home equity	53,917	1 %	51,782	1 %	Home equity	53,251	1	1 %	51,964	1	1	%
Other consumer	Other consumer	2,457	— %	1,744	— %	Other consumer	958	—	— %	401	—	—	%
Total loans	Total loans	7,916,391	100 %	7,635,632	100 %	Total loans	7,982,702	100	100 %	7,968,695	100	100	%
Less: allowance for credit losses	Less: allowance for credit losses	(83,332)		(74,444)									
Net loans (1)	Net loans (1)	\$7,833,059		\$7,561,188									
Net loans (1)	Net loans (1)												

(1) Excludes accrued interest receivable of **\$45.4 million** **\$46.3 million** and **\$43.5 million** **\$45.3 million** at **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**, respectively, which were recorded in other assets on the Consolidated Balance Sheets.

Unamortized net deferred fees and costs amounted to **\$27.4 million** **\$24.1 million** and **\$29.2 million** **\$27.0 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 Bank serviced **\$315.9 million** **\$334.1 million** and **\$361.5 million** **\$328.0 million**, respectively, of multifamily FHA loans, SBA loans and other loan participations that are not reflected as loan balances on the Consolidated Balance Sheets.

Real estate loans are secured primarily by duly recorded first deeds of trust or mortgages. In some cases, the Bank may accept a recorded junior trust position. In general, borrowers will have a proven ability to build, lease, manage and/or sell a commercial or residential project and demonstrate satisfactory financial condition. Additionally, an equity contribution toward the project is customarily required.

Construction loans require that the financial condition and experience of the general contractor and major subcontractors be satisfactory to the Bank. Guaranteed, fixed-price contracts are required whenever appropriate, along with payment and performance bonds or completion bonds for larger scale projects.

Loans intended for residential land acquisition, lot development and construction are made on the premise that the land: 1) is or will be developed for building sites for residential structures, and 2) will ultimately be utilized for construction or improvement of residential zoned real properties, including the creation of housing. Residential development and construction loans will finance projects such as single family subdivisions, planned unit developments, townhouses, and condominiums. Residential land acquisition, development and construction loans generally are underwritten with a maximum term of 36 months, including extensions approved at origination.

Commercial land acquisition and construction loans are secured by real property where loan funds will be used to acquire land and to construct or improve appropriately zoned real property for the creation of income producing or owner occupied commercial properties. Borrowers are generally required to put equity into each project at levels determined by the appropriate approval authority. Commercial land acquisition and construction loans generally are underwritten with a maximum term of 24 months.

Substantially all construction draw requests must be presented in writing on American Institute of Architects documents and certified either by the contractor, the borrower and/or the borrower's architect. Each draw request shall also include the borrower's soft cost breakdown certified by the borrower or their agent. Prior to an advance, the Bank or its contractor inspects the project to determine that the work has been completed, to justify the draw requisition.

Commercial permanent loans are generally secured by improved real property that is generating income in the normal course of operation. Debt service coverage, assuming stabilized occupancy, must be satisfactory to support a permanent loan. The debt service coverage ratio is ordinarily at least 1.15 to 1.0. As part of the underwriting process, debt service coverage ratios are stress tested assuming a 200 basis point increase in interest rates from their current levels.

Commercial permanent loans generally are underwritten with a term not greater than 10 years or the remaining useful life of the property, whichever is lower. The preferred term is between 5 to 7 years, with amortization to a maximum of 25 years.

The Company's loan portfolio includes acquisition, development and construction ("ADC") real estate loans including both investment and owner-occupied projects. ADC loans amounted to **\$1.5 billion** **\$1.6 billion** at **September 30, 2023** **March 31, 2024**. A portion of the ADC portfolio, **both speculative and non-speculative**, includes loan-funded interest reserves at origination. ADC loans that provide for the use of interest reserves represent approximately **52.4%** **58.5%** of the outstanding ADC loan portfolio at **September 30, 2023** **March 31, 2024**. The decision to establish a loan-funded interest reserve is made upon origination of the ADC loan and is based upon a number of factors considered during underwriting of the credit, including: (1) the feasibility of the project; (2) the experience of the sponsor; (3) the creditworthiness of the borrower and guarantors; (4) the borrower equity contribution; and (5) the level of collateral protection. When appropriate, an interest reserve provides a means of addressing the cash flow characteristics of a properly underwritten ADC loan. **The Company does not significantly utilize interest reserves in other loan products.** The Company recognizes that one of the risks inherent in the use of interest reserves is the potential masking of underlying problems with the project and/or the borrower's ability to repay the loan. In order to mitigate these inherent risks, the Company employs a series of reporting and monitoring mechanisms on all ADC loans, whether or not an interest reserve is provided, including: (1) construction and development timelines that are monitored on an ongoing basis and track the progress of a given project to the timeline projected at origination; (2) a construction loan administration department independent of the lending function; (3) third party independent construction loan inspection reports; (4) monthly interest reserve monitoring reports detailing the balance of the interest reserves approved at origination and the days of interest carry represented by the reserve balances as compared to the then current anticipated time to completion and/or sale of speculative projects; and (5) quarterly commercial real estate construction meetings among senior Company management, which include monitoring of current and projected real estate market conditions. **If a project has not performed as expected, it is not the customary practice of the Company to increase loan funded interest reserves.**

The following table details activity in the **allowance for credit losses ACL** by portfolio segment for the three **and nine** months ended **September 30, 2023** **March 31, 2024** and **2022** **2023**. PPP loans are excluded from these tables since they do not carry an allowance for credit loss, as these loans are fully guaranteed as to principal and interest by the SBA, whose guarantee is backed by the full faith and credit of the U.S. Government. Allocation of a portion of the allowance to one category of loans does not restrict the use of the allowance to absorb losses in other categories.

(dollars in thousands)	Construction										(dollars in thousands)	Commercial	Real Estate	Real Estate	Residential	Residential	Commercial	Construction - C&I	Home Equity	Other Consumer	Total								
	Income-Producing Commercial	Owner-Occupied Commercial	Real Estate Mortgage Residential	- Real Estate Residential	- Commercial	- Construction C&I	Home Equity	Other Consumer	Total																				
Three Months Ended September 30, 2023																													
Three Months Ended March 31, 2024																													
Three Months Ended March 31, 2024																													
Three Months Ended March 31, 2024																													
Allowance for credit losses:	Allowance for credit losses:																												



Allowance for credit losses:										
Allowance for credit losses:										
Balance at beginning of period										
Balance at beginning of period										
Balance at beginning of period	Balance at beginning of period	\$ 15,374	\$ 38,486	\$ 12,805	\$ 811	\$ 8,018	1,914	\$595	\$ 26	\$78,029
Loans charged-off	Loans charged-off	(467)	—	—	—	—	—	—	—	(467)
Recoveries of loans previously charged-off	Recoveries of loans previously charged-off	103	—	23	—	—	—	—	1	127
Net loans (charged-off) recovered	Net loans (charged-off) recovered	(364)	—	23	—	—	—	—	1	(340)
Provision for (reversal of) credit losses	Provision for (reversal of) credit losses	1,327	2,207	1,424	53	615	(20)	39	(2)	5,643
Ending balance	Ending balance	\$ 16,337	\$ 40,693	\$ 14,252	\$ 864	\$ 8,633	\$ 1,894	\$634	\$ 25	\$83,332
Nine Months Ended September 30, 2023										
Three Months Ended March 31, 2023										
Three Months Ended March 31, 2023										
Three Months Ended March 31, 2023										
Three Months Ended March 31, 2023										
Allowance for credit losses:										
Allowance for credit losses:										
Balance at beginning of period										
Balance at beginning of period										
Balance at beginning of period	Balance at beginning of period	\$ 15,655	\$ 35,688	\$ 12,702	\$ 969	\$ 7,195	1,606	\$555	\$ 74	\$74,444
Loans charged-off	Loans charged-off	(1,828)	(5,306)	—	—	(136)	—	—	(50)	(7,320)

Recoveries of loans previously charged-off	Recoveries of loans previously charged-off	335	—	31	—	34	—	—	6	406
Net loans (charged-off) recovered	Net loans (charged-off) recovered	(1,493)	(5,306)	31	—	(102)	—	—	(44)	(6,914)
Provision for (reversal of) credit losses	Provision for (reversal of) credit losses	2,175	10,311	1,519	(105)	1,540	288	79	(5)	15,802
Ending balance	Ending balance	\$ 16,337	\$ 40,693	\$ 14,252	\$ 864	\$ 8,633	\$ 1,894	\$ 634	\$ 25	\$ 83,332
<b>Three Months Ended September 30, 2022</b>										
Allowance for credit losses:										
Balance at beginning of period										
		\$ 15,754	\$ 34,120	\$ 12,796	\$ 790	\$ 6,470	2,024	\$ 647	\$ 64	\$ 72,665
Loans charged-off		(53)	—	—	—	—	—	—	(70)	(123)
Recoveries of loans previously charged-off		152	—	25	—	—	—	—	2	179
Net loans (charged-off) recovered		99	—	25	—	—	—	—	(68)	56
Provision for (reversal of) credit losses		20	2,207	(240)	20	759	261	(23)	42	3,046
Ending balance		\$ 15,873	\$ 36,327	\$ 12,581	\$ 810	\$ 7,229	\$ 2,285	\$ 624	\$ 38	\$ 75,767
<b>Nine Months Ended September 30, 2022</b>										
Allowance for credit losses:										
Balance at beginning of period										
		\$ 14,475	\$ 38,287	\$ 12,146	\$ 449	\$ 7,094	\$ 2,005	\$ 474	\$ 35	\$ 74,965
Loans charged-off		(604)	—	(1,356)	—	—	—	—	(74)	(2,034)
Recoveries of loans previously charged-off		648	—	25	—	1,627	—	—	4	2,304
Net loans (charged-off) recovered		44	—	(1,331)	—	1,627	—	—	(70)	270
Provision for (reversal of) credit losses		1,354	(1,960)	1,766	361	(1,492)	280	150	73	532
Ending balance		\$ 15,873	\$ 36,327	\$ 12,581	\$ 810	\$ 7,229	\$ 2,285	\$ 624	\$ 38	\$ 75,767

The following table presents the amortized cost basis of collateral-dependent loans by class of loans as of **September 30, 2023**, **March 31, 2024** and **December 31, 2022**.

		September 30, 2023		December 31, 2022					
		Business/Other		Business/Other					
		March 31, 2024		March 31, 2024		December 31, 2023			
		Business/Other							
(dollars in thousands)									
(dollars in thousands)									
(dollars in thousands)	(dollars in thousands)	Assets		Real Estate		Assets		Real Estate	
Commercial	Commercial	\$	2,330	\$	1,070	\$	1,563	\$	1,871

Income-producing - commercial real estate	Income-producing - commercial real estate	1,753	23,236	2,000	4,328
Owner-occupied - commercial real estate	Owner-occupied - commercial real estate	—	19,882	—	19,187
Real estate mortgage - residential	Real estate mortgage - residential	—	1,692	—	1,698
Construction - commercial and residential	Construction - commercial and residential	—	39,695	—	—
Home equity	Home equity	—	245	—	—
Other consumer	Other consumer	—	—	50	—
Total	Total	\$ 4,083	\$85,820	\$ 3,613	\$27,084

#### Credit Quality Indicators

The Company uses several credit quality indicators to manage credit risk in an ongoing manner. The Company's primary credit quality indicators inform an internal credit risk rating system that categorizes loans into pass, watch, special mention, or classified categories. Credit risk ratings are applied individually to those classes of loans that have significant or unique credit characteristics that benefit from a case-by-case evaluation. These are typically loans to businesses or individuals in the classes that comprise the commercial portfolio segment. Groups of loans that are underwritten and structured using standardized criteria and characteristics, such as statistical models (e.g., credit scoring or payment performance), are typically risk rated and monitored collectively. These are typically loans to individuals in the classes that comprise the consumer portfolio segment.

The following are the definitions of the Company's credit quality indicators:

**Pass:** Loans in all classes that comprise the commercial and consumer portfolio segments that are not adversely rated, are contractually current as to principal and interest, and are otherwise in compliance with the contractual terms of the loan agreement. Management believes that there is a low likelihood of loss related to those loans that are considered pass.

**Special Mention:** Loans in the classes that comprise the commercial portfolio segment that have potential weaknesses that deserve management's close attention. If not addressed, these potential weaknesses may result in deterioration of the repayment prospects for the loan. The special mention credit quality indicator is not used for classes of loans that comprise the consumer portfolio segment. Management believes that there is a moderate likelihood of some loss related to those loans that are considered special mention.

**Classified:** Classified (a) Substandard – Loans inadequately protected by the current sound worth and paying capacity of the obligor or of the collateral pledged, if any. Loans so classified have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the company will sustain some loss if the deficiencies are not corrected. Loss potential, while existing in the aggregate amount of substandard loans, does not have to exist in individual loans classified substandard.

Classified (b) Doubtful – Loans that have all the weaknesses inherent in a loan classified substandard, with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable. The possibility of loss is extremely high, but because of certain important and reasonably specific pending factors, which may work to the advantage and strengthening of the assets, its classification as an estimated loss is deferred until its more exact status may be determined.

The Company's credit quality indicators are generally updated annually, however, credits rated "Special Mention" or below are reviewed more frequently. Based on the most recent analysis performed, the amortized cost basis of loans by risk category, class and year of origination, **are along with any charge-offs that were recorded in the applicable loan segment, if applicable, were** as follows:

(dollars in thousands)	Prior	2019	2020	2021	2022	2023	Revolving Loans Amort. Cost Basis	Revolving Loans Convert. to Term	Total
<b>September 30, 2023</b>									
<b>Commercial</b>									
Pass	\$ 179,327	\$ 50,533	\$ 48,437	\$ 217,772	\$ 159,417	\$ 82,375	\$ 665,282	\$ 5,209	\$ 1,408,352

Special Mention	—	—	5,299	—	68	—	2,439	—	7,806
Substandard	1,172	90	—	542	149	—	380	269	2,602
Total	180,499	50,623	53,736	218,314	159,634	82,375	668,101	5,478	1,418,760
YTD gross charge-offs	(885)	—	—	—	—	—	—	(943)	(1,828)
<b>PPP loans</b>									
Pass	—	—	—	588	—	—	—	—	588
<b>Income producing - commercial real estate</b>									
Pass	1,320,917	385,392	371,421	516,336	731,489	317,755	196,981	1,848	3,842,139
Special Mention	91,756	4,175	6,739	—	—	—	47,706	—	150,376
Substandard	106,407	48,379	—	—	—	—	—	—	154,786
Total	1,519,080	437,946	378,160	516,336	731,489	317,755	244,687	1,848	4,147,301
YTD gross charge-offs	(5,306)	—	—	—	—	—	—	—	(5,306)
<b>Owner occupied - commercial real estate</b>									
Pass	614,664	117,143	37,206	203,082	45,904	121,169	1,890	22,019	1,163,077
Substandard	19,882	—	—	—	—	—	—	—	19,882
Total	634,546	117,143	37,206	203,082	45,904	121,169	1,890	22,019	1,182,959
<b>Real estate mortgage - residential</b>									
Pass	27,025	8,057	2,198	16,007	14,798	6,734	—	—	74,819
Substandard	1,692	—	—	—	—	—	—	—	1,692
Total	28,717	8,057	2,198	16,007	14,798	6,734	—	—	76,511
<b>Construction - commercial and residential</b>									
Pass	39,878	4,087	41,069	268,943	338,874	58,341	112,439	956	864,587
Substandard	525	39,170	—	—	—	—	—	—	39,695
Total	40,403	43,257	41,069	268,943	338,874	58,341	112,439	956	904,282
YTD gross charge-offs	(136)	—	—	—	—	—	—	—	(136)
<b>Construction - C&amp;I (owner occupied)</b>									
Pass	18,658	4,294	56,784	638	33,229	9,607	6,406	—	129,616
Total	18,658	4,294	56,784	638	33,229	9,607	6,406	—	129,616
<b>Home equity</b>									
Pass	2,171	—	88	152	133	—	50,452	577	53,573
Substandard	—	37	—	—	—	—	62	245	344
Total	2,171	37	88	152	133	—	50,514	822	53,917
<b>Other consumer</b>									
Pass	2	—	—	—	68	1,858	529	—	2,457
Total	2	—	—	—	68	1,858	529	—	2,457
YTD gross charge-offs	(50)	—	—	—	—	—	—	—	(50)
Total recorded investment	\$ 2,424,076	\$ 661,357	\$ 569,241	\$ 1,224,060	\$ 1,324,129	\$ 597,839	\$ 1,084,566	\$ 31,123	\$ 7,916,391
Total YTD gross charge-offs	\$ (6,377)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ (943)	\$ (7,320)

							Revolving Loans Amort.	Revolving Loans Convert.	
(dollars in thousands)	Prior	2018	2019	2020	2021	2022	Cost Basis	to Term	Total
December 31, 2022									
Commercial									
Pass	\$ 183,329	\$ 47,393	\$ 56,261	\$ 64,163	\$ 237,146	\$ 144,390	\$ 736,090	\$ 8,570	\$ 1,477,342
Special Mention	—	—	—	—	—	82	5,475	—	5,557
Substandard	1,332	351	276	—	—	—	1,344	1,147	4,450
Total	184,661	47,744	56,537	64,163	237,146	144,472	742,909	9,717	1,487,349
YTD gross charge-offs	(283)	(101)	(49)	—	—	—	(483)	—	(916)
PPP loans									
Pass	—	—	—	2,479	777	—	—	—	3,256

<b>Income producing - commercial real estate</b>									
Pass	1,016,529	439,221	480,474	334,165	542,143	744,328	192,089	358	3,749,307
Special Mention	44,195	5,206	4,209	6,735	—	—	47,676	—	108,021
Substandard	60,613	2,000	—	—	—	—	—	—	62,613
Total	1,121,337	446,427	484,683	340,900	542,143	744,328	239,765	358	3,919,941
YTD gross charge-offs	(680)	(645)	(676)	—	—	—	—	—	(2,001)
<b>Owner occupied - commercial real estate</b>									
Pass	461,029	191,646	111,497	40,562	206,595	41,765	24,240	13,238	1,090,572
Substandard	19,753	—	—	—	—	—	—	—	19,753
Total	480,782	191,646	111,497	40,562	206,595	41,765	24,240	13,238	1,110,325
<b>Real estate mortgage - residential</b>									
Pass	16,968	12,438	8,219	2,640	16,307	14,731	—	—	71,303
Substandard	1,698	—	—	—	—	—	—	—	1,698
Total	18,666	12,438	8,219	2,640	16,307	14,731	—	—	73,001
<b>Construction - commercial and residential</b>									
Pass	84,522	71,841	90,560	189,023	191,127	159,771	90,911	—	877,755
Total	84,522	71,841	90,560	189,023	191,127	159,771	90,911	—	877,755
<b>Construction - C&amp;I (owner occupied)</b>									
Pass	14,816	8,160	11,810	33,854	653	34,679	6,507	—	110,479
<b>Home equity</b>									
Pass	1,747	—	—	98	551	—	48,378	906	51,680
Substandard	—	—	41	—	—	—	61	—	102
Total	1,747	—	41	98	551	—	48,439	906	51,782
<b>Other consumer</b>									
Pass	4	—	—	—	—	126	1,561	3	1,694
Substandard	—	—	—	—	—	—	—	50	50
Total	4	—	—	—	—	126	1,561	53	1,744
YTD gross charge-offs	(3)	—	—	—	—	—	(75)	—	(78)
Total recorded investment	\$ 1,906,531	\$ 778,256	\$ 763,347	\$ 673,719	\$ 1,195,299	\$ 1,139,872	\$ 1,154,332	\$ 24,272	\$ 7,635,632
Total YTD gross charge-offs	\$ (966)	\$ (746)	\$ (725)	\$ —	\$ —	\$ —	\$ (558)	\$ —	\$ (2,995)

							Revolving Loans Amort.	Revolving Loans Convert.		
(dollars in thousands)	Prior	2020	2021	2022	2023	2024	Cost Basis	to Term	Total	
March 31, 2024										
Commercial										
Pass	\$ 193,755	\$ 35,451	\$ 174,103	\$ 141,181	\$ 187,057	\$ 24,604	\$ 569,226	\$ 1,154	\$ 1,326,531	
Special Mention	8,493	—	—	—	—	—	4,286	8,058	20,837	
Substandard	13,771	9,371	1,538	281	—	—	36,438	—	61,399	
Total	216,019	44,822	175,641	141,462	187,057	24,604	609,950	9,212	1,408,767	
YTD gross charge-offs	(396)	—	—	—	—	—	(100)	—	(496)	
PPP loans										
Pass	—	—	467	—	—	—	—	—	467	
Income producing - commercial real estate										
Pass	1,452,244	308,573	559,404	755,375	299,264	26,251	243,343	19,359	3,663,813	
Special Mention	170,118	6,744	—	—	—	—	—	—	176,862	
Substandard	199,980	—	—	—	—	—	—	—	199,980	
Total	1,822,342	315,317	559,404	755,375	299,264	26,251	243,343	19,359	4,040,655	
YTD gross charge-offs	(20,943)	—	—	—	—	—	—	—	(20,943)	
Owner occupied - commercial real estate										
Pass	628,063	34,703	222,361	41,514	126,663	4,590	515	—	1,058,409	
Special Mention	61,117	—	—	—	—	—	—	—	61,117	

Substandard	64,791	1,265	—	—	—	—	—	—	66,056
Total	753,971	35,968	222,361	41,514	126,663	4,590	515	—	1,185,582
<b>Real estate mortgage - residential</b>									
Pass	29,496	2,175	15,668	14,689	5,889	—	—	—	67,917
Substandard	4,170	—	—	—	—	—	—	—	4,170
Total	33,666	2,175	15,668	14,689	5,889	—	—	—	72,087
<b>Construction - commercial and residential</b>									
Pass	77,388	11,101	241,373	485,461	89,757	3,874	136,092	1,177	1,046,223
Special Mention	6,532	—	—	—	—	—	—	—	6,532
Substandard	—	29,801	—	—	—	—	—	—	29,801
Total	83,920	40,902	241,373	485,461	89,757	3,874	136,092	1,177	1,082,556
YTD gross charge-offs	(129)	—	—	—	—	—	—	—	(129)
<b>Construction - C&amp;I (owner occupied)</b>									
Pass	26,151	56,094	615	33,242	15,084	—	7,193	—	138,379
<b>Home equity</b>									
Pass	1,758	86	185	117	—	—	50,589	146	52,881
Substandard	71	—	237	—	—	—	62	—	370
Total	1,829	86	422	117	—	—	50,651	146	53,251
<b>Other consumer</b>									
Pass	2	—	—	—	—	—	956	—	958
Total	2	—	—	—	—	—	956	—	958
YTD gross charge-offs	—	—	—	—	—	—	—	(1)	(1)
Total recorded investment	\$ 2,937,900	\$ 495,364	\$ 1,215,951	\$ 1,471,860	\$ 723,714	\$ 59,319	\$ 1,048,700	\$ 29,894	\$ 7,982,702
Total YTD gross charge-offs	\$ (21,468)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ (100)	\$ (1)	\$ (21,569)
							Revolving Loans Amort.	Revolving Loans Convert.	
(dollars in thousands)	Prior	2019	2020	2021	2022	2023	Cost Basis	to Term	Total
<b>December 31, 2023</b>									
<b>Commercial</b>									
Pass	\$ 157,563	\$ 48,524	\$ 39,133	\$ 194,555	\$ 149,320	\$ 191,889	\$ 623,684	\$ 5,207	\$ 1,409,875
Special Mention	1,415	—	—	—	—	—	2,259	—	3,674
Substandard	13,797	58	10,337	1,509	222	—	33,670	624	60,217
Total	172,775	48,582	49,470	196,064	149,542	191,889	659,613	5,831	1,473,766
YTD gross charge-offs	(885)	—	—	—	—	—	—	(1,135)	(2,020)
<b>PPP loans</b>									
Pass	—	—	—	528	—	—	—	—	528
<b>Income producing - commercial real estate</b>									
Pass	1,257,937	326,999	328,743	517,957	732,291	327,126	263,317	1,845	3,756,215
Special Mention	84,585	44,424	6,740	—	—	—	—	—	135,749
Substandard	139,961	62,689	—	—	—	—	—	—	202,650
Total	1,482,483	434,112	335,483	517,957	732,291	327,126	263,317	1,845	4,094,614
YTD gross charge-offs	(11,817)	—	—	—	—	—	—	—	(11,817)
<b>Owner occupied - commercial real estate</b>									
Pass	534,525	103,034	35,385	202,776	41,907	125,934	673	55	1,044,289
Special Mention	54,288	13,348	—	—	—	—	—	—	67,636
Substandard	37,167	—	1,274	—	—	—	—	21,873	60,314
Total	625,980	116,382	36,659	202,776	41,907	125,934	673	21,928	1,172,239
<b>Real estate mortgage - residential</b>									
Pass	22,877	7,545	2,186	15,967	14,756	5,895	—	—	69,226
Substandard	4,170	—	—	—	—	—	—	—	4,170

Total	27,047	7,545	2,186	15,967	14,756	5,895	—	—	73,396
<b>Construction - commercial and residential</b>									
Pass	30,619	3,440	45,739	251,038	419,393	87,400	124,013	—	961,642
Substandard	8,124	—	—	—	—	—	—	—	8,124
Total	38,743	3,440	45,739	251,038	419,393	87,400	124,013	—	969,766
YTD Gross Charge-offs	(136)	(5,500)	—	—	—	—	—	—	(5,636)
<b>Construction - C&amp;I (owner occupied)</b>									
Pass	18,551	4,265	56,361	618	33,237	12,619	6,370	—	132,021
<b>Home equity</b>									
Pass	1,590	—	87	151	118	—	49,035	643	51,624
Substandard	—	36	—	—	—	—	62	242	340
Total	1,590	36	87	151	118	—	49,097	885	51,964
<b>Other consumer</b>									
Pass	1	—	—	—	46	—	354	—	401
Total	1	—	—	—	46	—	354	—	401
YTD gross charge-offs	(50)	—	—	—	—	—	—	—	(50)
Total recorded investment	\$ 2,367,170	\$ 614,362	\$ 525,985	\$ 1,185,099	\$ 1,391,290	\$ 750,863	\$ 1,103,437	\$ 30,489	\$ 7,968,695
Total YTD gross charge-offs	\$ (12,888)	\$ (5,500)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ (1,135)	\$ (19,523)

#### Nonaccrual and Past Due Loans

As part of the Company's comprehensive loan review process, management evaluates loans that are past due 30 days or more. Loans are placed on nonaccrual status when, in management's opinion, the conditions and circumstances surrounding each delinquent loan. The Bank's loan policy requires that loans borrower may be unable to meet payment obligations as they become due, as well as when required by regulatory provisions. Loans may be placed on nonaccrual status regardless of whether or not such loans are considered past due. Interest income is subsequently recognized only to the extent cash payments are received in excess of principal due. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

The following table presents, by portfolio segment the nonaccrual loans on an amortized cost basis as of March 31, 2024 and December 31, 2023:

(dollars in thousands, except amounts in footnotes)	Nonaccrual with No	Nonaccrual with an	
	Allowance for Credit Losses	Allowance for Credit Losses	Total Nonaccrual Loans
March 31, 2024			
Commercial	\$ 1,045	\$ 875	\$ 1,920
Income producing - commercial real estate	67,602	—	67,602
Owner occupied - commercial real estate	19,798	—	19,798
Real estate mortgage - residential	—	1,934	1,934
Home equity	237	—	237
Total <sup>(1)</sup>	\$ 88,682	\$ 2,809	\$ 91,491
December 31, 2023			
Commercial	\$ 1,002	\$ 1,047	\$ 2,049
Income producing - commercial real estate	40,926	—	40,926
Owner occupied - commercial real estate	19,836	—	19,836
Real estate mortgage - residential	—	1,946	1,946
Construction - commercial and residential	—	525	525
Home equity	242	—	242
Total <sup>(1)</sup>	\$ 62,006	\$ 3,518	\$ 65,524

(1) Gross coupon interest income of approximately \$1.3 million and \$182 thousand would have been recorded for the three months ended March 31, 2024 and 2023, respectively, if they are 90 days past due, unless they are well secured nonaccrual loans shown above had been current and in accordance with their original terms, while no coupon interest income was actually recorded on such loans for the process of collection. Additionally, Credit Administration specifically analyzes the status of development three months ended March 31, 2024 and construction projects, sales activities and utilization of interest reserves in order to carefully and prudently assess potential increased levels of risk requiring additional reserves, 2023, respectively.

The table presents, by class of loan, portfolio segment, an aging analysis and the recorded investments in loans past due on an amortized cost basis as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023:

		Loans 90						
		Loans 30-59			Loans 60-89 or 90 Days		Total	
(dollars in thousands, except amount in the footnote)	Days Past Due	Days Past Due	Days Past Due	More Past Due Loans	Current Loans	Nonaccrual Loans	Total Recorded Investment in Loans	
September 30, 2023								
(dollars in thousands)	(dollars in thousands)	Loans 30-59 Days Past Due	Loans 60-89 Days Past Due	Loans 90 Days or More Past Due	Total Past Due Loans	Current Loans	Nonaccrual Loans	Total Recorded Investment in Loans
March 31, 2024								
Commercial								
Commercial								
Commercial	Commercial	\$ 55	\$ —	\$ —	\$ 55	\$1,416,184	\$ 2,521	\$1,418,760
PPP loans	PPP loans	—	—	—	—	588	—	588
Income producing - commercial real estate	Income producing - commercial real estate	25,769	—	—	25,769	4,096,543	24,989	4,147,301
Owner occupied - commercial real estate	Owner occupied - commercial real estate	404	19,125	—	19,529	1,162,672	758	1,182,959
Real estate mortgage - residential	Real estate mortgage - residential	—	—	—	—	74,561	1,950	76,511
Construction - commercial and residential	Construction - commercial and residential	976	—	—	976	863,611	39,695	904,282
Construction - C&I (owner occupied)	Construction - C&I (owner occupied)	—	—	—	—	129,616	—	129,616
Home equity	Home equity	42	—	—	42	53,630	245	53,917
Other consumer	Other consumer	—	—	—	—	2,457	—	2,457
Total	Total	\$27,246	\$19,125	\$ —	\$46,371	\$7,799,862	\$ 70,158	\$7,916,391
December 31, 2022								
December 31, 2023								
December 31, 2023								
December 31, 2023								
Commercial								
Commercial								
Commercial	Commercial	\$ 697	\$ 643	\$ —	\$ 1,340	\$1,483,521	\$ 2,488	\$1,487,349
PPP loans	PPP loans	—	—	—	—	3,256	—	3,256
Income producing - commercial real estate	Income producing - commercial real estate	—	—	—	—	3,917,941	2,000	3,919,941
Owner occupied - commercial real estate	Owner occupied - commercial real estate	—	279	—	279	1,110,029	17	1,110,325



Real estate mortgage – residential	Real estate mortgage – residential	—	—	—	—	71,088	1,913	73,001
Construction – commercial and residential	Construction – commercial and residential	531	—	—	531	877,224	—	877,755
Construction – C&I (owner occupied)	Construction – C&I (owner occupied)	—	—	—	—	110,479	—	110,479
Home equity	Home equity	—	52	—	52	51,730	—	51,782
Other consumer	Other consumer	—	1	—	1	1,693	50	1,744
<b>Total</b>	<b>Total</b>	<b>\$ 1,228</b>	<b>\$ 975</b>	<b>\$ —</b>	<b>\$ 2,203</b>	<b>\$ 7,626,961</b>	<b>\$ 6,468</b>	<b>\$ 7,635,632</b>

The following presents the nonaccrual loans on an amortized cost basis as of September 30, 2023 and December 31, 2022:

(dollars in thousands, except amounts in footnotes)	Nonaccrual with No		Nonaccrual with an	
	Allowance for Credit Losses		Allowance for Credit Losses	
				Total Nonaccrual Loans
<b>September 30, 2023</b>				
Commercial	\$	366	\$	2,155
Income producing - commercial real estate		23,236		1,753
Owner occupied - commercial real estate		758		—
Real estate mortgage - residential		—		1,950
Construction - commercial and residential		39,170		525
Home equity		245		—
Total <sup>(1)</sup>	\$	63,775	\$	6,383
<b>December 31, 2022</b>				
Commercial	\$	101	\$	2,387
Income producing - commercial real estate		—		2,000
Owner occupied - commercial real estate		17		—
Real estate mortgage - residential		—		1,913
Other consumer		—		50
Total <sup>(1)</sup>	\$	118	\$	6,350

(1) Gross coupon interest income of approximately \$4.1 million and \$410 thousand would have been recorded **Loan Modifications** for the nine months ended September 30, 2023 and 2022, respectively, if nonaccrual loans shown above had been current and in accordance with their original terms, while \$1.1 million and \$5 thousand of coupon interest income was actually recorded on such loans for the nine months ended September 30, 2023 and 2022, respectively. See Note 1 to the Consolidated Financial Statements for a description of the Company's policy for placing loans on nonaccrual status.

#### Modifications with Borrowers Experiencing Financial Difficulty

On January 1, 2023, the Company adopted the accounting guidance in ASU No. 2022-02, effective as of January 1, 2023, which eliminates the recognition and measurement of a TDR. Due to the removal of the TDR designation, the **The** Company evaluates all loan restructurings according to the accounting guidance for loan modifications to determine if the restructuring results in a new loan or a continuation of the existing loan. Loan modifications to borrowers experiencing financial difficulties that result in a direct change in the timing or amount of contractual cash flows include situations where there is principal forgiveness, interest rate reductions, other-than-insignificant payment delays, term extensions, and combinations of the listed modifications. Therefore, the disclosures related to loan restructurings are for modifications which have a direct impact on cash flows.

The Company may offer various types of modifications when restructuring a loan. Commercial and industrial loans modified in a loan restructuring often involve temporary interest-only payments, term extensions, and converting revolving credit lines to term loans. Additional collateral, a co-borrower, or a guarantor is often requested.

Commercial mortgage and construction loans modified in a loan restructuring often involve reducing the interest rate for the remaining term of the loan, extending the maturity date at an interest rate lower than the current market rate for new debt with similar risk, or substituting or adding a new borrower or guarantor. Construction loans modified in a loan restructuring may also involve extending the interest-only payment period.

Loans modified in a loan restructuring for the Company may have the financial effect of increasing the specific allowance associated with the loan. An allowance for consumer and commercial loans that have been modified in a loan restructuring is measured based on the present value of expected future cash flows discounted at the loan's

effective interest rate, the loan's observable market price, or the estimated fair value of the collateral, less any selling costs, if the loan is collateral dependent. Management exercises significant judgment in developing these estimates.

Commercial and consumer loans modified in a loan restructuring are closely monitored for delinquency as an early indicator of possible future default. If loans modified in a loan restructuring subsequently default, the Company evaluates the loan for possible further loss. The allowance may be increased, adjustments may be made in the allocation of the allowance, or partial charge-offs may be taken to further write-down the carrying value of the loan.

The following table presents the amortized cost basis as of September 30, 2023, March 31, 2024 and 2023 and the financial effect of loans modified to borrowers experiencing financial difficulty during the three and nine months ended September 30, 2023, March 31, 2024 and 2023:

(dollars in thousands)	September 30, 2023						
	Combination - Term					Weighted Average	
	Term	Extension and	Combination - Term			Term and Principal	Weighted Average
	Extension	Principal Payment	Extension, Principal	Percentage of Total	Payment Extension	Interest Rate	
		Delay	Payment Delay and	Total	Loan Type	(1)	Reduction (2)
Three months ended September 30, 2023							
Commercial	\$ 29,898	\$ —	\$ —	\$ 29,898	2.1 %	4 months	— %
Income producing - commercial real estate	7,190	55,649	113,833	176,672	4.3 %	10 months	1.89 %
Owner occupied - commercial real estate	—	19,125	—	19,125	1.6 %	3 months	— %
Total	\$ 37,088	\$ 74,774	\$ 113,833	\$ 225,695			
Nine months ended September 30, 2023							
Commercial	\$ 36,969	\$ —	\$ —	\$ 36,969	2.6 %	7 months	— %
Income producing - commercial real estate (3)	7,190	57,808	113,833	178,831	4.3 %	13 months	2.55 %
Owner occupied - commercial real estate	—	19,125	—	19,125	1.6 %	9 months	— %
Construction - commercial and residential	7,093	—	—	7,093	0.8 %	6 months	— %
Total	\$ 51,252	\$ 76,933	\$ 113,833	\$ 242,018			

- (1) For loans that received multiple modifications during the nine months ended September 30, 2023, weighted average term and principal payment extensions were calculated based on the aggregated impact of the extensions received during the period.
- (2) The weighted average is calculated based on the total amortized cost at September 30, 2023 of loans that received interest rate reduction modifications during the three and nine months ended September 30, 2023.
- (3) Includes one loan modified as a combination - principal payment delay and term extension during the first quarter of 2023 that was moved to nonaccrual status and incurred a \$2.1 million charge off in the second quarter of 2023. In October 2023, the loan was sold.

	March 31, 2024					
	Combination - Term Extension and Principal Payment					Weighted Average Term and Principal Payment Extension
	Term Extension	Principal Payment Delay	Total	Percentage of Total Loan Type		
(dollars in thousands)	Extension	Delay	Total	Loan Type		
Three months ended March 31, 2024:						
Commercial	\$ 31,553	\$ —	\$ 31,553	2.2 %	4 months	
Income producing - commercial real estate	—	50,926	50,926	1.3 %	3 months	
Real estate mortgage - residential	—	2,478	2,478	3.4 %	6 months	
Total	<u>\$ 31,553</u>	<u>\$ 53,404</u>	<u>\$ 84,957</u>			
	March 31, 2023					
	Combination - Term Extension and Principal Payment					Weighted Average Term and Principal Payment Extension
	Term Extension	Principal Payment Delay	Total	Percentage of Total Loan Type		
(dollars in thousands)	Extension	Delay	Total	Loan Type		
Three months ended March 31, 2023:						
Commercial	\$ 21,744	\$ —	\$ 21,744	1.5 %	3 months	
Income producing - commercial real estate	7,211	60,139	67,350	1.7 %	4 months	
Owner occupied - commercial real estate	—	19,170	19,170	1.8 %	3 months	
Total	<u>\$ 28,955</u>	<u>\$ 79,309</u>	<u>\$ 108,264</u>			

The following table presents the performance of loans modified during the prior twelve months to borrowers experiencing financial difficulty during the nine months ended September 30, 2023, difficulty:

		September 30, 2023						
		Payment Status (Amortized Cost Basis)						
		March 31, 2024						
		March 31, 2024						
		March 31, 2024						
		Payment Status						
		(Amortized Cost Basis)			Payment Status (Amortized Cost Basis)			
(dollars in thousands)	(dollars in thousands)	30-89 Days Past			(dollars in thousands)	Current	30-89 Days Past Due	Nonaccrual
		Current	Due	Nonaccrual				
Commercial	Commercial	\$ 36,969	\$ —	\$ —				
Income producing - commercial real estate	Income producing - commercial real estate	130,461	25,769	22,601				
Owner occupied - commercial real estate	Owner occupied - commercial real estate	—	19,125	—				
Real estate mortgage - residential								
Construction - commercial and residential	Construction - commercial and residential	7,093	—	—				
Total	Total	\$174,523	\$44,894	\$ 22,601				

The Company monitors loan payments on performing and nonperforming loans on an on-going basis to determine if a loan is considered to have a payment default. To determine the existence of a payment default, the Company analyzes the economic conditions that exist for each borrower and their ability to generate positive cash flow during a given loan's term.

The following table presents the amortized cost basis of loans that had a were experiencing payment default during the nine months ended September 30, 2023 at March 31, 2024 and were modified in the twelve months prior to that default to borrowers experiencing financial difficulty:

		September 30, 2023						
		Amortized Cost Basis						
		March 31, 2024			March 31, 2024			
		Amortized Cost Basis			Amortized Cost Basis			
(dollars in thousands)	(dollars in thousands)	Combination - Term Extension and Principal Payment Delay		Combination - Term Extension, Principal Payment Delay and Interest Rate Reduction	(dollars in thousands)	Term Extension	Combination - Term Extension and Principal Payment Delay	Combination - Term Extension, Principal Payment Delay and Interest Rate Reduction
		Payment Delay	Interest Rate Reduction					
Commercial								
Income producing - commercial real estate	Income producing - commercial real estate	\$ —	\$ 46,211					
Owner occupied - commercial real estate	Owner occupied - commercial real estate	19,125	—					



Variable lease cost (cost excluded from lease payments)	Variable lease cost (cost excluded from lease payments)	245	270	754	781
Variable lease cost (cost excluded from lease payments)					
Variable lease cost (cost excluded from lease payments)					
Sublease income	Sublease income	(30)	(30)	(89)	(212)
Sublease income					
Sublease income					
Net lease cost					
Net lease cost					
Net lease cost	Net lease cost	\$ 1,819	\$ 1,997	\$ 5,652	\$ 5,987
Operating lease - operating cash flows (fixed payments)	Operating lease - operating cash flows (fixed payments)	\$ 1,760	\$ 1,809	\$ 5,433	\$ 5,551
Operating lease - operating cash flows (fixed payments)					
Operating lease - operating cash flows (fixed payments)					
(dollars in thousands)	(dollars in thousands)	September 30, 2023	December 31, 2022		
Operating lease right-of-use assets		\$20,151	\$24,544		
(dollars in thousands)					
(dollars in thousands)					
Right-of-use assets - operating leases					
Right-of-use assets - operating leases					
Right-of-use assets - operating leases					
Operating lease liabilities					
Operating lease liabilities					
Operating lease liabilities	Operating lease liabilities	\$24,422	\$29,267		

Weighted average lease term - operating leases	Weighted average lease term - operating leases	5.04 yrs	5.50 yrs
Weighted average lease term - operating leases			
Weighted average lease term - operating leases		4.81 yrs	4.93 yrs
Weighted average discount rate - operating leases	Weighted average discount rate - operating leases	2.79 %	2.91 %

Future minimum payments for operating leases with initial or remaining terms of more than one year as of **September 30, 2023** **March 31, 2024** were as follows:

(dollars in thousands)

<b>Twelve months ended:</b>		
<b>September 30, 2024</b> <b>March 31, 2025</b>		\$ 1,765 5,147
<b>September 30, 2025</b> <b>March 31, 2026</b>		6,880 6,078
<b>September 30, 2026</b> <b>March 31, 2027</b>		5,987 2,988
<b>September 30, 2027</b> <b>March 31, 2028</b>		2,894 2,599
<b>September 30, 2028</b> <b>March 31, 2029</b>		2,502 2,176
Thereafter		5,776 3,751
Total future minimum lease payments		25,804 22,739
Amounts representing interest		(1,382) (1,128)
Present value of net future minimum lease payments		\$ 24,422 21,611

## Note 6. Derivatives

The Company is exposed to certain risks arising from both its business operations and economic conditions. The Company principally manages its exposures to a wide variety of business and operational risks through management of its core business activities. The Company manages economic risks, including interest rate, liquidity, and credit risk primarily by managing the amount, sources, and duration of its assets and liabilities through the use of derivative financial instruments.

### Cash Flow Hedges of Interest Rate Risk

The Company historically utilized interest rate swaptions, accounted for as cash flow hedges, to protect itself against adverse fluctuations in interest rates on a forecasted issuance of debt. During the three months ended March 31, 2024, the Company terminated its interest rate swaption contracts. The Company expects to reclassify \$121 thousand out of accumulated other comprehensive loss over the succeeding twelve months as a reduction of interest expense.

### Interest Rate Products

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

The Company entered into credit risk participation agreements ("RPAs") with institutional counterparties, under which the Company assumes its pro-rata share of the credit exposure associated with a borrower's performance related to interest rate derivative contracts, contracts in exchange for a fee. The fair value of RPAs is calculated by determining the total expected asset or liability exposure of the derivatives to the borrowers and applying the borrowers' credit spread to that exposure. Total expected exposure incorporates both the current and potential future exposure of the derivatives, derived from using observable inputs, such as yield curves and volatilities.

### Credit-Risk-Related Contingent Features

The Company has agreements with each of its derivative counterparties that contain a provision where if the Company defaults on any of its indebtedness, then the Company could also be declared in default on its derivative obligations.

The Company is exposed to credit risk in the event of nonperformance by the interest rate derivative counterparty. The Company minimizes this risk by entering into derivative contracts with only large, stable financial institutions, and the Company has not experienced, and does not expect, any losses from counterparty nonperformance on the interest rate derivatives. The Company monitors counterparty risk in accordance with the provisions of ASC Topic 815, "Derivatives and Hedging." In addition, the interest rate derivative agreements contain language outlining collateral-pledging requirements for each counterparty.

The interest rate derivative agreements detail: 1) that collateral be posted when the market value exceeds certain threshold limits associated with the secured party's exposure; 2) if the Company defaults on any of its indebtedness (including default where repayment of the indebtedness has not been accelerated by the lender), then the Company could also be declared in default on its derivative obligations; 3) if the Company fails to maintain its status as a well-capitalized institution then the counterparty could terminate the derivative positions and the Company would be required to settle its obligations under the agreements.

#### Mortgage Banking Derivatives

The Company commenced the cessation of first lien residential mortgage origination for secondary sale in the first quarter of 2023. The Company completed the residual origination and sales activities in the second quarter of 2023. As of September 30, 2023, the Company had no outstanding mortgage banking derivatives.

Historically, as part of its mortgage banking activities, the Bank entered into interest rate lock commitments, which are commitments to originate loans where the interest rate on the loan is determined prior to funding and the customers have locked into that interest rate. The Bank then locks in the loan and interest rate with an investor and commits to deliver the loan if settlement occurs ("best efforts") or commits to deliver the locked loan in a binding ("mandatory") delivery program with an investor. Certain loans under interest rate lock commitments are covered under forward sales contracts of MBS. Forward sales contracts of MBS are recorded at fair value with changes in fair value recorded in noninterest income. Interest rate lock commitments and commitments to deliver loans to investors are considered derivatives. The market value of interest rate lock commitments and best efforts contracts are not readily ascertainable with precision because they are not actively traded in stand-alone markets. The Bank determined the fair value of interest rate lock commitments and delivery contracts by measuring the fair value of the underlying asset, which is impacted by current interest rates, taking into consideration the probability that the interest rate lock commitments will close or will be funded.

Certain additional risks arose from these forward delivery contracts in that the counterparties to the contracts may not be able to meet the terms of the contracts. The Bank did not expect any counterparty to any MBS to fail to meet its obligation. Additional risks inherent in mandatory delivery programs include the risk that, if the Bank did not close the loans subject to interest rate risk lock commitments, it would still be obligated to deliver MBS to the counterparty under the forward sales agreement. Should this have been required, the Bank could have incurred significant costs in acquiring replacement loans or MBS and such costs could have an adverse effect on mortgage banking operations.

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

The table below identifies the balance sheet category and fair value of the Company's derivative instruments as of September 30, 2023, March 31, 2024 and December 31, 2022. The Company has a minimum collateral posting threshold with its derivative counterparty. If the Company had breached any provisions under the agreement at September 30, 2023, March 31, 2024, it could have been required to settle its obligations under the agreement at the termination value.

March 31, 2024		March 31, 2024			December 31, 2023		
(dollars in thousands)	(dollars in thousands)	Notional		Balance Sheet	Notional		Balance Sheet
		Amount	Fair Value	Category	Amount	Fair Value	Category
<b>Derivatives in an asset position:</b>							
Derivatives designated as hedging instruments:							
Derivatives designated as hedging instruments:							
Derivatives designated as hedging instruments:							
Interest rate product							
Interest rate product							
Interest rate product							
		\$	—	\$	—	Other assets	\$300,000
					\$	374	Other assets

Derivatives not designated as hedging instruments:							
Derivatives not designated as hedging instruments:							
Derivatives not designated as hedging instruments:							
Interest rate product							
Interest rate product							
Interest rate product							Other assets
		680,245	34,147	Other assets	651,429	30,288	
Credit risk participation agreements	Credit risk participation agreements	49,480	—	Other liabilities	49,480	3	Other liabilities
Total							
Total derivatives in an asset position:							
Total derivatives in an asset position:							
Total derivatives in an asset position:							
Derivatives in a liability position:							
Derivatives in a liability position:							
Derivatives in a liability position:							
Derivatives not designated as hedging instruments:							
Derivatives not designated as hedging instruments:							
Derivatives not designated as hedging instruments:							



Interest rate product						
Interest rate product						
Interest rate product			Other liabilities		Other liabilities	
	\$680,245	\$33,646		\$651,429	\$30,555	

The table below presents the effect of the Company's derivative financial instruments on the consolidated statements Consolidated Statements of income Operations for the three and nine months ended September 30, 2023 March 31, 2024 and 2022:2023:

										Amount of Gain (Loss) Recognized in Income on Derivatives
										Three Months Ended March 31,
										March 31,
										2024
(dollars in thousands)	(dollars in thousands)	on Derivatives	Amount of Gain (Loss) Recognized in Income on Derivatives				Location of Gain (Loss) Recognized in Income on Derivatives			
			2023	2022	2023	2022				
Interest rate products	Interest rate products		\$3,027	\$837	\$3,735	\$2,299				
Mortgage banking derivatives	Mortgage banking derivatives	Gain on sale of loans	—	(90)	—	(619)				
Total	Total		\$3,027	\$747	\$3,735	\$1,680				
Total										
Total										

## Note 7. Deposits

The following table provides information regarding the Bank's deposit composition at September 30, 2023, March 31, 2024 and December 31, 2022, December 31, 2023:

(dollars in thousands)	(dollars in thousands)	September 30, 2023	December 31, 2022	(dollars in thousands)	March 31, 2024	December 31, 2023
Noninterest-bearing demand	Noninterest-bearing demand	\$2,072,665	\$3,150,751			
Interest-bearing transaction	Interest-bearing transaction	932,779	1,138,235			
Savings and money market	Savings and money market	3,129,773	3,640,697			
Time deposits	Time deposits	2,241,089	783,499			
Total	Total	\$8,376,306	\$8,713,182			

The remaining maturity of time deposits at September 30, 2023, March 31, 2024 and December 31, 2022, December 31, 2023 were as follows:

(dollars in thousands)	(dollars in thousands)	September 30, 2023	December 31, 2022	(dollars in thousands)	March 31, 2024	December 31, 2023
2023		\$ 348,469	\$463,393			
2024	2024	1,129,014	152,898			
2025	2025	575,976	157,320			
2026	2026	173,067	2,628			
2027	2027	4,995	4,130			
2028	2028	9,568	3,130			
Thereafter		—	—			
2029						
Total	Total	\$2,241,089	\$783,499			
Total						
Total						

As of **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**, time deposit accounts in excess of \$250 thousand were as follows:

(dollars in thousands)	(dollars in thousands)	September 30, 2023	December 31, 2022	(dollars in thousands)	March 31, 2024	December 31, 2023
Three months or less	Three months or less	\$ 202,819	\$ 87,959			
More than three months through six months	More than three months through six months	115,089	51,746			
More than six months through twelve months	More than six months through twelve months	559,670	108,877			
Over twelve months	Over twelve months	791,238	269,200			
<b>Total</b>	<b>Total</b>	<b>\$1,668,816</b>	<b>\$517,782</b>			

At **September 30, 2023** **March 31, 2024**, total brokered deposits were \$4.2 billion, or 49.1% of total deposits, of which \$1.7 billion were attributable to the Certificates of Deposit Account Registry Service ("CDARS") and Insured Cash Sweep ("ICS") two-way accounts. At **December 31, 2023**, total brokered deposits (excluding the CDARS and ICS two-way) were **\$2.4 billion** **\$2.5 billion**, or **29.1%** of total deposits. At **December 31, 2022**, total deposits included \$2.3 billion of brokered deposits (excluding the CDARS and ICS two-way), which represented 26.5% **28.8%** of total deposits.

#### Note 8. Borrowings

The following table summarizes the Company's borrowings, which include repurchase agreements with the Company's customers **short-term borrowings** and **long-term borrowings**, at **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**:

(dollars in thousands)	Borrowings - Principal	Unamortized Deferred Issuance Costs	Net Borrowings Outstanding	Available Capacity <sup>(1)(2)</sup>	Maturity Dates	Interest Rates <sup>(3)</sup>
September 30, 2023:						
Customer repurchase agreements	\$ 25,689	\$ —	\$ 25,689	\$ —	N/A	3.43 %
Short-term borrowings:						
FHLB secured borrowings	—	—	—	1,736,759	N/A	N/A
FRB:						
BTFP secured borrowings	1,300,001	—	1,300,001	253,133	March 26, 2024	4.53 %
Discount window secured borrowings	—	—	—	606,178	N/A	N/A
Raymond James repurchase agreement	—	—	—	17,162	N/A	N/A
Total	1,300,001	—	1,300,001	2,613,232		
Long-term borrowings:						
Subordinated notes, 5.75%	70,000	(113)	69,887	—	September 1, 2024	5.75 %
Total borrowings	\$ 1,395,690	\$ (113)	\$ 1,395,577	\$ 2,613,232		
December 31, 2022:						
Customer repurchase agreements	\$ 35,100	\$ —	\$ 35,100	\$ —	N/A	2.94 %
Short-term borrowings:						
FHLB secured borrowings	975,001	—	975,001	145,104	December 1, 2023	4.57 %
FRB discount window secured borrowings	—	—	—	607,405	N/A	N/A
Total	975,001	—	975,001	752,509		

**Long-term borrowings:**

Subordinated notes, 5.75%	70,000	(206)	69,794	—	September 1, 2024	5.75 %
Total borrowings	\$ 1,080,101	\$ (206)	\$ 1,079,895	\$ 752,509		

	Unamortized Deferred		Net Borrowings			
(dollars in thousands)	Borrowings - Principal	Issuance Costs	Outstanding	Available Capacity <sup>(1)</sup>	Maturity Dates	Interest Rates <sup>(2)</sup>
March 31, 2024:						
Customer repurchase agreements	\$ 37,059	\$ —	\$ 37,059	\$ —	N/A	3.48 %
Secured borrowings:						
FHLB	600,000	—	600,000	1,302,153	September 25, 2024	5.53 %
FRB:						
BTFP	1,000,000	—	1,000,000	—	January 15, 2025	4.76 %
Discount window	—	—	—	568,602	N/A	N/A
Raymond James repurchase agreement	—	—	—	17,780	N/A	N/A
Subordinated notes, 5.75%	70,000	(52)	69,948	—	September 1, 2024	5.75 %
Total borrowings	\$ 1,707,059	\$ (52)	\$ 1,707,007	\$ 1,888,535		
December 31, 2023:						
Customer repurchase agreements	\$ 30,587	\$ —	\$ 30,587	\$ —	N/A	3.42%
Secured borrowings:						
FHLB	—	—	—	1,271,846	N/A	N/A
FRB:						
BTFP	1,300,000	—	1,300,000	598,870	March 22, 2024	4.53%
Discount window	—	—	—	601,504	N/A	N/A
Raymond James repurchase agreement	—	—	—	17,993	N/A	N/A
Subordinated notes, 5.75%	70,000	(82)	69,918	—	September 1, 2024	5.75%
Total borrowings	\$ 1,400,587	\$ (82)	\$ 1,400,505	\$ 2,490,213		

- (1) Available capacity on the Company's **short-term** borrowing arrangements with the FHLB, the **FRB's BTFP program** **FRB** and the Raymond James repurchase line comprise pledged collateral that has not been borrowed against. At **September 30, 2023** **March 31, 2024**, the Company had total additional undrawn borrowing capacity of approximately **\$2.3 billion** **\$2.2 billion**, comprising unencumbered securities available to be pledged of approximately **\$269.9 million** **\$297.5 million** and undrawn financing on pledged assets of **\$2.0 billion**, including **\$1.7 billion** with the FHLB, **\$253.1 million** with the BTFP and **\$17.2 million** with Raymond James, **\$1.9 billion**.
- (2) **As part of the Company's agreement governing its participation in the BTFP program and the Raymond James repurchase agreement, the borrowing capacity is determined based on the principal balance of the pledged assets.**
- (3) Represent the weighted average interest rate on customer repurchase agreements and the **short-term** borrowings outstanding and the coupon interest rate on the subordinated notes, which approximates the effective interest rate.

The Company's repurchase agreements operate on a rolling basis and do not contain contractual maturity dates. The contractual maturity dates on FHLB secured borrowings represent the maturity dates of current advances and are not evidence of a termination date on the line.

There are no prepayment penalties nor unused commitment fees on any of the Company's borrowing arrangements.

**Bank Term Funding Program ("BTFP") ("BTFP")**

On March 12, 2023, the FRB, Department of Treasury and the **FDIC** **Federal Deposit Insurance Corporation ("FDIC")** issued a joint statement outlining actions they had taken to protect the U.S. economy by strengthening public confidence in the banking system as a result of and in response to recently announced bank closures. Among other actions, the Federal Reserve Board announced that it would make available additional funding to eligible depository institutions through the creation of a new BTFP. The BTFP provides eligible depository institutions, including the Company's subsidiary bank, **EagleBank**, **the Bank**, an additional source of liquidity.

Borrowings are funded based on a percentage of the principal of eligible collateral posted, as defined within the terms of the program. Interest is payable at a fixed rate over the term of the borrowing and there are no prepayment penalties. The **Federal Reserve announced in January 2024 that the BTFP would stop originating new loans on March 11, 2024, as scheduled. The Federal Reserve also modified the terms of the program so that the interest rate for new loans would be no lower than the interest rate on reserve balances in effect on the day the loan is expected to continue until made.** In January 2024, the Company borrowed an additional \$500.0 million through the BTFP and refinanced \$500.0 million under the program, both at **least March 2024**, an interest rate of 4.76% that mature in January 2025.

## Subordinated Notes

On August 5, 2014, the Company completed the sale of \$70.0 million of its 5.75% subordinated notes, due September 1, 2024 (the "2024 Notes"). The 2024 Notes were offered to the public at par and qualify as Tier 2 capital for regulatory purposes to the fullest extent permitted under the Basel III Rule capital requirements, requirements, and were fully phased out of regulatory capital as of December 31, 2023 as they approached maturity. The net proceeds were approximately \$68.8 million which included \$1.2 million in deferred financing costs, which are being amortized over the life of the 2024 Notes.

## Note 9. Net Income (Loss) per Common Share

The calculation of net income per common share for the three and nine months ended September 30, 2023, March 31, 2024, and 2022 2023 was as follows:

		Three Months Ended September 30,		Nine Months Ended September 30,	
		Three Months Ended March 31,		Three Months Ended March 31,	
		Three Months Ended March 31,		Three Months Ended March 31,	
		Three Months Ended March 31,		Three Months Ended March 31,	
(dollars and shares in thousands, except per share data)					
(dollars and shares in thousands, except per share data)					
(dollars and shares in thousands, except per share data)					
		2023	2022	2023	2022
Basic:	Basic:				
Net income		\$ 27,383	\$ 37,297	\$ 80,309	\$ 98,737
Basic:					
Net (loss) income					
Net (loss) income					
Net (loss) income					
Average common shares outstanding	Average common shares outstanding	29,910	32,084	30,487	32,066
Basic net income per common share		\$ 0.91	\$ 1.16	\$ 2.63	\$ 3.08
Average common shares outstanding					
Average common shares outstanding					
Basic net (loss) income per common share					
Basic net (loss) income per common share					
Basic net (loss) income per common share					
Diluted:	Diluted:				
Net income		\$ 27,383	\$ 37,297	\$ 80,309	\$ 98,737
Diluted:					
Net (loss) income					
Net (loss) income					
Net (loss) income					
Average common shares outstanding					
Average common shares outstanding					
Average common shares outstanding	Average common shares outstanding	29,910	32,084	30,487	32,066
Adjustment for common share equivalents	Adjustment for common share equivalents	34	71	48	72
Adjustment for common share equivalents					

Adjustment for common share equivalents				
Average common shares outstanding-diluted	Average common shares outstanding-diluted	29,944	32,155	30,535
				32,138
Diluted net income per common share	\$	0.91	\$	1.16
			\$	2.63
			\$	3.07
Average common shares outstanding-diluted				
Average common shares outstanding-diluted				
Diluted net (loss) income per common share				
Diluted net (loss) income per common share				
Diluted net (loss) income per common share				
Anti-dilutive shares	Anti-dilutive shares	3	3	3
				—
Anti-dilutive shares				
Anti-dilutive shares				

Basic net (loss) income per share is computed by dividing income available to common stockholders by the weighted-average number of common shares outstanding for the period. Diluted net (loss) income per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the net income (loss) of the Company. The computation of diluted per share does not assume conversion or exercise of securities that would have an anti-dilutive effect on net income (loss) per share.

Securities issued by the Company that could potentially dilute net income (loss) per share in future periods include stock options and restricted stock. To calculate diluted net income (loss) per share, the Company utilizes the Treasury Stock method which results in only an incremental number of shares added to shares outstanding during the period.

#### Note 10. Other Comprehensive (Loss) Income

The following table presents the components of other comprehensive (loss) income for the three and nine months ended September 30, 2023 March 31, 2024 and 2022 2023.

(dollars in thousands)	Before Tax	Tax Effect	Net of Tax
<b>Three Months Ended March 31, 2024</b>			
Net unrealized (loss) gain on securities available-for-sale	\$ (6,693)	\$ 1,626	\$ (5,067)
Less: Reclassification adjustment for net loss included in net income	(4)	1	(3)
Total unrealized (loss) gain on investment securities available-for-sale	(6,697)	1,627	(5,070)
Amortization of unrealized loss on securities transferred to held-to-maturity	1,731	(346)	1,385
Net unrealized gain on derivatives	363	(89)	274
Other comprehensive (loss) income	\$ (4,603)	\$ 1,192	\$ (3,411)
<b>Three Months Ended March 31, 2023</b>			
Net unrealized gain (loss) on securities available-for-sale	\$ 24,039	\$ (6,103)	\$ 17,936
Less: Reclassification adjustment for net loss included in net income	21	(5)	16
Total unrealized gain (loss) on investment securities available-for-sale	24,060	(6,108)	17,952
Amortization of unrealized loss on securities transferred to held-to-maturity	1,983	(1,342)	641
Other comprehensive income (loss)	\$ 26,043	\$ (7,450)	\$ 18,593
(dollars in thousands)	Before Tax	Tax Effect	Net of Tax
<b>Three Months Ended September 30, 2023</b>			
Net unrealized loss on securities available-for-sale	\$ (28,150)	\$ 6,836	\$ (21,314)
Less: Reclassification adjustment for net gain included in net income	(5)	1	(4)
Total unrealized loss on investment securities available-for-sale	(28,155)	6,837	(21,318)
Amortization of unrealized loss on securities transferred to held-to-maturity	1,824	(424)	1,400
Other comprehensive loss	\$ (26,331)	\$ 6,413	\$ (19,918)

<b>Three Months Ended September 30, 2022</b>			
Net unrealized loss on securities available-for-sale	\$ (81,384)	\$ 21,355	\$ (60,029)
Less: Reclassification adjustment for net gain included in net income	(4)	1	(3)
Total unrealized loss on investment securities available-for-sale	(81,388)	21,356	(60,032)
Amortization of unrealized loss on securities transferred to held-to-maturity	2,382	(620)	1,762
Other comprehensive loss	\$ (79,006)	\$ 20,736	\$ (58,270)
<b>Nine Months Ended September 30, 2023</b>			
Net unrealized loss on securities available-for-sale	\$ (20,070)	\$ 4,618	\$ (15,452)
Less: Reclassification adjustment for net loss included in net income	14	(4)	10
Total unrealized gain on investment securities available-for-sale	(20,056)	4,614	(15,442)
Amortization of unrealized loss on securities transferred to held-to-maturity	5,638	(2,194)	3,444
Other comprehensive loss	\$ (14,418)	\$ 2,420	\$ (11,998)
<b>Nine Months Ended September 30, 2022</b>			
Net unrealized loss on securities available-for-sale	\$ (205,329)	\$ 53,876	\$ (151,453)
Less: Reclassification adjustment for net loss included in net income	172	(58)	114
Total unrealized loss on investment securities available-for-sale	(205,157)	53,818	(151,339)
Net unrealized loss on securities transferred to held-to-maturity	(66,193)	17,098	(49,095)
Amortization of unrealized loss on securities transferred to held-to-maturity	5,071	(1,318)	3,753
Total unrealized loss on investment securities held-to-maturity	(61,122)	15,780	(45,342)
Net unrealized gain on derivatives	284	—	284
Other comprehensive loss	\$ (265,995)	\$ 69,598	\$ (196,397)

The following table presents the changes in each component of accumulated other comprehensive income (loss), net of tax, for the three **and nine** months ended **September 30, 2023** **March 31, 2024** and **2022**, 2023.

(dollars in thousands)	(dollars in thousands)	Securities Available-For-Sale	Securities Held-to-Maturity	Derivatives	Accumulated Other Comprehensive Income (Loss)	(dollars in thousands)	Securities Available-For-Sale	Securities Held-to-Maturity	Derivatives	Accumulated Other Comprehensive Income (Loss)
<b>Three Months Ended September 30, 2023</b>										
<b>Three Months Ended March 31, 2024</b>										
<b>Three Months Ended March 31, 2024</b>										
<b>Three Months Ended March 31, 2024</b>										
Balance at beginning of period	Balance at beginning of period	\$(148,897)	\$(42,690)	\$ —	\$ (191,587)					
Other comprehensive loss before reclassifications		(21,314)	—	—	(21,314)					
Amounts reclassified from accumulated other comprehensive income (loss)		(4)	—	—	(4)					
Balance at beginning of period										
Balance at beginning of period										

Other comprehensive (loss) income before reclassifications					
Amounts reclassified from accumulated other comprehensive income					
Amortization of unrealized loss on securities transferred to held-to-maturity					
Amortization of unrealized loss on securities transferred to held-to-maturity					
Amortization of unrealized loss on securities transferred to held-to-maturity	Amortization of unrealized loss on securities transferred to held-to-maturity	—	1,400	—	1,400
Net other comprehensive (loss) income during period	Net other comprehensive (loss) income during period	(21,318)	1,400	—	(19,918)
Balance at end of period	Balance at end of period	\$ (170,215)	\$ (41,290)	\$ —	\$ (211,505)
<b>Three Months Ended September 30, 2022</b>					
<b>Three Months Ended March 31, 2023</b>					
<b>Three Months Ended March 31, 2023</b>					
<b>Three Months Ended March 31, 2023</b>					
Balance at beginning of period	Balance at beginning of period	\$ (105,265)	\$ (47,104)	\$ —	\$ (152,369)
Other comprehensive loss before reclassifications		(60,029)	—	—	(60,029)
Amounts reclassified from accumulated other comprehensive income (loss)		(3)	—	—	(3)
Amortization of unrealized loss on securities transferred to held-to-maturity		—	1,762	—	1,762
Net other comprehensive (loss) income during period		(60,032)	1,762	—	(58,270)
Balance at end of period		\$ (165,297)	\$ (45,342)	\$ —	\$ (210,639)
<b>Nine Months Ended September 30, 2023</b>					
<b>Balance at beginning of period</b>					
Balance at beginning of period	Balance at beginning of period	\$ (154,773)	\$ (44,734)	\$ —	\$ (199,507)



Other comprehensive income before reclassifications	Other comprehensive income before reclassifications	(15,452)	—	—	(15,452)
Amounts reclassified from accumulated other comprehensive income (loss)		10	—	—	10
Amounts reclassified from accumulated other comprehensive income					
Amortization of unrealized loss on securities transferred to held-to-maturity	Amortization of unrealized loss on securities transferred to held-to-maturity	—	3,444	—	3,444
Net other comprehensive (loss) income during period		(15,442)	3,444	—	(11,998)
Net other comprehensive income during period					
Balance at end of period	Balance at end of period	\$ (170,215)	\$ (41,290)	\$ —	\$ (211,505)
<b>Nine Months Ended September 30, 2022</b>					
Balance at beginning of period		\$ (13,958)	\$ —	\$ (284)	\$ (14,242)
Other comprehensive loss before reclassifications		(151,453)	(49,095)	284	(200,264)
Amounts reclassified from accumulated other comprehensive income (loss)		114	—	—	114
Amortization of unrealized loss on securities transferred to held-to-maturity		—	3,753	—	3,753
Net other comprehensive (loss) income during period		(151,339)	(45,342)	284	(196,397)
Balance at end of period		<u>\$ (165,297)</u>	<u>\$ (45,342)</u>	<u>\$ —</u>	<u>\$ (210,639)</u>

The following tables present table presents the amounts reclassified out of each component of accumulated other comprehensive income (loss) for the three and nine months ended September 30, 2023 March 31, 2024 and 2022, 2023.

Details about Accumulated Other Comprehensive Income (Loss) Components	Details about Accumulated Other Comprehensive Income (Loss) Components	Amount Reclassified from Accumulated Other Comprehensive Income (Loss)		Affected Line Item in Consolidated Statements of Income
Details about Accumulated Other Comprehensive Income (Loss) Components	Details about Accumulated Other Comprehensive Income (Loss) Components	Three Months Ended September 30,		
		2023	2022	
Realized gain (loss) on sale of investment securities		\$ 5	\$ 4	Net gain (loss) on sale of investment securities
Income tax benefit (expense)		(1)	(1)	Income tax expense
Total reclassifications for the periods		\$ 4	\$ 3	
Details about Accumulated Other Comprehensive Income (Loss) Components	Details about Accumulated Other Comprehensive Income (Loss) Components	Amount Reclassified from Accumulated Other Comprehensive Income (Loss)		Affected Line Item in Consolidated Statements of Income
		Nine Months Ended September 30,		
		Three Months Ended March 31,		

		Three Months Ended March 31,		Affected Line Item in Consolidated Statements of Operations
(dollars in thousands)	(dollars in thousands)	2023	2022	
Realized loss on sale of investment securities		\$ (14)	\$ (172)	Affected Line Item in Consolidated Statements of Income
Realized gain (loss) on sale of investment securities				
Realized gain (loss) on sale of investment securities				
Realized gain (loss) on sale of investment securities				
Realized gain (loss) on sale of investment securities				Net gain (loss) on sale of investment securities
Income tax benefit (expense)	Income tax benefit (expense)	4	58	Income tax expense
Income tax benefit (expense)				
Income tax benefit (expense)				(1) 5 Income tax expense
Total reclassifications for the periods	Total reclassifications for the periods	\$ (10)	\$ (114)	

#### Note 11. Fair Value Measurements

The fair value of an asset or liability is the price that would be received to sell that asset or paid to transfer that liability in an orderly transaction occurring in the principal market (or most advantageous market in the absence of a principal market) for such asset or liability. In estimating fair value, the Company utilizes valuation techniques that are consistent with the market approach, the income approach and/or the cost approach. Such valuation techniques are consistently applied. Inputs to valuation techniques include the assumptions that market participants would use in pricing an asset or liability. ASC Topic 820, "Fair Value Measurements and Disclosures," establishes a fair value hierarchy for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The fair value hierarchy is as follows:

Level 1 Quoted prices in active exchange markets for identical assets or liabilities; also includes certain U.S. treasury and other U.S. Government and agency securities actively traded in over-the-counter markets.

Level 2 Observable inputs other than Level 1 including quoted prices for similar assets or liabilities, quoted prices in less active markets, or other observable inputs that can be corroborated by observable market data; also includes derivative contracts whose value is determined using a pricing model with observable market inputs or inputs that can be derived principally from or corroborated by observable market data. This category generally includes certain U.S. Government and agency securities, corporate debt securities, derivative instruments, and residential mortgage loans held for sale.

Level 3 Unobservable inputs supported by little or no market activity for financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation; also includes observable inputs for single dealer nonbinding quotes not corroborated by observable market data. This category generally includes certain private equity investments, retained interests from securitizations, and certain collateralized debt obligations.

#### Assets and Liabilities Recorded at Fair Value on a Recurring Basis

The tables below present the recorded amount 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.

		Significant Other						Significant Other			
		Quoted	Other	Other			Quoted	Significant Other	Significant Other		
		Prices	Observable	Unobservable			Prices	Observable	Unobservable		
(dollars in thousands)	(dollars in thousands)	(Level 1)	Inputs (Level 2)	Inputs (Level 3)	Total Fair Value	(dollars in thousands)	(Level 1)	Inputs (Level 2)	Inputs (Level 3)	Total Fair Value	(dollars in thousands)
September 30, 2023											
March 31, 2024											
Assets:											
Assets:											
Assets:											
Investment securities available-for-sale:	Investment securities available-for-sale:										
Investment securities available-for-sale:	Investment securities available-for-sale:										
Investment securities available-for-sale:	Investment securities available-for-sale:										
U.S treasury bonds											

U.S treasury bonds					
U.S treasury bonds	U.S treasury bonds	\$ —	\$ 47,050	\$ —	\$ 47,050
U. S. agency securities	U. S. agency securities	—	656,277	—	656,277
Residential mortgage-backed securities	Residential mortgage-backed securities	—	714,148	—	714,148
Commercial mortgage-backed securities	Commercial mortgage-backed securities	—	48,004	—	48,004
Municipal bonds	Municipal bonds	—	7,802	—	7,802
Corporate bonds	Corporate bonds	—	1,664	—	1,664
Interest rate product	Interest rate product	—	41,787	—	41,787
Credit risk participation agreements		—	1	—	1
Interest rate product					
Interest rate product					
Total assets measured at fair value on a recurring basis					
Total assets measured at fair value on a recurring basis					
Total assets measured at fair value on a recurring basis	Total assets measured at fair value on a recurring basis	\$ —	\$1,516,733	\$ —	\$1,516,733
<b>Liabilities:</b>	<b>Liabilities:</b>				
Interest rate product	Interest rate product	\$ —	\$ 41,637	\$ —	\$ 41,637
Interest rate product					
Interest rate product					
Total liabilities measured at fair value on a recurring basis					
Total liabilities measured at fair value on a recurring basis					
Total liabilities measured at fair value on a recurring basis	Total liabilities measured at fair value on a recurring basis	\$ —	\$ 41,637	\$ —	\$ 41,637
<b>December 31, 2022</b>					

December 31, 2023					
December 31, 2023					
December 31, 2023					
Assets:					
Assets:					
Assets:	Assets:				
Investment securities available-for-sale:	Investment securities available-for-sale:				
Investment securities available-for-sale:					
Investment securities available-for-sale:					
U.S. treasury bonds					
U.S. treasury bonds					
U.S. treasury bonds	U.S. treasury bonds	\$ —	\$ 46,327	\$ —	\$ 46,327
U. S. agency securities	U. S. agency securities	—	669,728	—	669,728
Residential mortgage-backed securities	Residential mortgage-backed securities	—	820,503	—	820,503
Commercial mortgage-backed securities	Commercial mortgage-backed securities	—	50,213	—	50,213
Municipal bonds	Municipal bonds	—	10,087	—	10,087
Corporate bonds	Corporate bonds	—	1,808	—	1,808
Loans held for sale		—	6,734	—	6,734
Interest rate product	Interest rate product	—	31,039	—	31,039
Mortgage banking derivatives		—	—	93	93
Interest rate product					
Interest rate product					
Credit risk participation agreements					
Credit risk participation agreements					
Credit risk participation agreements					
Total assets measured at fair value on a recurring basis	Total assets measured at fair value on a recurring basis	\$ —	\$1,636,439	\$ 93	\$1,636,532
Liabilities:					
Liabilities:					
Credit risk participation agreements		\$ —	\$ 2	\$ —	\$ 2

Interest rate product					
Interest rate product					
Interest rate product	Interest rate product	—	30,065	—	30,065
Total liabilities measured at fair value on a recurring basis	Total liabilities measured at fair value on a recurring basis	\$ —	\$ 30,067	\$ —	\$ 30,067

**Investment securities available-for-sale:** Investment securities available-for-sale are recorded at fair value on a recurring basis. Fair value measurement is based upon quoted prices, if available. If quoted prices are not available, fair value is measured using independent pricing models or other model-based valuation techniques such as the present value of future cash flows, adjusted for the security's credit rating, prepayment assumptions and other factors such as credit loss assumptions. Level 1 securities include certain U.S. treasury bonds, U.S. Government and agency securities that actively traded in over-the-counter markets. Level 2 securities includes certain U.S. treasury bonds, U.S. agency debt securities, **mortgage-backed securities MBS** issued by Government Sponsored Entities and municipal bonds. Securities classified as Level 3 include securities in less liquid markets, for which the carrying amounts approximate the fair value.

The following is a reconciliation of activity for assets measured at fair value based on Significant Other Unobservable Inputs (Level 3):

(dollars in thousands)	Investment Securities Available-for-Sale
<b>Assets:</b>	
Beginning balance at January 1, 2022	\$ 10,000
Reclassified to investment securities held-to-maturity	(10,000)
Ending balance at December 31, 2022	\$ —

**Loans held for sale:** The Company previously carried loans held for sale at fair value. This election reduced certain timing differences in the Consolidated Statement of Income and better aligned with the management of the portfolio from a business perspective. Gains and losses on sales of residential mortgage loans are recorded as a component of noninterest income in the Consolidated Statements of Income. Gains and losses on sale of multifamily FHA securities are recorded as a component of noninterest income in the Consolidated Statements of Income. Fair value is derived from secondary market quotations for similar instruments. As such, the Company classified loans subjected to fair value adjustments as Level 2 valuation.

The following table summarizes the difference between the aggregate fair value and the aggregate unpaid principal balance for loans held for sale measured at fair value as of December 31, 2022:

(dollars in thousands)	Fair Value	Aggregate Unpaid Principal Balance	Difference
<b>December 31, 2022</b>			
Loans held for sale	\$ 6,734	\$ 6,775	\$ (41)

There were no residential mortgage loans held for sale that were 90 or more days past due or on nonaccrual status as of December 31, 2022. While the Company had loans held for sale outstanding in 2023, the Company does not have any loans held for sale as of September 30, 2023.

**Credit risk participation agreements:** The Company enters into RPAs with institutional counterparties, under which the Company assumes its pro-rata share of the credit exposure associated with a borrower's performance related to interest rate derivative contracts. The fair value of RPAs is calculated by determining the total expected asset or liability exposure of the derivatives to the borrowers and applying the borrowers' credit spread to that exposure. Total expected exposure incorporates both the current and potential future exposure of the derivatives, derived from using observable inputs, such as yield curves and volatilities. Accordingly, RPAs fall within Level 2.

**Interest rate derivatives:** The Company entered into an interest rate derivative agreement with an institutional counterparty, under which the Company will receive cash if and when market rates exceed the derivatives strike rate. The fair value of the derivative is calculated by determining the total expected asset or liability exposure of the derivative. 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. Accordingly, the derivative falls within Level 2.

**Mortgage banking derivatives for loans settled on a mandatory basis:** The Company commenced the cessation of first lien residential mortgage origination for secondary sale in the first quarter of 2023. The Company completed origination and sales activities as of the end of the second quarter of 2023. While the Company had mortgage banking derivatives in 2023 and 2022, the Company does not have any of these derivatives as of September 30, 2023.

#### Assets and Liabilities Recorded at Fair Value on a Nonrecurring Basis

The Company measures certain assets at fair value on a nonrecurring basis, and the following is a general description of the methods used to value such assets.

**Loans:** The fair value of individually assessed loans is estimated using one of several methods, including the collateral value, market value of similar debt, enterprise value, liquidation value and discounted cash flows. Those individually assessed loans not requiring a specific allowance represent loans for which the fair value of expected repayments or collateral exceed the recorded investment in such loans. At September 30, 2023 March 31, 2024, substantially all of the Company's individually evaluated loans were evaluated based upon the fair value of the collateral. In accordance with ASC Topic 820, individually evaluated loans where an allowance is established based on the fair value of collateral, i.e. those that are collateral dependent, require classification in the fair value hierarchy. When the fair value of the collateral is based on an observable market price or a current appraised value, the Company records the loan as nonrecurring Level 2. When an appraised value is not available or management determines the fair value of the collateral is further impaired below the appraised value and there is no observable market price, the Company records the loan as nonrecurring Level 3.

**Other real estate owned ("OREO"):** Other real estate owned OREO is initially recorded at fair value less estimated selling costs. Fair value is based upon independent market prices, appraised values of the collateral or management's estimation of the value of the collateral, which the Company classifies as a Level 3 valuation.

Assets measured at fair value on a nonrecurring basis are included in the table below:

		Quoted Prices (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)	Total Fair Value		Quoted Prices (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)	Total Fair Value
(dollars in thousands)	(dollars in thousands)					(dollars in thousands)				
<b>September 30, 2023</b>										
<b>March 31, 2024</b>						<b>March 31, 2024</b>				
Individually assessed loans:	Individually assessed loans:									
Commercial	Commercial									
Commercial	Commercial									
Commercial	Commercial	\$ —	\$ —	\$ 2,583	\$ 2,583					
Income producing - commercial real estate	Income producing - commercial real estate	—	—	23,738	23,738					
Income producing - commercial real estate	Income producing - commercial real estate									
Income producing - commercial real estate	Income producing - commercial real estate									
Owner occupied - commercial real estate	Owner occupied - commercial real estate	—	—	19,929	19,929					
Real estate mortgage - residential	Real estate mortgage - residential	—	—	1,638	1,638					
Construction - commercial and residential	Construction - commercial and residential	—	—	39,896	39,896					
Home equity	Home equity									
Home equity	Home equity									
Home equity	Home equity	—	—	245	245					
Other real estate owned	Other real estate owned	—	—	1,487	1,487					
Total assets measured at fair value on a nonrecurring basis as of September 30, 2023										
		\$ —	\$ —	\$ 89,516	\$ 89,516					

Total assets measured at fair value on a nonrecurring basis as of March 31, 2024					
December 31, 2022					
December 31, 2023					
December 31, 2023					
December 31, 2023					
Individually assessed loans:					
Individually assessed loans:					
Individually assessed loans:	Individually assessed loans:				
Commercial	Commercial	\$	—	\$	—
		\$	1,790	\$	1,790
Commercial					
Commercial					
Income producing - commercial real estate					
Income producing - commercial real estate					
Income producing - commercial real estate	Income producing - commercial real estate	—	—	3,131	3,131
Owner occupied - commercial real estate	Owner occupied - commercial real estate	—	—	19,187	19,187
Real estate mortgage - residential	Real estate mortgage - residential	—	—	1,404	1,404
Consumer	Consumer	—	—	3	3
Home equity					
Other real estate owned	Other real estate owned	—	—	1,962	1,962
Total assets measured at fair value on a nonrecurring basis as of December 31, 2022					
		\$	—	\$	—
		\$	27,477	\$	27,477
Total assets measured at fair value on a nonrecurring basis as of December 31, 2023					

#### Fair Value of Financial Instruments

The Company discloses fair value information about financial instruments for which it is practicable to estimate the value, whether or not such financial instruments are recognized on the balance sheet. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by quoted market price, if one exists.

Quoted market prices, if available, are shown as estimates of fair value. Because no quoted market prices exist for a portion of the Company's financial instruments, the fair value of such instruments has been derived based on management's assumptions with respect to future economic conditions, the amount and timing of future cash flows and estimated discount rates. Different assumptions could significantly affect these estimates. Accordingly, the net realizable value could be materially different from the estimates presented below. In addition, the estimates are only indicative of individual financial instrument values, including in certain cases, the Company's estimation of exit pricing, and should not be considered an indication of the fair value of the Company taken as a whole.

The estimated fair value of the Company's financial instruments at September 30, 2023, March 31, 2024 and December 31, 2022, December 31, 2023 are as follows:

		Fair Value Measurements				
		Fair Value Measurements				
		Fair Value Measurements				
		Fair Value Measurements				
(dollars in thousands)	(dollars in thousands)	Carrying Value	Fair Value	Quoted Prices (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
September 30, 2023						
(dollars in thousands)						
(dollars in thousands)						
March 31, 2024						
March 31, 2024						
March 31, 2024						
Assets						
Assets						
Assets	Assets					
Cash and due from banks	Cash and due from banks	\$ 8,625	\$ 8,625	\$ 8,625	\$ —	\$ —
Cash and due from banks						
Cash and due from banks						
Federal funds sold	Federal funds sold	13,611	13,611	—	13,611	—
Interest bearing deposits with other banks						
Interest bearing deposits with other banks						
Federal funds sold						
Federal funds sold						
Interest-bearing deposits with other banks						
Interest-bearing deposits with other banks						
Interest-bearing deposits with other banks						
Investment securities available-for-sale						
Investment securities available-for-sale						
Investment securities available-for-sale	Investment securities available-for-sale	1,474,945	1,474,945	—	1,474,945	—
Investment securities held-to-maturity	Investment securities held-to-maturity	1,032,485	872,710	—	872,710	—
Investment securities held-to-maturity						
Investment securities held-to-maturity						
Federal Reserve and Federal Home Loan Bank stock						
Federal Reserve and Federal Home Loan Bank stock						



Federal Reserve and Federal Home Loan Bank stock	Federal Reserve and Federal Home Loan Bank stock	25,689	N/A	—	—	—
Loans						
Loans						
Loans	Loans	7,916,391	7,635,283	—	—	7,635,283
Bank owned life insurance	Bank owned life insurance	112,234	112,234	—	112,234	—
Bank owned life insurance						
Bank owned life insurance						
Annuity investment	Annuity investment	13,088	13,088	—	13,088	—
Annuity investment						
Annuity investment						
Interest rate product						
Interest rate product						
Interest rate product						
Interest rate product		41,787	41,787	—	41,787	—
Credit risk participation agreement		1	1	—	1	—
Accrued interest receivable						
Accrued interest receivable						
Accrued interest receivable	Accrued interest receivable	53,361	53,361	53,361	—	—
<b>Liabilities</b>	<b>Liabilities</b>					
Noninterest bearing deposits	\$	2,072,665	\$	2,072,665	\$	—
Interest bearing deposits		4,062,552	4,062,552	—	4,062,552	—
<b>Liabilities</b>						
<b>Liabilities</b>						
Noninterest-bearing deposits						
Noninterest-bearing deposits						
Noninterest-bearing deposits						
Interest-bearing deposits						
Interest-bearing deposits						
Interest-bearing deposits						
Time deposits						
Time deposits						
Time deposits	Time deposits	2,241,089	2,225,503	—	2,225,503	—
Customer repurchase agreements	Customer repurchase agreements	25,689	25,689	—	25,689	—
Customer repurchase agreements						
Customer repurchase agreements						
Borrowings						
Borrowings						
Borrowings	Borrowings	1,369,888	1,367,912	—	1,367,912	—
Interest rate product	Interest rate product	41,637	41,637	—	41,637	—
Interest rate product						
Interest rate product						
Accrued interest payable						
Accrued interest payable						
Accrued interest payable	Accrued interest payable	38,642	38,642	38,642	—	—

December 31, 2022									
December 31, 2023									
December 31, 2023									
December 31, 2023									
Assets									
Assets									
Assets	Assets								
Cash and due from banks	Cash and due from banks	\$	12,655	\$	12,655	\$	12,655	\$	—
Cash and due from banks									
Cash and due from banks									
Federal funds sold	Federal funds sold		33,927		33,927		—		33,927
Interest bearing deposits with other banks									
Interest bearing deposits with other banks									
Interest bearing deposits with other banks									
Interest bearing deposits with other banks									
Investment securities available-for-sale									
Investment securities available-for-sale									
Investment securities available-for-sale	Investment securities available-for-sale		1,598,666		1,598,666		—		1,598,666
Investment securities held-to-maturity	Investment securities held-to-maturity		1,093,374		967,940		—		967,940
Investment securities held-to-maturity									
Investment securities held-to-maturity									
Federal Reserve and Federal Home Loan Bank stock	Federal Reserve and Federal Home Loan Bank stock		65,067		N/A		—		—
Loans held for sale									
Federal Reserve and Federal Home Loan Bank stock									
Federal Reserve and Federal Home Loan Bank stock									
Loans									
Loans									
Loans	Loans		7,635,632		7,492,283		—		7,492,283
Bank owned life insurance	Bank owned life insurance		110,998		110,998		—		110,998
Bank owned life insurance									
Bank owned life insurance									
Annuity investment	Annuity investment		13,869		13,869		—		13,869
Mortgage banking derivatives									
Annuity investment									
Annuity investment									

Credit risk participation agreements							
Credit risk participation agreements							
Credit risk participation agreements							
Interest rate product	Interest rate product	31,039	31,039	—	31,039	—	
Interest rate product							
Interest rate product							
Accrued interest receivable							
Accrued interest receivable							
Accrued interest receivable	Accrued interest receivable	51,390	51,390	51,390	—	—	
Liabilities							
Liabilities							
Noninterest bearing deposits	\$	3,150,751	\$	3,150,751	\$	—	\$ 3,150,751 \$ —
Interest bearing deposits		4,778,932		4,778,932		—	4,778,932 —
Liabilities							
Liabilities							
Noninterest-bearing deposits							
Noninterest-bearing deposits							
Noninterest-bearing deposits							
Interest-bearing deposits							
Interest-bearing deposits							
Interest-bearing deposits							
Time deposits							
Time deposits							
Time deposits	Time deposits	783,499	777,757	—	777,757	—	
Customer repurchase agreements							
Customer repurchase agreements							
Customer repurchase agreements	Customer repurchase agreements	35,100	35,100	—	35,100	—	
Customer repurchase agreements							
Customer repurchase agreements							
Borrowings							
Borrowings							
Borrowings	Borrowings	1,044,795	1,043,083	—	1,043,083	—	
Credit risk participation agreements		2	2	—	2	—	
Interest rate product							
Interest rate product							
Interest rate product	Interest rate product	30,065	30,065	—	30,065	—	
Accrued interest payable	Accrued interest payable	25,911	25,911	25,911	—	—	
Accrued interest payable							
Accrued interest payable							

## Note 12 - Legal Contingencies

There have been no material changes in the status of the legal, regulatory and governmental proceedings, investigations and inquiries previously disclosed in Part II, Item 8, "Note 21 - Commitments and Contingent Liabilities" of the Company's Annual Report on Form 10-K for the year ended December 31, 2022. From time to time, the Company and its subsidiaries are involved in various legal proceedings and regulatory and governmental investigations and inquiries incidental to their business in the ordinary course, including matters in which damages in various amounts are claimed. Such claimed, as well as regulatory and governmental investigations and inquiries. Based on information currently available, the Company does not believe that the liabilities (if any) resulting from such matters may result will have a material effect on the financial position of the Company. However, in light of the inherent uncertainties involved in such matters, ongoing legal expenses that or an adverse outcome in one or more of these matters could materially and adversely impact affect the Company's financial condition, and results of operations of the Company. The Company had no contingent liabilities outstanding or cash flows in connection with pending legal matters at September 30, 2023 and December 31, 2022.

As previously disclosed, the Company maintains director and officer insurance policies ("D&O Insurance Policies") that provide coverage for the legal defense costs. When claims are covered by D&O Insurance Policies, the Company records a corresponding receivable against the incurred legal defense cost expense subject to coverage under the D&O Insurance Policies and then eliminates the receivable and expense when the claim is paid. If the D&O Insurance Policies are exhausted, the Company will be responsible for paying the defense costs associated with any investigations and litigations for itself and on behalf of any current and former Officers and Directors entitled to indemnification from

the Company. The D&O Insurance Policies for the particular reporting period, from December 2016 to December 2017 have been exhausted. The Company will therefore be responsible for paying future costs related to matters from that period, if any, including matters that are not currently pending. The Company cannot predict with any certainty the amount of defense costs that the Company may incur in the future in connection with any potential future investigations and legal proceedings, as they are dependent on various factors, many of which are outside of the Company's control, well as its reputation.

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

The following discussion provides information about the results of operations, financial condition, liquidity, and capital resources of Eagle Bancorp, Inc. (the "Company") and its subsidiaries (collectively, the "Company") as of the dates and periods indicated. The Company's primary subsidiary is EagleBank (the "Bank"), and the Company's other direct and indirect active subsidiaries are Bethesda Leasing, LLC, Eagle Insurance Services, LLC and Landroval Municipal Finance, Inc.

This discussion and analysis should be read in conjunction with the unaudited Consolidated Financial Statements and Notes thereto, appearing elsewhere in this report and the Management Discussion and Analysis in the Company's Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023.

**Caution About Forward Looking Statements.** This report contains forward looking statements. These forward looking statements represent plans, estimates, objectives, goals, guidelines, expectations, intentions, projections and statements of our beliefs concerning future events, business plans, objectives, expected operating results and the assumptions upon which those statements are based. Forward looking statements include, without limitation, any statement that may predict, forecast, indicate or imply future results, performance or achievements and are typically identified with words such as "may," "will," "can," "anticipates," "believes," "expects," "plans," "estimates," "potential," "assume," "probable," "possible," "continue," "should," "could," "would," "strive," "seeks," "deem," "projections," "forecast," "consider," "indicative," "uncertainty," "likely," "unlikely," "likelihood," "unknown," "attributable," "depends," "intends," "generally," "feel," "typically," "judgment," "subjective" "may," "will," "can," "anticipates," "believes," "expects," "plans," "outlook," "estimates," "potential," "assume," "probable," "possible," "continue," "should," "could," "would," "strive," "seeks," "deem," "projections," "forecast," "consider," "indicative," "uncertainty," "likely," "unlikely," "likelihood," "unknown," "attributable," "depends," "intends," "generally," "feel," "typically," "judgment," "subjective" and similar words or phrases.

For details on factors that could affect these expectations, see the risk factors contained in this report and the risk factors and other cautionary language included in the Company's Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023, and in other periodic and current reports filed by the Company with the Securities and Exchange Commission. Commission ("SEC"). These forward looking statements are based largely on our expectations and are subject to a number of known and unknown risks and uncertainties that are subject to change based on factors which are, in many instances, beyond our control. Actual results, performance or achievements could differ materially from those contemplated, expressed or implied by the forward looking statements. The Company's past results are not necessarily indicative of future performance, and nothing contained herein is meant to or should be considered and treated as earnings guidance of future quarters' performance projections. All information is as of the date of this report. Any forward-looking statements made by or on behalf of the Company speak only as to the date they are made. Except to the extent required by applicable law or regulation, the Company undertakes no obligation to revise or update publicly any forward looking statement for any reason.

### GENERAL

The Company is a growth-oriented, one-bank holding company headquartered in Bethesda, Maryland. Maryland, which is currently celebrating twenty-five years of successful operations. The Company provides general commercial and consumer banking services through EagleBank (the "Bank"), the Bank, its wholly owned banking subsidiary, a Maryland chartered bank which is a member of the Federal Reserve System. System ("Federal Reserve Board," "Federal Reserve" or "FRB").

The Company was organized in October 1997, to be the holding company for the Bank. The Bank was organized in 1998 as an independent, community oriented, full service banking alternative to the super regional financial institutions which that dominate the Company's primary market area. The Company's philosophy is to provide superior, personalized service to its customers. The Company focuses on relationship banking, providing each customer with a number of services and becoming familiar with and addressing customer needs in a proactive, personalized fashion. The Bank currently has a total of thirteen twelve branch offices, including six in Suburban Maryland, three in Northern Virginia, six in Suburban Maryland, and four three in Washington, D.C. The Bank also operates four lending offices, with two in Suburban Maryland, one in Northern Virginia, two in Suburban Maryland and one in Washington, D.C. During the first nine months of 2023, three branches were In April 2024, one branch was closed as they it had an expiring leases. lease. The branches' branch's clients will be served from our other branches, and through digital channels.

The Bank offers a broad range of commercial banking services to its business and professional clients, as well as full service consumer banking services to individuals living and/or working primarily in the Bank's market area. The Bank emphasizes providing commercial banking services to sole proprietors, small and medium-sized businesses, non-profit organizations and associations, and investors living and working in and near the primary service area. These services include the usual deposit functions of commercial banks, including business and personal checking accounts, "NOW" accounts and money market and savings accounts, business, construction, and commercial loans, consumer loans, and cash management services. The Bank is also active in the origination of Small Business Administration ("SBA") loans.

The Bank made the strategic decision to cease originating first lien residential mortgage loans for secondary sale in the first quarter of 2023, due to diminishing residential mortgage production volumes in the face of a higher interest rate environment and increasing costs associated with regulatory compliance and risk management. The residential mortgage loans were originated for sale to third-party investors subject to compliance with pre-established criteria. The Company commenced the cessation of first lien residential mortgage origination for secondary sale during the three months ended March 31, 2023. The Company completed origination and sales activities as of June 30, 2023.

The Bank generally sells the guaranteed portion of the SBA loans in a transaction apart from the loan origination generating noninterest income from the gains on sale, as well as servicing income on the portion participated. The Company originates multifamily Federal Housing Administration ("FHA") loans through the Department of Housing and Urban Development's Multifamily Accelerated Program ("MAP"). The Company securitizes these loans through the Government National Mortgage Association ("Ginnie Mae") MBS I program and shortly thereafter sells the resulting securities in the open market to authorized dealers in the normal course of business, and periodically bundles and sells the servicing rights. Bethesda Leasing, LLC, a subsidiary of the Bank, holds title to and manages other real estate owned ("OREO") assets. Landroval Municipal Finance, Inc., a subsidiary of the Bank, focuses on lending to municipalities by buying debt on the public market as well as direct purchase issuance.

### CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Company's Consolidated Financial Statements are prepared in accordance with GAAP generally accepted accounting principles in the United States of America ("GAAP") and follow general practices within the banking industry. Application of these principles requires management to make estimates, assumptions, and judgments that affect the amounts reported in the financial statements and accompanying notes. These estimates, assumptions and judgments are based on information available as of the date of the Consolidated Financial Statements; accordingly, as this information changes, the Consolidated Financial Statements could reflect different estimates, assumptions, and judgments. Certain policies inherently have a greater reliance on the use of estimates, assumptions and judgments and, as such, have a greater possibility of producing results that could be materially different than originally reported. Estimates, assumptions, and judgments are necessary when assets and liabilities are required to be recorded at fair value, when a decline in the value of an asset not carried on the financial statements at fair value warrants an impairment write-down or a valuation reserve to be established, or when an asset or liability needs to be recorded contingent upon a future event. Carrying assets and liabilities at fair value inherently results in more financial statement volatility. The Company applies the accounting policies contained in Note 1 to Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023 and Note 1 to the Consolidated Financial Statements included in this report. There have been no significant changes to the Company's accounting policies as disclosed in the Company's Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023 except as indicated in "Accounting Standards Adopted in 2023" 2024" in Note 1 to the Consolidated Financial Statements in this report.

#### Allowance for Credit Losses on Loans and Reserve for Unfunded Commitments

A consequence of lending activities is that we may incur credit losses, so we record an allowance for credit losses ("ACL") with respect to loan receivables and a reserve for unfunded commitments ("RUC") as estimates of those losses. The amount of the ACL on loans is based on management's assessment of current expected credit losses ("CECL") in the portfolio. The amount of such losses will vary depending upon the risk characteristics of the loan portfolio as affected by economic conditions such as changes in interest rates, the financial performance of borrowers and regional unemployment rates, which management estimates by using a national forecast and estimating a regional adjustment based on historical differences between the two.

Management has significant discretion in making the judgments inherent in the determination of the provisions for credit loss, ACL and the RUC. Our determination of these amounts requires significant reliance on estimates and significant judgment as to the amount and timing of expected future cash flows on loans, significant reliance on historical loss rates on homogenous portfolios, consideration of our quantitative and qualitative evaluation of economic factors and the reliance on our reasonable and supportable forecasts.

We estimate the ACL on loans using a quantitative model that uses a probability of default ("PD") / loss given default ("LGD") cash flow method with an exposure at default ("EAD") model to estimate expected credit losses for its loan segments. The modeling of expected prepayment speeds is based on historical internal data and adjustments to account for loan-specific risk characteristics after pooling our loan portfolio based on similar risk characteristics.

The Company uses regression analysis of historical internal and peer data provided by a third-party service provider (as Company loss data is insufficient) to determine suitable loss drivers to utilize when modeling lifetime PD and LGD. This analysis also determines how expected PD will react to forecasted levels of the loss drivers. During the three months ended March 31, 2024, management enhanced the cash flow model to incorporate three additional macroeconomic variables. The four economic variables selected, national unemployment (original variable used), Commercial Real Estate ("CRE") Price Index, House Price Index and Gross Domestic Product ("GDP"), are incorporated by utilizing a Loss Driver Analysis approach that factors in historical losses, including during the Great Recession, of regional peer banks and the Bank. The updated model incorporates a weighting of three economic scenarios; baseline, upside and downside. The scenarios cover the four economic forecast variables, with each segment of the portfolio linked to two of these variables, depending on the segment. The loss driver analysis is spread over a reasonable and supportable period of 18 months and reverts back to a historical loss rate over twelve months on a straight-line basis over the loan's remaining maturity. Management leverages economic projections from reputable and independent third parties to inform its loss driver forecasts over the forecast period.

Loans that have evidence of credit deterioration are excluded from the loan segments subject to the quantitative model above and are individually assessed.

The RUC represents the expected credit losses on off-balance sheet commitments such as unfunded commitments to extend credit and standby letters of credit. The RUC is determined by estimating future draws and applying the expected loss rates on those draws.

The ACL also includes an amount for inherent risks not reflected in the historical analyses. Relevant factors include, but are not limited to, concentrations of credit risk, changes in underwriting standards, experience and depth of lending staff and trends in delinquencies. While our methodology in establishing the reserve for credit losses attributes portions of the ACL and RUC to the commercial and consumer portfolio segments, the entire ACL and RUC is available to absorb credit losses expected in the total loan portfolio and total amount of unfunded credit commitments, respectively. Our model may reflect assumptions by management that are not covered by the qualitative and environmental factors, and we reevaluate all of its factors quarterly.

Management has developed an analytical process to monitor the adequacy of the ACL. Our methodology for determining our ACL was developed utilizing, among other factors, the guidance from federal banking regulatory agencies and relevant available information from internal and external sources and relating to past events, current conditions and reasonable and supportable forecasts. The process is being continually enhanced and refined based on periodic reviews. Material changes to these and other relevant factors may result in greater volatility to the reserve for credit losses, and therefore, greater volatility to our reported earnings. For example, the effects of the COVID-19 pandemic and related hybrid or fully remote working environment has negatively impacted the performance outlook in the central business district office CRE segment of our loan portfolio, which informed our CECL economic forecast and continued to adversely impact our loss reserve as of March 31, 2024. Refer to the "Provision for Credit Losses" and "Allowance for Credit Losses" of Management's Discussion and Analysis of Financial Condition and Results of Operations for more information on the provision for credit losses and ACL for the loan portfolio.

#### Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the net assets acquired. Goodwill is subject to impairment testing, which must be conducted at least annually or upon the occurrence of a triggering event. Various factors, such as the Company's results of operations, the trading price of the Company's common stock relative to the book value per share, macroeconomic conditions and conditions in the banking sector, inform whether a triggering event for an interim goodwill impairment test has occurred. Goodwill is recorded and evaluated for impairment at its reporting unit, the Company. The Company's policy is to test goodwill for impairment annually as of December 31, or on an interim basis if an event triggering an impairment assessment is determined to have occurred.

Testing of goodwill impairment comprises a two-step process. First, the Company performs a qualitative assessment to evaluate relevant events or circumstances to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If the Company determines that it is more likely than not that an impairment has occurred, it proceeds to the quantitative impairment test, whereby it calculates the fair value of the reporting unit and compares it with its carrying amount, including

goodwill. In its performance of impairment testing, the Company has the unconditional option to proceed directly to the quantitative impairment test, bypassing the qualitative assessment. If the carrying amount of the reporting unit exceeds the fair value, the amount by which the carrying amount exceeds fair value, up to the carrying value of goodwill, is recorded through earnings as an impairment charge. If the results of the qualitative assessment indicate that it is not more likely than not that an impairment has occurred, or if the quantitative impairment test results in a fair value of the reporting unit that is greater than the carrying amount, then no impairment charge is recorded.

#### During

As part of its annual testing for goodwill impairment, the second quarter of 2023, Company concluded that no impairment existed at December 31, 2023. Management determined that it has evaluated and will continue to evaluate economic conditions in interim periods for triggering event had occurred as a result of a sustained decrease in the Company's stock price and a revision in the earnings outlook in comparison to budget for the remainder of 2023 due primarily to the economic uncertainty and market volatility resulting from the rising interest rate environment and the recent events in the banking sector. The Company performed a qualitative assessment and quantitative impairment test on its only reporting unit as of May 31, 2023.

The Company engaged a third-party service provider to assist Management with the determination events. As of the fair value time of this report's filing, the Company in the second quarter of 2023. A combination of a risk-weighted income valuation methodology, comprising a discounted cash flow analysis, and a market valuation methodology, comprising the guideline public company method, was employed.

Significant judgment is necessary in the determination of the fair value of a reporting unit. The income valuation methodology requires an estimation of did not identify any triggering events for interim testing. However, future cash flows, considering the after-tax results of operations, the extent and timing of credit losses, and appropriate discount and growth rates. Actual future cash flows may differ from forecasted results based on the assumptions used.

In performing the discounted cash flow analysis, the Company utilized multi-year cash projections that rely on internal forecasts of loan and deposit growth, bond mix, financing composition, market pricing of securities, credit performance, forward interest rates, future returns driven by net interest margin, fee generation and expense incurrence, industry and economic trends, and other relevant considerations. The long-term growth rate used in the calculation of fair value was derived from published projections of the inflation rate and GDP, along with Management estimates.

The discount rate was calculated as the cost of equity capital using the modified capital asset pricing model, which includes variables events, including the risk-free interest rate, beta, equity risk premium, size premium, and company-specific risk premium.

The market approach considers a combination of price to tangible book value and price to earnings, adjusted based on companies similar to the reporting unit and adjusted for selected multiples, along with a control premium based on a review of transactions in the banking industry in order to calculate the indicated value continuation of the Company's equity on a control, marketable basis.

The resulting calculation of fair recent common stock trading below the book value exceeded the carrying amount of the Company by approximately 17% as of May 31, 2023, which resulted in no impairment loss. Future events per share, could cause the Company to conclude that the Company's goodwill has or other intangibles have become impaired, which would result in recording an impairment loss. Any resulting impairment loss could have a material adverse impact on the Company's financial condition and results of operations. Management has evaluated and will continue to evaluate economic conditions in interim periods for triggering events. operations, however, it would not impact our regulatory capital ratios, tangible common equity ratio, nor its liquidity position.

## RESULTS OF OPERATIONS

### Earnings Summary

#### Three Months Ended September 30, 2023 March 31, 2024 vs. Three Months Ended September 30, 2022 March 31, 2023

Net income loss for the three months September 30, 2023 ended March 31, 2024 was \$27.4 million \$338 thousand, as compared to \$37.3 million net income of \$24.2 million for the same period in 2022 2023, a \$9.9 million decrease of \$24.6 million, or 26.6% 101.4%.

The decrease in of \$24.6 million to net income of \$9.9 million loss for the three months ended September 30, 2023 relative to March 31, 2024 from net income for the same period in 2022 2023 was due primarily to a decrease in net interest income of \$13.2 million, an increase in provision for credit losses of \$2.6 million \$29.0 million, and an increase in noninterest expenses of \$1.4 million, the total of which was partially offset by a reduction of income tax expense expenses of \$4.7 million \$3.9 million. For more information on the drivers and the components of these changes, see the "Provision for Credit Losses" and "Income Tax Expenses" sections below.

When the impact of the provision is excluded, pre-provision net revenue ("PPNR"), a decrease in the provision non-GAAP measure, was \$38.3 million for unfunded commitments of \$1.6 million, and an increase in noninterest income of \$1.0 million. Net interest income decreased primarily due to an increase in interest rates impacting deposits and funding costs that exceeded the increase in total interest income, which in part was affected by the reversal of \$1.6 million of interest income during the three months ended September 30, 2023 on a loan that entered nonperforming status. Noninterest expenses included an increase in FDIC insurance assessments of \$2.1 million. Noninterest income increased primarily due to an increase in other income of \$1.5 million. The increase in the provision was primarily driven by the fluctuations in the qualitative and economic factors of the credit model in the third quarter of 2023 March 31, 2024, as compared to \$38.1 million for the third quarter same period in 2023. Refer to the "Use of 2022. Additional details on other noninterest expenses are provided in the "Noninterest Expense" Non-GAAP Financial Measures" section below, for additional detail and a reconciliation of GAAP to non-GAAP financial measures.

Total revenue (i.e. net interest income plus noninterest income) was \$77.1 million \$78.3 million for the three months ended September 30, 2023 March 31, 2024, as compared to \$89.2 million \$78.7 million for the same period in 2022. The most significant portion of revenue is net interest income, which was \$70.7 million for the three months ended September 30, 2023, compared to \$83.9 million for the same period in 2022. Net interest income decreased primarily due to an increase in interest expense from increased interest rates on deposits and borrowings, which was partially offset by an increase in interest income on loans. The increase in interest income on loans included the impact of the reversal of interest income on the loan that entered nonperforming status during the three months ended September 30, 2023. The primary driver for the increase in noninterest income was an increase in swap fee income that was partially offset by a decrease from a gain to a loss on the sales of residential loans and fees associated with residential mortgage loans.

2023.



The net interest margin, which measures the difference between interest income and interest expense (i.e. net interest income) as a percentage of earning assets, was 2.43% for the three months ended September 30, 2023, 3.02% for March 31, 2024 and 2.77% for the same period in 2022. The \$1.6 million reversal of interest income on a loan that entered nonperforming status during the three months ended September 30, 2023 reduced the net interest margin by 0.06%. The drivers of the change are detailed in the "Net Interest Income and Net Interest Margin" section below.

Total noninterest income was \$3.6 million for the three months ended September 30, 2023, increased to \$6.3 million for March 31, 2024, as compared to \$5.3 million for the same period in 2022, a 19.6% increase. Noninterest income increased primarily due to an increase in other income driven by an increase in swap fee income of \$1.2 million, which expense was partially offset by a decrease from a gain to a loss on sales of residential loans. For further information on the components and drivers of these changes, see the "Noninterest Income" section below.

Other income was \$40.0 million for the three months ended September 30, 2023, increased to \$40.6 million for March 31, 2024, as compared to \$25.0 million for the same period in 2022, a 61.0% increase. This increase was primarily attributable to an increase in swap fee income of \$1.2 million. The drivers of the change are detailed in the "Noninterest Income" and "Noninterest Expense" sections below.

Loss on sale of loans The efficiency ratio remained steady at 51.09% for the three months ended September 30, 2023, as compared to 51.55% for March 31, 2024, as compared to an \$821 thousand gain for the same period in 2022, a decrease to earnings of \$826 thousand. The decline from a gain to a loss on sales of loans was due to lower volumes as a result of higher interest rates as well as ceasing the origination of residential mortgages as previously announced.

Noninterest expense totaled \$37.6 million for the three months ended September 30, 2023, as compared to \$36.2 million for same period in 2022, a \$1.4 million increase. The increase in noninterest expense was primarily due to an increase in FDIC insurance assessments of \$2.1 million. Additional details on other noninterest expenses are provided in "Noninterest Expense" section below.

Income tax expenses were \$7.2 million for the three months ended September 30, 2023, a reduction of 39.1%, compared to the same period in 2022. The components and drivers of the change are discussed in the "Income Tax Expense" section below.

The efficiency ratio was 48.83% for the three months ended September 30, 2023, as compared to 40.59% for the same period in 2022. The adverse change in the efficiency ratio was primarily driven by the decrease in net interest income as a result of the increase in interest rates on deposits and borrowings. Refer to the "Use of Non-GAAP Financial Measures" section for additional detail and a reconciliation of GAAP to non-GAAP financial measures.

For the three months ended September 30, 2023, March 31, 2024 and 2023, the Company reported an annualized return on average assets ("ROAA") of 0.91%, \$12.8 billion and \$11.4 billion, as compared respectively, the increase of which was primarily attributable to 1.29% for an increase in average interest-bearing deposits with other banks and other short-term investments over the same period in 2022. The annualized return on average common equity ("ROACE") for comparative period. For the three months ended September 30, 2023 was 8.80% as compared to 11.64% for March 31, 2024 and 2023, the same period in 2022. The annualized return on Company had average common equity of \$1.3 billion and \$1.2 billion, respectively. For the three months ended March 31, 2024 and 2023, the Company had average tangible common equity, ("ROATCE") for the three months ended September 30, 2023 was 9.61% as compared to 12.67% for the same period in 2022. The adverse change in returns was primarily attributable to the reduction in net income, a non-GAAP measure, of \$1.2 billion and \$1.1 billion, respectively. Refer to the "Use of Non-GAAP Financial Measures" section for additional detail and a reconciliation of GAAP to non-GAAP financial measures.

#### Nine Months Ended September 30, 2023 vs. Nine Months Ended September 30, 2022

Net income for the nine months ended September 30, 2023 was \$80.3 million, March 31, 2024, the Company reported an annualized return on average assets ("ROAA") of (0.01)%, as compared to \$98.7 million, 0.86% for the same period in 2022, a decrease of \$18.4 million, or 18.7%.

2023. The decrease in net income of \$18.4 million annualized return on average common equity ("ROACE") for the nine months ended September 30, 2023 relative to the same period in 2022 March 31, 2024 was due to a decrease in net interest income of \$29.7 million and an increase in provision for credit losses of \$16.3 million. These were offset by a decrease in the provision for unfunded commitments of \$1.0 million, a decrease in noninterest expenses of \$10.0 million, and a reduction of income tax expense of \$16.3 million.

Net interest income decreased primarily due to a rapid increase in interest rates impacting deposits and funding costs. These increases in interest expense exceeded the increase to interest income driven by rate growth during the comparative period. The provision for credit losses increased to \$17.0 million during the nine months ended September 30, 2023 from \$730 thousand during the nine months ended September 30, 2022. Noninterest income increased primarily due to an increase in swap fee income which was partially offset by a decrease in gain on the sales of residential loans and fees associated with residential mortgage loans. During the nine months ended September 30, 2023, the Company closed residential mortgage locked commitments of \$32.8 million, down from \$286.2 million for the nine months ended September 30, 2022. Noninterest expenses decreased \$10.0 million primarily in connection with the second quarter of 2022 accrual of settlement expenses in connection with the agreements with the Securities and Exchange Commission ("SEC") and Federal Reserve Bank ("FRB") associated with previously disclosed government investigations, totaling \$22.9 million. This was offset by an increase in salaries and benefits of \$7.3 million and legal and professional fees of \$2.1 million and FDIC insurance assessments of \$4.2 million. Additional details on the accrual for the agreements and other noninterest expenses are provided in "Noninterest Expense" section below.

Total revenue (i.e. net interest income plus noninterest income) was \$236.2 million for the nine months ended September 30, 2023 (0.11)% as compared to \$265.6 million, 7.92% for the same period in 2022. The most significant portion of revenue is net interest income, which was \$217.6 million annualized return on average tangible common equity ("ROATCE"), a non-GAAP measure, for the nine months ended September 30, 2023, March 31, 2024 was (0.11)% as compared to \$247.3 million, 8.65% for the same period in 2022. Net interest income decreased primarily due to increased interest expense due to higher rates on deposits and borrowings which was partially offset by an increase in interest income on loans. The primary driver for the increase in noninterest income was an increase in swap fees which was partially offset by a decrease in gain on the sales of residential mortgage loans and fees associated with residential mortgage loans.

The net interest margin, which measures the difference between interest income and interest expense (i.e. net interest income) as a percentage of earning assets, was 2.56% for the nine months ended September 30, 2023 and 2.86% for the same period in 2022. The drivers of the change are detailed in the "Net Interest Income and Net Interest Margin" section below.

Total noninterest income for the nine months ended September 30, 2023 increased to \$18.6 million from \$18.3 million for the same period in 2022, a 1.7% increase. Noninterest income increased primarily due to an increase in swap fees that was partially offset by a decline in gain on the sales of residential loans. For further information on the components and drivers of these changes see "Noninterest Income" section below.

Other income for the nine months ended September 30, 2023 increased to \$11.5 million from \$9.5 million for the same period in 2022, a 21.7% increase. Noninterest income increased primarily due to an increase in other fees driven by income of \$2.8 million from an investment in an SBIC fund, \$1.5 million in swap fees, and BOLI income of \$846 thousand, the total of which was partially offset by reductions in credit card income of \$1.5 million, mortgage servicing fees of \$887 thousand, and other loan fees of \$808 thousand.

Gain on sale of loans for the nine months ended September 30, 2023 was \$395 thousand compared to \$3.2 million for the same period in 2022, a decrease of 87.5%. 2023. The decline in gain on the sales of loans is due to lower volumes as a result of higher interest rates as well as ceasing the origination of residential mortgages as previously announced.

Noninterest expense totaled \$116.2 million for the nine months ended September 30, 2023, as compared to \$126.2 million for same period in 2022, a 7.9% decrease. The decrease in noninterest expense returns was primarily in connection with the second quarter of 2022 accrual of settlement expenses in connection with the agreements with the SEC and FRB associated with previously disclosed government investigations, totaling \$22.9 million. This was partially offset by increases in salaries and benefits of \$7.3 million, legal and professional fees of \$2.1 million and \$4.2 million in FDIC insurance assessments. Additional details on the accrual for the agreements and other noninterest expenses are provided in "Noninterest Expense" section below.

Income tax expenses were \$22.3 million for the nine months ended September 30, 2023, attributable to a reduction of 42.2%, compared to the same period in 2022. The components and drivers of the change are discussed in the "Income Tax Expense" section below.

The efficiency ratio was 49.19% for the nine months ended September 30, 2023, as compared to 47.51% for the same period in 2022. The adverse change in the efficiency ratio was primarily driven by the decrease in net interest income as a result of the increase in interest rates on deposits and borrowings which was partially offset by the decrease in noninterest expense in connection with the second quarter of 2022 accrual of settlement expenses in connection with the agreements with the SEC and FRB associated with previously disclosed government investigations, totaling \$22.9 million. net loss. Refer to the "Use of Non-GAAP Financial Measures" section for additional detail and a reconciliation of GAAP to non-GAAP financial measures.

For the nine months ended September 30, 2023, the Company reported an annualized ROAA of 0.91%, as compared to 1.11% for the same period in 2022. The annualized ROACE for the nine months ended September 30, 2023 was 8.66% as compared to 10.17% for the same period in 2022. The annualized ROATCE for the nine months ended September 30, 2023 was 9.45% as compared to 11.06% for the same period in 2022. The decline in returns was primarily attributable to a reduction in net income. Refer to the "Use of Non-GAAP Financial Measures" section for additional detail and a reconciliation of GAAP to non-GAAP financial measures.

#### Net Interest Income and Net Interest Margin

Net interest income is the difference between interest income on earning assets and the cost of funds supporting those assets. Earning assets are composed primarily of loans, investment securities, and interest bearing deposits with other banks and other short term short-term investments. The cost of funds includes interest expense on deposits, customer repurchase agreements and other borrowings, borrowings, which consist primarily of federal funds purchased, advances from secured financing arrangements, including the Federal Home Loan Bank of Atlanta ("FHLB") and the Federal Reserve's Bank Term Funding Program ("BTFP") and Discount Window, and subordinated notes. Noninterest bearing deposits and capital are other components representing funding sources (refer to discussion above under Results of Operations), sources. Changes in the volume and mix of assets and funding sources, along with the changes in yields earned and rates paid, determine changes in net interest income.

Net interest income was \$70.7 million \$74.7 million for the three months ended September 30, 2023 March 31, 2024, as compared to \$83.9 million \$75.0 million for the same period in 2022. Net 2023. The decrease was primarily due to the \$35.7 million increase in interest income decreased expense outpacing the \$35.4 million increase in interest income. The increase in interest expense was primarily attributable to increased volume of time deposits, other borrowings, and interest bearing transactions, and to a lesser extent was attributable to increases in average deposits and rates (4.29% for the three months ended September 30, 2023 primarily due to increases in average deposit rates (4.20% March 31, 2024, compared to 1.70%) 3.63% for the same period in 2023). The increase in interest income was primarily attributable to increased volume and rates on loans (6.95% for the three months ended March 31, 2024, compared to 6.35% for the same period in 2023) and interest bearing bank deposits and other short-term borrowings (4.68% investments (5.43% for the three months ended March 31, 2024, compared to 2.65%), which were partially offset by higher average loan balances and yields (6.73% compared to 5.10%) as compared to September 30, 2022, 4.45% for the same period in 2023).

The net interest margin decreased by 59 34 basis points from the three months ended September 30, 2023, March 31, 2023 as compared to the three months ended September 30, 2022, March 31, 2024 (from 3.02% 2.77% to 2.43%). The \$1.6 million reversal of interest income during the three months ended September 30, 2023 reduced the net interest margin by 0.06%. The yield on earning assets increased by 153 54 basis points (from 4.01% 5.17% to 5.54% 5.71%) while cost of funds increased 230 96 basis points (from 1.09% 2.62% to 3.39% 3.58%), refer to footnote 3 in the Consolidated Average Balances, Interest Yields and Rates tables below for additional information. .

Average loans (excluding loans held for sale) were \$7.8 billion increased to \$8.0 billion for the three months ended September 30, 2023 March 31, 2024 compared to \$7.3 billion \$7.7 billion for the same period in 2022, 2023. Average interest bearing deposits increased to \$7.4 billion for the three months ended March 31, 2024 from \$5.5 billion for the three months ended March 31, 2023, while average noninterest bearing demand deposits decreased to \$2.1 billion for the three months ended March 31, 2024 from \$3.3 billion for the three months ended March 31, 2023. Additionally, average borrowings increased from \$131.5 million \$1.3 billion in the three months ended September 30, 2022 March 31, 2023 to \$1.6 billion \$1.8 billion in the three months ended September 30, 2023 March 31, 2024.

Overall yields and rates moved higher increased during the three months ended September 30, 2023 March 31, 2024 as compared to the same period in 2022, 2023 as variable rate loans adjusted upwards and an increased number of loans moved off their rate floors.

Net interest income was \$217.6 million for the nine months ended September 30, 2023, as compared to \$247.3 million for the same period in 2022. Net interest income decreased for the nine months ended September 30, 2023 primarily due to increases in average deposit rates (4.03% compared to 0.91%) and other short-term borrowings (4.78% compared to 1.01%), which were partially offset by higher average loan balances and yields (6.58% compared to 4.66%) as compared to September 30, 2022.



The tables below presents the average balances and rates of the major categories of the Company's assets and liabilities for the three and nine months ended September 30, 2023, March 31, 2024 and 2022, 2023. Included in the tables are measurements of interest rate spread and margin. Interest rate spread is the difference (expressed as a percentage) between the interest rate earned on earning assets less the interest rate paid on interest bearing liabilities. While the interest rate spread provides a quick comparison of earnings rates versus cost of funds, management believes that margin, together with net interest income, provides a better measurement of performance. The net interest margin (as compared to net interest spread) includes the effect of noninterest bearing sources in its calculation. Net interest margin is net interest income expressed as a percentage of average earning assets.

		Three Months Ended September 30,							Three Months Ended March 31,									
		2023			2022				2023			2022						
		Average	Average	Average	Average	Average	Average	Average	Average	Average	Average	Average	Average	Average				
		Balance	Interest	Yield/Rate	Balance	Interest	Yield/Rate	Balance	Interest	Yield/Rate	Balance	Interest	Yield/Rate	Balance	Interest	Yield/Rate		
ASSETS	ASSETS																	
Interest earning assets:	Interest earning assets:																	
Interest bearing deposits with other banks and other short-term investments	Interest bearing deposits with other banks and other short-term investments	\$ 1,127,451	\$ 15,067	5.30 %	\$ 771,063	\$ 4,100	2.11 %	\$ 1,841,771	\$ 24,862	5.43 %	\$ 1,841,771	\$ 24,862	5.43 %	\$ 1,841,771	\$ 24,862	5.43 %		
Loans held for sale (1)	Loans held for sale (1)	—	—	— %	11,586	150	5.14 %	—	—	— %	—	—	— %	—	—	— %		
Loans (1) (2)	Loans (1) (2)	7,795,144	132,273	6.73 %	7,282,589	93,594	5.10 %	7,988,941	137,994	6.95 %	7,988,941	137,994	6.95 %	7,988,941	137,994	6.95 %		
Investment securities available-for-sale (2)	Investment securities available-for-sale (2)	1,554,348	8,126	2.07 %	1,782,859	7,587	1.69 %	1,554,348	8,126	2.07 %	1,554,348	8,126	2.07 %	1,554,348	8,126	2.07 %		
Investment securities held-to-maturity (2)	Investment securities held-to-maturity (2)	1,047,515	5,606	2.12 %	1,128,943	5,876	2.06 %	1,047,515	5,606	2.12 %	1,047,515	5,606	2.12 %	1,047,515	5,606	2.12 %		
Investment securities available for sale (2)	Investment securities available for sale (2)						1,516,503						1,516,503					

Investment securities held-to-maturity (2)									Investment securities held-to-maturity (2)								
Federal funds sold	Federal funds sold	7,728	77	3.95 %	53,630	220	1.63 %		Federal funds sold	7,051	66	66	3.76	3.76 %			
Total interest earning assets	Total interest earning assets	11,532,186	161,149	5.54 %	11,030,670	111,527	4.01 %		Total interest earning assets	12,365,497	175,602	175,602	5.71	5.71 %			
Total noninterest earning assets	Total noninterest earning assets	489,683			475,581												
Total noninterest earning assets																	
Total noninterest earning assets																	
Less: allowance for credit losses																	
Less: allowance for credit losses																	
Less: allowance for credit losses	Less: allowance for credit losses	78,964			75,141												
Total noninterest earning assets	Total noninterest earning assets	410,719			400,440												
Total noninterest earning assets																	
Total noninterest earning assets																	
TOTAL ASSETS																	
TOTAL ASSETS																	
TOTAL ASSETS	TOTAL ASSETS	\$11,942,905			\$11,431,110												
LIABILITIES AND SHAREHOLDERS' EQUITY																	
LIABILITIES AND SHAREHOLDERS' EQUITY																	
LIABILITIES AND SHAREHOLDERS' EQUITY																	
LIABILITIES AND SHAREHOLDERS' EQUITY																	
Interest bearing liabilities:	Interest bearing liabilities:																
Interest bearing liabilities:																	
Interest bearing transaction																	

Interest bearing transaction													
Interest bearing transaction	Interest bearing transaction	\$ 1,421,522	\$12,785	3.57 %	\$ 960,970	\$ 1,891	0.78 %	\$1,833,493	\$		\$ 16,830	3.69	3.69 %
Savings and money market	Savings and money market	3,113,755	32,855	4.19 %	4,504,216	21,711	1.91 %	3,423,388	35,930		35,930	4.22	4.22 %
Time deposits	Time deposits	2,162,582	25,289	4.64 %	633,241	2,523	1.58 %	2,187,320	26,623		26,623	4.90	4.90 %
Total interest bearing deposits	Total interest bearing deposits	6,697,859	70,929	4.20 %	6,098,427	26,125	1.70 %	7,444,201	79,383		79,383	4.29	4.29 %
Customer repurchase agreements	Customer repurchase agreements	36,082	311	3.42 %	26,546	55	0.82 %	36,084	315		315	3.51	3.51 %
Other short-term borrowings		1,540,221	18,152	4.68 %	61,703	412	2.65 %						
Long-term borrowings		69,876	1,038	5.89 %	69,752	1,038	5.90 %						
Borrowings								Borrowings	1,796,863		21,206	4.75	%
Total interest bearing liabilities													
Total interest bearing liabilities													
Total interest bearing liabilities	Total interest bearing liabilities	8,344,038	90,430	4.30 %	6,256,428	27,630	1.75 %	9,277,148	100,904		100,904	4.37	4.37 %
Noninterest bearing liabilities:	Noninterest bearing liabilities:												
Noninterest bearing liabilities:													
Noninterest bearing demand													
Noninterest bearing demand													
Noninterest bearing demand	Noninterest bearing demand	2,248,782			3,809,070								
Other liabilities	Other liabilities	114,923			93,859								
Other liabilities													
Other liabilities													
Total noninterest bearing liabilities													
Total noninterest bearing liabilities													
Total noninterest bearing liabilities	Total noninterest bearing liabilities	2,363,705			3,902,929								
Shareholders' Equity		1,235,162			1,271,753								

TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY				\$11,942,905		\$11,431,110	
Shareholders' Equity							
Shareholders' Equity							
Shareholders' Equity							
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY							
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY							
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY							
Net interest income							
Net interest income							
Net interest income	Net interest income			\$70,719		\$83,897	
Net interest spread	Net interest spread			1.24 %		2.26 %	
Net interest spread							
Net interest spread							
Net interest margin	Net interest margin			2.43 %		3.02 %	Net interest margin
Cost of funds (3)	Cost of funds (3)			3.39 %		1.09 %	Cost of funds (3)

(1) Loans placed on nonaccrual status are included in average balances. Net loan fees and late charges included in interest income on loans totaled \$4.1 million \$5.1 million and \$3.4 million \$3.7 million for the three months ended September 30, 2023 March 31, 2024 and 2022, respectively.

(2) Interest and fees on loans and investments exclude tax equivalent adjustments.

(3) Beginning in the second quarter of 2023, the Company revised its cost of funds methodology to use a daily average calculation where interest expense on interest bearing liabilities is divided by average interest bearing liabilities and average noninterest bearing deposits. Previously, the Company calculated the cost of funds as the difference between yield on earning assets and net interest margin. The cost of funds for the three months ended September 30, 2022 has been recalculated using the current methodology.

**Eagle Bancorp, Inc.**  
**Consolidated Average Balances, Interest Yields And Rates (Unaudited)**  
(dollars in thousands)

	Nine Months Ended September 30,					
	2023			2022		
	Average Balance	Interest	Average Yield/Rate	Average Balance	Interest	Average Yield/Rate
<b>ASSETS</b>						
Interest earning assets:						
Interest bearing deposits with other banks and other short-term investments	\$ 905,414	\$ 34,070	5.03 %	\$ 1,449,800	\$ 7,608	0.70 %
Loans held for sale (1)	1,620	73	6.02 %	18,216	548	4.02 %
Loans (1) (2)	7,766,212	382,043	6.58 %	7,147,844	249,168	4.66 %
Investment securities available for sale (2)	1,613,257	24,463	2.03 %	2,119,822	25,888	1.63 %
Investment securities held-to-maturity (2)	1,067,628	17,055	2.14 %	774,135	12,002	2.07 %
Federal funds sold	9,392	202	2.88 %	37,907	269	0.95 %

Total interest earning assets	11,363,523	457,906	5.39 %	11,547,724	295,483	3.42 %
Total noninterest earning assets	492,069			466,661		
Less: allowance for credit losses	77,342			74,390		
Total noninterest earning assets	414,727			392,271		
<b>TOTAL ASSETS</b>	<b>\$ 11,778,250</b>			<b>\$ 11,939,995</b>		
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>						
Interest bearing liabilities:						
Interest bearing transaction	\$ 1,173,823	\$ 29,533	3.36 %	\$ 858,152	\$ 2,843	0.44 %
Savings and money market	3,135,300	96,990	4.14 %	4,926,766	34,207	0.93 %
Time deposits	1,642,805	52,782	4.30 %	670,708	6,972	1.39 %
Total interest bearing deposits	5,951,928	179,305	4.03 %	6,455,626	44,022	0.91 %
Customer repurchase agreements	38,473	946	3.29 %	25,765	90	0.47 %
Other short-term borrowings	1,595,448	56,989	4.78 %	131,253	992	1.01 %
Long-term borrowings	69,845	3,112	5.96 %	69,722	3,112	5.97 %
Total interest bearing liabilities	7,655,694	240,352	4.20 %	6,682,366	48,216	0.96 %
Noninterest bearing liabilities:						
Noninterest bearing demand	2,784,396			3,863,283		
Other liabilities	97,586			96,176		
Total noninterest bearing liabilities	2,881,982			3,959,459		
Shareholders' Equity	1,240,574			1,298,170		
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$ 11,778,250</b>			<b>\$ 11,939,995</b>		
Net interest income		\$ 217,554			\$ 247,267	
Net interest spread			1.19 %			2.46 %
Net interest margin			2.56 %			2.86 %
Cost of funds <sup>(3)</sup>			3.08 %			0.61 %

(1) Loans placed on nonaccrual status are included in average balances. Net loan fees and late charges included in interest income on loans totaled \$12.0 million and \$11.5 million for the nine months ended September 30, 2023 and 2022, respectively.

(2) Interest and fees on loans and investments exclude tax equivalent adjustments.

(3) Beginning in the second quarter of 2023, the Company revised its cost of funds methodology to use a daily average calculation where interest expense on interest bearing liabilities is divided by average interest bearing liabilities and average noninterest bearing deposits. Previously, the Company calculated the cost of funds as the difference between yield on earning assets and net interest margin. The cost of funds for the nine three months ended September 30, 2022 March 31, 2023 has been recalculated using the current methodology.

#### Rate/Volume Analysis of Net Interest Income

The rate/volume tables table below presents the composition of the change in net interest income for the period indicated, as allocated between the change in net interest income due to changes in the volume of average earning assets and interest bearing liabilities, and the changes in net interest income due to changes in interest rates.

	Three Months Ended September 30, 2023 Compared With The Three Months Ended September 30, 2022		
	Change Due to Volume	Change Due to Rate	Total Increase (Decrease)
(dollars in thousands)			
<b>Interest earned on</b>			
Loans	\$ 6,587	\$ 32,092	\$ 38,679
Loans held for sale	(150)	—	(150)
Investment securities available-for-sale	(972)	1,511	539
Investment securities held-to-maturity	(424)	154	(270)

Interest bearing bank deposits	1,895	9,072	10,967
Federal funds sold	(188)	45	(143)
Total interest income	6,748	42,874	49,622
<b>Interest paid on</b>			
Interest bearing transaction	906	9,988	10,894
Savings and money market	(6,702)	17,846	11,144
Time deposits	6,093	16,673	22,766
Customer repurchase agreements	20	236	256
Other borrowings	9,874	7,866	17,740
Total interest expense	10,191	52,609	62,800
<b>Net interest income</b>	<b>\$ (3,443)</b>	<b>\$ (9,735)</b>	<b>\$ (13,178)</b>

<u>Nine Months Ended September 30, 2023</u> <u>Compared With The</u> <u>Nine Months Ended September 30, 2022</u>								
Three Months Ended March 31, 2024 Compared With The Three Months Ended March 31, 2023					Three Months Ended March 31, 2024 Compared With The Three Months Ended March 31, 2023			
(dollars in thousands)	(dollars in thousands)	Change Due to Volume	Change Due to Rate	Total Increase (Decrease)	(dollars in thousands)	Change Due to Volume	Change Due to Rate	Total Increase (Decrease)
<b>Interest earned on</b>	<b>Interest earned on</b>							
Loans	Loans							
Loans	Loans							
Loans	Loans	\$21,556	\$111,319	\$132,875				
Loans held for sale	Loans held for sale	(499)	24	(475)				
Investment securities available-for-sale	Investment securities available-for-sale	(6,186)	4,761	(1,425)				
Investment securities held-to-maturity	Investment securities held-to-maturity	4,550	503	5,053				
Interest bearing bank deposits	Interest bearing bank deposits	(2,857)	29,319	26,462				
Federal funds sold	Federal funds sold	(202)	135	(67)				
Total interest income	Total interest income	16,362	146,061	162,423				
<b>Interest paid on</b>	<b>Interest paid on</b>							
Interest paid on	Interest paid on							
Interest bearing transaction	Interest bearing transaction							

Interest bearing transaction				
Interest bearing transaction	Interest bearing transaction	1,046	25,644	26,690
Savings and money market	Savings and money market	(12,438)	75,221	62,783
Time deposits	Time deposits	10,105	35,705	45,810
Customer repurchase agreements	Customer repurchase agreements	44	812	856
Other borrowings	Other borrowings	11,071	44,926	55,997
Total interest expense	Total interest expense	9,828	182,308	192,136
Net interest income	Net interest income	\$ 6,534	\$ (36,247)	\$ (29,713)
Net interest income				
Net interest income				

#### Provision for Credit Losses

The provision for credit losses represents the amount of expense charged to current earnings to fund record the ACL on loans and the ACL on available-for-sale and held-to-maturity investment securities. The amount of the ACL on loans is based on management's assessment of current expected credit losses CECL in the portfolio. Those factors include historical losses based on internal and peer data, economic conditions and trends, the value and adequacy of collateral, volume and mix of the portfolio, performance of the portfolio, and internal loan processes of the Company.

The provision for credit losses for unfunded commitments is presented separately on the consolidated statements Consolidated Statements of income. Operations. This provision considers the probability that unfunded commitments will fund among other factors.

Management has developed a comprehensive analytical process to monitor the adequacy of the ACL. The ACL is estimated using a CECL model. Our methodology for determining our allowance was developed utilizing, among other factors, the guidance from federal banking regulatory agencies and relevant available information from internal and external sources and relating to past events, current conditions and reasonable and supportable forecasts. The process is being continually enhanced and refined based on periodic reviews. The maintenance of a high quality loan portfolio, with an adequate ACL, will continue to be a primary management objective for the Company.

We develop our estimate of the ACL from several sources: (i) a quantitative model that determines expected credit losses using a probability of default ("PD") / Loss Given Default ("LGD") cash flow methodology, using internal and third-party provided peer historical loss data and adjustments to account for loan-specific risk characteristics after pooling our loan portfolio based on similar risk characteristics, i.e., call codes; (ii) individual evaluation of any loans that exhibit evidence of credit deterioration, excluded from the quantitative model; and (iii) the application of qualitative and environmental factors as determined by management.

We utilize the following qualitative and environmental factors in our CECL methodology: (i) changes in the nature and volume of the portfolio; (ii) changes in the volume and severity of past due financial assets and the volume and severity of adversely classified assets; (iii) changes in the value of underlying collateral for loans not individually evaluated; (iv) changes in lending policies and procedures; (v) changes in the quality of credit review function; (vi) changes in lending management and staff; (vii) concentrations of credit; (viii) other external factors (competition, legal, regulatory, etc.); and (ix) changes in national, regional, and local economic and business conditions. Our model may reflect assumptions by management that are not covered by the qualitative and environmental factors, and we reevaluate all of its factors quarterly.

Refer to additional detail regarding these forecasts the discussion under "Critical Accounting Policies and Estimates" in the "Allowance for Credit Losses - Loans" section Management's Discussion and Analysis of Financial Condition and Results of Operations above and in Note 1 to the Consolidated Financial Statements. Statements in "Item 1 - Financial Information" for an overview of the methodology management employs on a quarterly basis to assess the adequacy of the ACL and the provisions charged to expense. Also, refer to the table in the "Allowance for Credit Losses" section in Management's Discussion and Analysis of Financial Condition and Results of Operations, which reflects activity in the ACL.

During the three months ended September 30, 2023 March 31, 2024, the Company recorded a provision for credit losses of \$5.6 million \$35.2 million on its loan portfolio and incurred \$340 thousand portfolio. The provision for credit losses was primarily attributable to an updated valuation for a CRE office property collateralizing a lending relationship with two loans outstanding, the total of which was partially charged off in net charge-offs the first quarter 2024. Additionally, the provision was attributable to its ACL. an increase in the ACL factor associated with CRE office loans.

The provision for credit losses on loans for the same period in 2022 was \$3.0 million and there were \$56 thousand of net recoveries in its ACL. During the nine three months ended September 30, 2023, the Company recorded a provision for credit losses of \$15.8 million on its loan portfolio and incurred \$6.9 million in net charge-offs to its ACL. March 31, 2023 was \$4.9 million. The provision for credit losses on loans for the same period in 2022 was \$532 thousand and there were \$270 thousand of net recoveries in its ACL. For the three and nine months ended September 30, 2023, the provisions for credit losses were primarily driven by adjustments to the qualitative components of the CECL model combined

with smaller increases in the quantitative components. The increase in qualitative components was driven by increases in early-stage past due and perceived weakness in the commercial real estate market, in addition to the high inflationary environment and the related uncertainty and impacts on the broader economy, changes in the qualitative and economic ("Q&E") component of the model associated with commercial real estate office properties. The increase in the quantitative components was due to continued increases in total loans during the nine months ended September 30, 2023, particularly in longer-life categories that carry corresponding higher reserves as well as slowing prepayment speeds in certain loan categories due to higher interest rates. The increase in quantitative components was partially offset by modest improvements in the unemployment forecast. These adjustments were also offset by improvements in the quality of the assets associated with individually assessed loans that were deemed impaired. The provisions for credit losses during the three and nine months ended September 30, 2022 were primarily driven by adjustments to the qualitative components of the CECL model owing to the high inflationary environment and uncertainty in the macroeconomic outlook and the related uncertainty changes in economic growth and impacts on the broader economy, partially offset by improvements changes in asset quality, the qualitative and economic component of the model associated with CRE office properties, as well as the increases in total loans.

A During the three months ended March 31, 2024 and 2023, the provision for credit losses for the held-to-maturity securities portfolio was \$1 thousand and \$1.2 million, respectively, which, in 2023, were recorded primarily on several corporate bonds. During the three months ended March 31, 2023, the provision for credit losses for the available-for-sale securities portfolio was \$14 thousand. There was no provision for credit losses on the available-for-sale securities portfolio for the three months ended March 31, 2024.

The provision for unfunded commitments is presented separately on the Consolidated Statements of \$1 Operations. This provision considers the probability that unfunded commitments will fund. During the three months ended March 31, 2024 and 2023, provisions of \$456 thousand and \$848 thousand, respectively, were incurred for unfunded commitments.

## Noninterest Income

Noninterest income includes service charges on deposits, gain on sale of loans, gains and losses on sale of investment securities, income from bank owned life insurance ("BOLI") and other income. The following table summarizes the comparative noninterest income for the three months ended March 31, 2024 and 2023:

(dollars in thousands)	Three Months Ended March 31,		Dollar Change	Percent Change
	2024	2023		
Service charges on deposits	\$ 1,699	\$ 1,510	\$ 189	13 %
Gain on sale of loans	—	305	(305)	(100)%
Net gain (loss) on sale of investment securities	4	(21)	25	(119)%
Increase in the cash surrender value of bank-owned life insurance	703	655	48	7 %
Other income	1,183	1,251	(68)	(5)%
Total	\$ 3,589	\$ 3,700	\$ (111)	(3)%

Total noninterest income for the three months ended March 31, 2024 decreased to \$3.6 million from \$3.7 million for the three months ended March 31, 2023, a 3% decrease. The decrease was primarily attributable to a decrease in gains on sale of residential mortgage loans, partially offset by an increase in service charges on deposits. The Company ceased originations of first lien residential mortgages for secondary sale in the first quarter of 2023, and completed residual origination and sales activities in the second quarter of 2023.

## Noninterest Expense

Total noninterest expense includes salaries and employee benefits, premises and equipment expenses, marketing and advertising, data processing, legal, accounting and professional, Federal Deposit Insurance Corporation ("FDIC") insurance assessments, and other expenses. The following table summarizes the comparative noninterest expense for the three months ended March 31, 2024 and 2023:

(dollars in thousands)	Three Months Ended March 31,		Dollar Change	Percent Change
	2024	2023		
Salaries and employee benefits	\$ 21,726	\$ 24,174	\$ (2,448)	(10)%
Premises and equipment expenses	3,059	3,317	(258)	(8)%
Marketing and advertising	859	636	223	35 %
Data processing	3,293	3,099	194	6 %
Legal, accounting and professional fees	2,507	3,254	(747)	(23)%
FDIC insurance	6,412	1,486	4,926	331 %
Other expenses	2,141	4,618	(2,477)	(54)%
Total	\$ 39,997	\$ 40,584	\$ (587)	(1)%

Total noninterest expense totaled \$40.0 million for the three months ended March 31, 2024, as compared to \$40.6 million for the three months ended March 31, 2023, a 1% decrease. The decrease was primarily attributable to a \$2.5 million reduction in other expenses, a \$2.4 million reduction in salaries and employee benefits, and a \$747 thousand reduction in legal, accounting and professional fees. This total of these reductions to expense was partially offset by a \$4.9 million increase in FDIC insurance.

The decrease in salaries and employee benefits over the comparative three months ended March 31, 2024 and 2023 was primarily due to a reduction in payroll taxes and employee benefits. At March 31, 2024, the Company's full time equivalent staff numbered 451, as compared to 486 at March 31, 2023.



The decrease in legal, accounting and professional fees over the comparative three months ended March 31, 2024 and 2023 was primarily due to a \$959 thousand reversal of legal fees receivable in the first quarter of 2023 relating to the previously disclosed settled litigations and investigations as Directors & Officers insurance for the 2016-2017 years was fully depleted.

The major components of other expenses include franchise taxes, director compensation and insurance expense. The decrease in other expenses over the comparative three months ended March 31, 2024 and 2023 was primarily due to a reduction in director fees of \$1.3 million and a \$857 thousand recovery of real estate taxes.

The efficiency ratio, which measures the ratio of noninterest expense to total revenue, was 51.09% for the three months ended March 31, 2024, as compared to 51.55% for the same period in 2023. Refer to the "Use of Non-GAAP Financial Measures" section for additional detail and a reconciliation of GAAP to non-GAAP financial measures. The improvement in the efficiency ratio for the three months ended March 31, 2024 as compared to the same three month period in 2023 was primarily driven by the decrease in noninterest expenses outpacing the decreases in net interest income and noninterest income.

As a percentage of average assets, total noninterest expense (annualized) was 1.26% for the three months ended March 31, 2024, as compared to 1.44% for the same period in 2023. The decrease for the three month period ended March 31, 2024 was primarily due to an increase in average interest earning assets.

#### Income Tax Expense

The Company's tax provision for the three months ended March 31, 2024 was \$3.0 million, compared to \$6.9 million for the three months ended March 31, 2023. The decrease in the tax provision over the comparative three months ended March 31, 2024 and 2023 was primarily due to decreases in pre-tax income period over period.

The Inflation Reduction Act of 2022 was signed into law by President Biden on August 16, 2022 and made significant changes to the U.S. tax law, including the introduction of a corporate alternative minimum tax of 15% of the "adjusted financial statement income" of certain domestic corporations as well as a 1% excise tax on the fair market value of stock repurchases by certain domestic corporations, effective for tax years beginning in 2023. Effective January 1, 2023, the Company became subject to the tax laws under the Inflation Reduction Act. The Company has not experienced and currently does not expect the tax-related provisions of the Inflation Reduction Act to have a material impact on our financial results.

#### FINANCIAL CONDITION

##### Summary

Total assets were \$11.6 billion and \$11.7 billion at March 31, 2024 and December 31, 2023, respectively. Assets remained at similar levels from December 31, 2023 to March 31, 2024 with minor changes in the asset mix. The decrease in total assets of \$51.9 million (or 0.4%) from December 31, 2023 to March 31, 2024 was primarily due to decreases in investment securities and interest-bearing deposits with other banks and other short-term investments, the total of which was partially offset by an increase in loans.

The largest component of assets, total loans, had an amortized cost basis of \$8.0 billion at March 31, 2024, a 0.2% increase from the balance at December 31, 2023. The increase in loans over the three months ended March 31, 2024, was driven primarily by increased fundings of ongoing construction projects for commercial and residential properties, partially offset by decreases in income producing - CRE, owner occupied - CRE and commercial loans.

Investment securities, at amortized cost net of the ACL, totaled \$2.6 billion at March 31, 2024 as compared to \$2.7 billion at December 31, 2023, a decrease of \$69.7 million, or 2.6%, that was primarily driven by the pay down of principal on mortgage-backed securities ("MBS") and calls of securities. At March 31, 2024 and December 31, 2023, investment securities available-for-sale had an amortized cost of \$1.6 billion and \$1.7 billion, respectively, and a fair value of \$1.4 billion and \$1.5 billion, respectively. Additionally, March 31, 2024 and December 31, 2023, investment securities held-to-maturity had an amortized cost, less an ACL of \$2.0 million, of \$1.0 billion and an estimated fair value of \$878.2 million and \$901.6 million, respectively.

In terms of funding, total deposits at March 31, 2024 were \$8.5 billion, down from \$8.8 billion at December 31, 2023, a decline of 3.5%. Total borrowings (excluding customer repurchase agreements) were \$1.7 billion and \$1.4 billion at March 31, 2024 and December 31, 2023, respectively. The decrease in deposits was primarily attributable to first quarter seasonality, while the increase in borrowings, attributable to net fundings on the Company's secured borrowings, was primarily to meet funding needs, including to fund loan growth, given the decrease in deposits.

Total shareholders' equity remained consistent at \$1.3 billion as of March 31, 2024, and December 31, 2023. During the three months ended March 31, 2024, there was a slight decrease of 1.2%, which was primarily the result of cash dividends and the decrease in earnings.

The Company's capital ratios remain substantially in excess of regulatory minimum and buffer requirements. Regulatory ratios based on risk-weighted assets experienced minor fluctuations of less than 1% from December 31, 2023 to March 31, 2024. The total risk based capital ratio was 14.87% at March 31, 2024, as compared to 14.79% at December 31, 2023. The common equity tier 1 capital ("CET1") risk based capital ratio was 13.80% at March 31, 2024, as compared to 13.90% at December 31, 2023. The tier 1 risk based capital ratio was 13.80% at March 31, 2024, as compared to 13.90% at December 31, 2023. The tier 1 leverage ratio was 10.26% at March 31, 2024, as compared to 10.73% at December 31, 2023.

The ratio of common equity to total assets was 10.85% at March 31, 2024, as compared to 10.92% at December 31, 2023 as common equity levels remained consistent over the three months ended March 31, 2024. Book value per share was \$41.72 at March 31, 2024, a 2.0% decrease over \$42.58 at December 31, 2023.

In addition, the tangible common equity ratio was 10.03% at March 31, 2024, as compared to 10.12% at December 31, 2023. Tangible book value per share was \$38.26 at March 31, 2024, a 2.1% decrease from \$39.08 at December 31, 2023. Refer to the "Use of Non-GAAP Financial Measures" section for additional detail and a reconciliation of GAAP to non-GAAP financial measures.

In order to be considered well-capitalized, the Bank must have a CET1 risk based capital ratio of 6.5%, a Tier 1 risk-based ratio of 8.0%, a total risk-based capital ratio of 10.0% and a leverage ratio of 5.0%. The Company and the Bank exceed all these requirements and satisfy the capital conservation buffer of 2.5% of CET1 capital. Failure to maintain the required capital conservation buffer would limit the ability of the Company and the Bank to pay dividends, repurchase shares or pay discretionary bonuses.

##### Loan Portfolio

In its lending activities, the Company seeks to develop and expand relationships with clients whose businesses and individual banking needs will grow with the Bank. Superior customer service, local decision making, and accelerated turnaround time from application to closing have been significant factors in growing the loan portfolio and meeting the lending needs in the markets served, while maintaining sound asset quality.

Loans outstanding were \$8.0 billion at March 31, 2024, an increase of \$14.0 million, or 0.2%, from the balance at December 31, 2023. The loan portfolio has continued to grow in the three months ended March 31, 2024, driven by increased fundings of ongoing construction projects for commercial and residential properties, partially offset by a reduction in CRE loans. Market rates in 2024 for our new loan originations remained consistent with the market rates at the end of 2023, reflecting that the Federal Reserve has not raised short-term interest rates in 2024. We continue to see opportunities for growth in the commercial real estate market in our focused sectors; our processes for evaluating these opportunities are designed to ensure they are subject to reasonable underwriting standards, including appropriate collateral and cash flow necessary to support debt service. Following origination, we continue to monitor our borrowers' business plans and identify primary and alternative sources for loan repayment and, if necessary, obtain collateral to mitigate credit loss in the event of default.

Loans, net of amortized deferred fees and costs, at March 31, 2024 and December 31, 2023 by major category are summarized below.

(dollars in thousands, except amounts in the footnote)	March 31, 2024		December 31, 2023	
	Amount	%	Amount	%
Commercial	\$ 1,408,767	18 %	\$ 1,473,766	18 %
PPP loans	467	— %	528	— %
Income producing - commercial real estate	4,040,655	50 %	4,094,614	51 %
Owner occupied - commercial real estate	1,185,582	15 %	1,172,239	15 %
Real estate mortgage - residential	72,087	1 %	73,396	1 %
Construction - commercial and residential	1,082,556	13 %	969,766	12 %
Construction - C&I (owner occupied)	138,379	2 %	132,021	2 %
Home equity	53,251	1 %	51,964	1 %
Other consumer	958	— %	401	— %
Total loans	7,982,702	100 %	7,968,695	100 %
Less: allowance for credit losses	(99,684)		(85,940)	
Loans, net <sup>(1)</sup>	\$ 7,883,018		\$ 7,882,755	

(1) Excludes accrued interest receivable of \$46.3 million and \$45.3 million at March 31, 2024 and December 31, 2023, respectively, which is recorded in other assets.

As noted above, a significant portion of the loan portfolio consists of commercial, construction and commercial real estate loans, primarily made in the Washington, D.C. metropolitan area, and is secured by real estate or other collateral in that market. Although these loans are made to a diversified pool of unrelated borrowers across numerous businesses, adverse developments in the Washington, D.C. metropolitan real estate market could continue to have an adverse impact on this portfolio of loans and the Company's income and financial position. Management believes that the CRE concentration risk is mitigated by diversification among the types and characteristics of real estate collateral properties, sound underwriting practices and ongoing portfolio monitoring and market analysis. While our basic market area is the Washington, D.C. metropolitan area, the Bank has made loans outside that market area where the applicant is an existing customer and the nature and quality of such loans was consistent with the Bank's lending policies.

The Company's concentration in the Washington, D.C. metro area includes "Washington's Maryland Suburbs," which comprise Frederick, Prince George's and Montgomery counties and "Northern Virginia," which comprises Alexandria, Arlington, Falls Church, Fairfax, Loudoun and Prince William counties. At March 31, 2024, 31.8%, 26.9%, 24.2%, 5.4% and 11.7% of the loan portfolio, as a percentage of total amortized cost, was concentrated in Washington D.C., Washington's Maryland Suburbs, Northern Virginia, other counties in Maryland and other locations in the United States, respectively. At December 31, 2023, 31.5%, 26.4%, 25.1%, 5.5% and 11.5% of the loan portfolio, as a percentage of total amortized cost, was concentrated in Washington D.C., Washington's Maryland Suburbs, Northern Virginia, other counties in Maryland and other locations in the United States, respectively. While we remain cautious with regard to CRE market conditions, principally office, the strength of the Washington D.C. metro area in certain sectors, particularly multi-family CRE and the housing market, continue to drive premiums for well-located properties.

As part of its lending strategy, the Company maintains a substantial portfolio of CRE loans, with \$6.2 billion and \$6.1 billion, or 77.1% and 77.0% of total loans, of amortized cost outstanding at March 31, 2024 and December 31, 2023, respectively. Management meets regularly in order to monitor its existing CRE loan portfolio and to evaluate the pipeline for CRE loan investment. The Company has remained focused on monitoring sectors that have had a lasting impact from the ramifications of the COVID-19 pandemic, particularly income producing CRE loans collateralized by office properties, which comprised approximately \$898.7 million and \$949.0 million, or 11.2% and 11.9% of total loans, at March 31, 2024 and December 31, 2023, respectively. Office loans within Washington D.C., Washington's Maryland Suburbs and Northern Virginia were \$829.5 million and \$879.0 million, or 10.4% and 11.0% of total loans, at March 31, 2024 and December 31, 2023, respectively. As a percentage of total income producing - CRE office loans, 37.4%, 31.4% and 23.5% were located in Washington's Maryland Suburbs, Northern Virginia, and Washington, D.C. at March 31, 2024.

The following table summarizes the Company's income producing - commercial real estate loans, at principal, at March 31, 2024:

(dollars in thousands)	Maryland			Virginia			Total	Percent of Total
	Washington D.C.	Washington Suburbs	Other	Northern Virginia	Other	Other		
Collateral Type:								
Hotel & motel	\$ 138,330	\$ 85,641	\$ 83,327	\$ 66,982	\$ —	\$ 22,129	\$ 396,409	10 %
Industrial	5,854	78,924	40,898	19,713	3,815	—	149,204	4 %

Mixed use	265,432	45,969	372	54,511	25,793	5,380	397,457	10 %
Multifamily	384,408	214,415	320	72,131	84,636	47,877	803,787	20 %
Office	211,181	336,043	4,349	282,297	64,823	47	898,740	22 %
Retail	82,279	97,738	62,018	77,094	99,788	1,938	420,855	10 %
Single / 1-4 Family & Res. Condo	73,737	2,775	2,543	14,496	6,554	4,080	104,185	2 %
Other	155,520	188,186	39,918	459,291	9,355	27,255	879,525	22 %
Total	<u>\$ 1,316,741</u>	<u>\$ 1,049,691</u>	<u>\$ 233,745</u>	<u>\$ 1,046,515</u>	<u>\$ 294,764</u>	<u>\$ 108,706</u>	<u>\$ 4,050,162</u>	<u>100 %</u>
Percent of total	<u>32 %</u>	<u>26 %</u>	<u>6 %</u>	<u>26 %</u>	<u>7 %</u>	<u>3 %</u>	<u>100 %</u>	
<b>Percent of Principal by Loan Size:</b>								
Less than \$1 million	29 %	23 %	45 %	26 %	30 %	34 %		
\$1 million to \$15 million	16 %	16 %	6 %	10 %	8 %	8 %		
\$5 million to \$10 million	8 %	7 %	— %	10 %	35 %	49 %		
\$10 million to \$25 million	25 %	37 %	43 %	26 %	24 %	9 %		
\$25 million to \$50 million	18 %	17 %	6 %	14 %	3 %	— %		
Greater than \$50 million	4 %	— %	— %	14 %	— %	— %		
Total	<u>100 %</u>	<u>100 %</u>	<u>100 %</u>	<u>100 %</u>	<u>100 %</u>	<u>100 %</u>		

At March 31, 2024, \$248.9 million of principal of loans collateralized by office properties were criticized or classified.

At March 31, 2024, the Company had no concentrations of loans with any one borrower in any one industry exceeding 10% of its total loan portfolio. An industry for this purpose is defined as a group of businesses that are engaged in similar activities and have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.

The following table sets forth the time to the final contractual maturity of the loan portfolio as of March 31, 2024:

(dollars in thousands)	March 31, 2024				
	Total	One Year or Less <sup>(1)</sup>	Over One Year to Five	Over Five Years to Fifteen	Over Fifteen Years
			Years	Years	
Commercial	\$ 1,408,767	\$ 356,329	\$ 879,193	\$ 169,699	\$ 3,546
PPP loans	467	—	467	—	—
Income producing - commercial real estate <sup>(2)</sup>	4,040,655	1,499,809	2,218,712	322,134	—
Owner occupied - commercial real estate	1,185,582	211,602	442,072	308,355	223,553
Real estate mortgage - residential	72,087	16,956	43,995	487	10,649
Construction - commercial and residential	1,082,556	289,929	755,137	7,689	29,801
Construction - C&I (owner occupied)	138,379	24,314	18,586	36,681	58,798
Home equity	53,251	2,331	2,192	1,092	47,636
Other consumer	958	771	—	—	187
Total loans	<u>\$ 7,982,702</u>	<u>\$ 2,402,041</u>	<u>\$ 4,360,354</u>	<u>\$ 846,137</u>	<u>\$ 374,170</u>
Loans with:					
Predetermined fixed interest rate	\$ 3,132,625	\$ 963,405	\$ 1,668,486	\$ 403,587	\$ 97,147
Floating or adjustable interest rate	4,850,077	1,438,636	2,691,868	442,550	277,023
Total loans	<u>\$ 7,982,702</u>	<u>\$ 2,402,041</u>	<u>\$ 4,360,354</u>	<u>\$ 846,137</u>	<u>\$ 374,170</u>

(1) Demand loans, having no contractual maturity, and overdrafts are reported as due in one year or less.

(2) Income producing CRE office loans, which had total principal of \$898.7 million at March 31, 2024 and are included within income producing - commercial real estate, had principal of \$323.8 million, \$559.8 million, and \$15.1 million aggregated with one year or less, over one year to five years, and over five years to fifteen years remaining until contractual maturity, respectively. Approximately \$107.8 million and \$368.8 million of income producing CRE office loans as of March 31, 2024 were due to mature within three months and 18 months, respectively.

#### Allowance for Credit Losses

The ACL is an estimate based on many factors which reflect management's assessment of the risk in the loan portfolio. Those factors include economic conditions and trends, the value and adequacy of collateral, volume and mix of the portfolio, performance of the portfolio and internal loan processes of the Company and Bank. A full discussion of the accounting for ACL is contained in Note 1 to the Consolidated Financial Statements and activity in the ACL is contained in Note 4 to the Consolidated Financial Statements. Also, please refer to the discussion under the caption "Provision for Credit Losses" for a discussion of the Company's calculation of the provision for credit losses during the three months ended September 30, 2023 March 31, 2024 and 2023.

The ACL for loans at March 31, 2024, as compared to or \$99.7 million, reflected a reversal of \$13.7 million increase from December 31, 2023, or \$85.9 million, reflecting a provision for credit losses of \$24 \$35.2 million and \$21.4 million in net charge-offs during the three months ended March 31, 2024. Net charge-offs, on an annualized basis, represented 1.07% of average loans for the three months ended March 31, 2024, an increase from net charge-offs of \$975 thousand during the three months ended September 30, 2022. During March 31, 2023, which represented 0.05% of average loans, excluding loans held for sale, on an annualized basis. Net charge-offs during the nine three months ended September 30, 2023, a provision for credit losses March 31, 2024 included \$20.6 million of \$1.2 million was recorded, primarily charge offs on several corporate bonds in the held-to-maturity securities portfolio, while a net provision for credit losses of \$198 thousand was recorded during the nine months ended September 30, 2022.

one CRE office lending relationship. At September 30, 2023 March 31, 2024, the ACL for loans represented 1.05% 1.25% of total loans outstanding, as compared to 0.97% 1.08% at December 31, 2022 December 31, 2023. The ACL represented 119% 109% of nonperforming loans at September 30, 2023 March 31, 2024, as compared to 1,151% 131% at December 31, 2022 December 31, 2023. Refer to the "Provision for Credit Losses" section of Management's Discussion and Analysis of Financial Condition and Results of Operations for more information on the provision for credit losses.

As part of its comprehensive loan review process, internal loan and credit committees carefully evaluate the Bank's Risk Committee evaluates loans that which are past-due past due 30 days or more. The Committees make a thorough Committee makes an assessment of the conditions and circumstances surrounding each delinquent loan, and potential problem loans. The Bank's Bank's loan policy requires that loans be placed on nonaccrual if they are 90 days past-due, past due or if their collection is deemed to be doubtful, unless they are well secured and in the process of collection. Additionally, The Credit Administration specifically department analyzes the status of development and construction projects, including sales activities and utilization of interest reserves in order to carefully and prudently assess potential increased levels of risk requiring which may require additional reserves.

The maintenance Company believes it has taken a prudent posture with respect to risk rating its loan portfolio. As of March 31, 2024 and December 31, 2023, loans rated special mention had an amortized cost of \$265.3 million and \$207.1 million, respectively, and loans rated substandard had an amortized cost of \$361.8 million and \$335.8 million, respectively. The increases in special mention loans were primarily attributable to additions in CRE loans, particularly in income producing - commercial real estate and commercial construction loans, and commercial loans. At March 31, 2024, 97.5% and \$73.9% of special mention and substandard loans, respectively, were current. Based upon their status as potential problem loans, loans risk rated special mention or substandard receive heightened scrutiny and ongoing intensive risk management. Additionally, the Company's loan loss allowance methodology incorporates increased reserve factors for certain loans considered potential problem loans as compared to the general portfolio.

Management, being aware of the loan growth experienced by the Bank and the risks facing CRE, is intent on maintaining strong portfolio management and a high quality loan portfolio, with an adequate allowance strong risk rating process. The Bank provides analysis of credit requests and the management of problem credits. The Bank has developed and implemented analytical procedures for evaluating credit losses, will continue to be a primary management objective for requests, has refined the Company. The Company's goal is to mitigate risks in the event Company's risk rating system and has adopted enhanced monitoring of unforeseen threats to the loan portfolio and the adequacy of the ACL, in particular on its CRE and construction loans (including those collateralized by office properties). These analyses include stress testing. Additionally, fair value assessments of loans acquired are included in our analytical procedures. The loan portfolio analysis process is ongoing and proactive to support the Company's objective of maintaining a portfolio of quality credits and quickly identifying weaknesses before they become more severe.

At March 31, 2024 and December 31, 2023, the Company's performing office coverage ratio, which calculates the ACL attributable to loans collateralized by performing office properties as a result percentage of economic downturn or other negative influences. Plans for mitigating inherent risks in managing loan assets include carefully enforcing loan policies total loans, was 3.67% and procedures, evaluating each borrower's business plan during the underwriting process and throughout the loan term, identifying and monitoring primary and alternative sources for loan repayment, and obtaining collateral to mitigate economic loss in the event of liquidation.

1.91%, respectively.

The following table sets forth activity in the allowance for credit losses ACL for the periods indicated.

		Nine Months Ended September 30,		Three Months Ended March 31,		Three Months Ended March 31,	
(dollars in thousands)	(dollars in thousands)	2023	2022	(dollars in thousands)	2024	2023	
Balance at beginning of period	Balance at beginning of period	\$74,444	\$74,965				
Charge-offs:	Charge-offs:						
Commercial	Commercial	(1,828)	(604)				
Commercial							
Commercial							
Income producing - commercial real estate	Income producing - commercial real estate	(5,306)	—				
Owner occupied - commercial real estate		—	(1,356)				

Construction - commercial and residential			
Construction - commercial and residential			
Construction - commercial and residential	Construction - commercial and residential	(136)	—
Other consumer	Other consumer	(50)	(74)
Other consumer			
Other consumer			
Total charge-offs	Total charge-offs	(7,320)	(2,034)
Recoveries:	Recoveries:		
Commercial	Commercial	335	648
Commercial			
Commercial			
Owner occupied - commercial real estate	Owner occupied - commercial real estate	31	25
Owner occupied - commercial real estate			
Owner occupied - commercial real estate			
Construction - commercial and residential		34	1,627
Other consumer			
Other consumer			
Other consumer	Other consumer	6	4
Total recoveries	Total recoveries	406	2,304
Net (charge-offs) recoveries		(6,914)	270
Net charge-offs			
Provision for credit losses - loans	Provision for credit losses - loans	15,802	532
Balance at end of period	Balance at end of period	\$83,332	\$75,767
Annualized ratio of net charge-offs (recoveries) during the period to average loans outstanding during the period			
		0.12 %	— %
Annualized ratio of net charge-offs during the period to average loans outstanding during the period			
Annualized ratio of net charge-offs during the period to average loans outstanding during the period			

Annualized ratio of net charge-offs during the period to average loans outstanding during the period	1.07	%	0.05	%
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The following table reflects the allocation of the allowance for credit losses ACL at the dates indicated. The allocation of the allowance at March 31, 2024 includes ACL of \$387 thousand against individually assessed loans of \$92.1 million, as compared to ACL of \$641 thousand against individually assessed loans of \$66.1 million at December 31, 2023. The allocation of the allowance to each category is not necessarily indicative of future losses or charge-offs and does not restrict the use of the allowance to absorb losses in any category.

		September 30, 2023						December 31, 2022											
		March 31, 2024						March 31, 2024						December 31, 2023					
(dollars in thousands)	(dollars in thousands)	Amount	% of Total ACL	% of Total Loans	Amount	% of Total ACL	% of Total Loans	(dollars in thousands)	Amount	% of Total ACL	% of Total Loans	(dollars in thousands)	Amount	% of Total ACL	% of Total Loans	(dollars in thousands)	Amount	% of Total ACL	% of Total Loans
Commercial	Commercial	\$16,337	20 %	18 %	\$15,655	21 %	19 %	Commercial	\$23,682	24 %	24 %	18 %	\$17,824	21 %	21 %	18 %			
Income producing - commercial real estate	Income producing - commercial real estate							Income producing - commercial real estate											
Income producing - commercial real estate	Income producing - commercial real estate							Income producing - commercial real estate											
Income producing - commercial real estate	Income producing - commercial real estate	40,693	49 %	52 %	35,688	48 %	51 %	Income producing - commercial real estate	45,937	46 %	46 %	50 %	40,050	47 %	47 %	51 %			
Owner occupied - commercial real estate	Owner occupied - commercial real estate	14,252	17 %	15 %	12,702	17 %	15 %	Owner occupied - commercial real estate	13,537	13 %	13 %	15 %	14,333	16 %	16 %	15 %			
Real estate mortgage - residential	Real estate mortgage - residential	864	1 %	1 %	969	1 %	1 %	Real estate mortgage - residential	893	1 %	1 %	1 %	861	1 %	1 %	1 %			
Construction - commercial and residential	Construction - commercial and residential	8,633	10 %	11 %	7,195	10 %	12 %	Construction - commercial and residential	13,058	13 %	13 %	13 %	10,198	12 %	12 %	12 %			
Construction - C&I (owner-occupied)	Construction - C&I (owner-occupied)	1,894	2 %	2 %	1,606	2 %	1 %	Construction - C&I (owner-occupied)	1,929	2 %	2 %	2 %	1,992	2 %	2 %	2 %			
Home equity	Home equity	634	1 %	1 %	555	1 %	1 %	Home equity	618	1 %	1 %	1 %	657	1 %	1 %	1 %			
Other consumer	Other consumer	25	— %	— %	74	— %	— %	Other consumer	30	— %	— %	— %	25	— %	— %	— %			
Total allowance	Total allowance	\$83,332	100 %	100 %	\$74,444	100 %	100 %	Total allowance	\$99,684	100 %	100 %	100 %	\$85,940	100 %	100 %	100 %			

#### Nonperforming Assets Noninterest Income

As shown in the table below, the Company's level of nonperforming assets, which comprise the amortized cost Noninterest income includes service charges on deposits, gain on sale of loans, delinquent 90 days or more gains and nonaccrual loans, which include losses on sale of investment securities, income from bank owned life insurance ("BOLI") and other income. The following table summarizes the nonperforming portion of loan restructurings, and the carrying value of OREO, totaled \$71.6 million at September 30, 2023 representing 0.64% of total assets, as compared to \$8.4 million of nonperforming assets, or 0.08% of total assets, at December 31, 2022. The increase is primarily due to the increase in nonperforming loans discussed below.

At September 30, 2023, the Company had no accruing loans 90 days or more past due. Management remains attentive to early signs of deterioration in borrowers' financial conditions and to taking the appropriate action to mitigate risk. Furthermore, the Company is diligent in placing loans on nonaccrual status and believes, based on its loan portfolio risk analysis, that its allowance comparative noninterest income for credit losses, at 1.05% of total loans at September 30, 2023, is adequate to absorb expected credit losses within the loan portfolio at that date.

On January 1, 2023, the Company adopted the accounting guidance in ASU No. 2022-02, which eliminates the recognition and measurement of a troubled debt restructuring ("TDR"). Due to the removal of the TDR designation, the Company evaluates loan restructurings according to the accounting guidance for loan modifications to determine if the restructuring results in a new loan or a continuation of the existing loan. Loan modifications to borrowers experiencing financial difficulty that result in a direct change in the timing or amount of contractual cash flows include situations where there is principal forgiveness, interest rate reductions, other-than-insignificant payment delays, term extensions, and combinations of the listed modifications. A loan that is considered a restructured loan may be subject to an individually evaluated loan analysis if the commitment is \$1.0 million or greater; otherwise, the restructured loan remains in the appropriate segment in the ACL model and associated reserves are adjusted based on changes in the discounted cash flows resulting from the modification of the restructured loan. Management strives to identify borrowers in financial difficulty early and work with them to modify their loan to more affordable terms before their loan reaches nonaccrual status, foreclosure or repossession of the collateral to minimize economic loss to the Company.

Commercial and consumer loans modified in a loan restructuring are closely monitored for delinquency as an early indicator of possible future default. If loans modified in a loan restructuring subsequently default, the Company evaluates the loan for possible further impairment. The allowance may be increased, adjustments may be made in the allocation of the allowance, or partial charge-offs may be taken to further write-down the carrying value of the loan.

During the three months ended September 30, 2023, March 31, 2024 and 2023:

(dollars in thousands)	Three Months Ended March 31,		Dollar Change	Percent Change
	2024	2023		
Service charges on deposits	\$ 1,699	\$ 1,510	\$ 189	13 %
Gain on sale of loans	—	305	(305)	(100)%
Net gain (loss) on sale of investment securities	4	(21)	25	(119)%
Increase in the cash surrender value of bank-owned life insurance	703	655	48	7 %
Other income	1,183	1,251	(68)	(5)%
Total	\$ 3,589	\$ 3,700	\$ (111)	(3)%

Total noninterest income for the Bank modified 13 loans with a total amortized cost of \$225.7 million at September 30, 2023 (2.9% of the loan portfolio). These loans received extended loan terms of between approximately one to 36 months. Two loans received a weighted average interest rate reduction of approximately 1.89%.

During the nine three months ended September 30, 2023, March 31, 2024 decreased to \$3.6 million from \$3.7 million for the Bank modified 17 loans with a total amortized cost of \$242.0 million at September 30, 2023 (3.1% of the loan portfolio). These loans received extended loan terms of between approximately one to 36 months. Five loans received a weighted average interest rate reduction of approximately 2.55%.

As of September 30, 2023, three loans that were modified in the preceding twelve months, including two loans with a total amortized cost of \$44.9 million that were 30 to 89 days past due and one loan with an amortized cost of \$20.4 million that was on nonaccrual status, experienced a subsequent payment default during the nine months ended September 30, 2023. One loan with March 31, 2023, a 3% decrease. The decrease was primarily attributable to a decrease in gains on sale of residential mortgage loans, partially offset by an amortized cost increase in service charges on deposits. The Company ceased originations of \$2.2 million at September 30, 2023, which was modified during first lien residential mortgages for secondary sale in the first quarter of 2023, moved to nonaccrual status and incurred a \$2.1 million charge-off completed residual origination and sales activities in the second quarter of 2023. In October 2023,

#### Noninterest Expense

Total noninterest expense includes salaries and employee benefits, premises and equipment expenses, marketing and advertising, data processing, legal, accounting and professional, Federal Deposit Insurance Corporation ("FDIC") insurance assessments, and other expenses. The following table summarizes the loan was sold. All other loans are performing under their modified terms.

OREO properties are carried at comparative noninterest expense for the lower of cost or fair value less estimated costs to sell. It is the Company's policy to obtain third party appraisals prior to foreclosure, and to obtain updated third party appraisals on OREO properties generally not less frequently than annually. Generally, the Company would obtain updated appraisals or evaluations where it has reason to believe, based upon market indications (such as: comparable sales, legitimate offers below carrying value, broker indications and similar factors), that the current appraisal does not accurately reflect current value. OREO properties had a carrying value of \$1.5 million and \$2.0 million at September 30, 2023 and December 31, 2022, respectively. One OREO property was sold during the nine three months ended September 30, 2023 March 31, 2024 and one OREO property was sold during the nine months ended September 30, 2022, generating proceeds of \$609 thousand and \$241 thousand, respectively, 2023:

(dollars in thousands)	Three Months Ended March 31,		Dollar Change	Percent Change
	2024	2023		
Salaries and employee benefits	\$ 21,726	\$ 24,174	\$ (2,448)	(10)%
Premises and equipment expenses	3,059	3,317	(258)	(8)%
Marketing and advertising	859	636	223	35 %
Data processing	3,293	3,099	194	6 %
Legal, accounting and professional fees	2,507	3,254	(747)	(23)%
FDIC insurance	6,412	1,486	4,926	331 %
Other expenses	2,141	4,618	(2,477)	(54)%
Total	\$ 39,997	\$ 40,584	\$ (587)	(1)%



Total **nonperforming** noninterest expense totaled \$40.0 million for the three months ended March 31, 2024, as compared to \$40.6 million for the three months ended March 31, 2023, a 1% decrease. The decrease was primarily attributable to a \$2.5 million reduction in other expenses, a \$2.4 million reduction in salaries and employee benefits, and a \$747 thousand reduction in legal, accounting and professional fees. This total of these reductions to expense was partially offset by a \$4.9 million increase in FDIC insurance.

The decrease in salaries and employee benefits over the comparative three months ended March 31, 2024 and 2023 was primarily due to a reduction in payroll taxes and employee benefits. At March 31, 2024, the Company's full time equivalent staff numbered 451, as compared to 486 at March 31, 2023.

The decrease in legal, accounting and professional fees over the comparative three months ended March 31, 2024 and 2023 was primarily due to a \$959 thousand reversal of legal fees receivable in the first quarter of 2023 relating to the previously disclosed settled litigations and investigations as Directors & Officers insurance for the 2016-2017 years was fully depleted.

The major components of other expenses include franchise taxes, director compensation and insurance expense. The decrease in other expenses over the comparative three months ended March 31, 2024 and 2023 was primarily due to a reduction in director fees of \$1.3 million and a \$857 thousand recovery of real estate taxes.

The efficiency ratio, which measures the ratio of noninterest expense to total revenue, was 51.09% for the three months ended March 31, 2024, as compared to 51.55% for the same period in 2023. Refer to the "Use of Non-GAAP Financial Measures" section for additional detail and a reconciliation of GAAP to non-GAAP financial measures. The improvement in the efficiency ratio for the three months ended March 31, 2024 as compared to the same three month period in 2023 was primarily driven by the decrease in noninterest expenses outpacing the decreases in net interest income and noninterest income.

As a percentage of average assets, total noninterest expense (annualized) was 1.26% for the three months ended March 31, 2024, as compared to 1.44% for the same period in 2023. The decrease for the three month period ended March 31, 2024 was primarily due to an increase in average interest earning assets.

### Income Tax Expense

The Company's tax provision for the three months ended March 31, 2024 was \$3.0 million, compared to \$6.9 million for the three months ended March 31, 2023. The decrease in the tax provision over the comparative three months ended March 31, 2024 and 2023 was primarily due to decreases in pre-tax income period over period.

The Inflation Reduction Act of 2022 was signed into law by President Biden on August 16, 2022 and made significant changes to the U.S. tax law, including the introduction of a corporate alternative minimum tax of 15% of the "adjusted financial statement income" of certain domestic corporations as well as a 1% excise tax on the fair market value of stock repurchases by certain domestic corporations, effective for tax years beginning in 2023. Effective January 1, 2023, the Company became subject to the tax laws under the Inflation Reduction Act. The Company has not experienced and currently does not expect the tax-related provisions of the Inflation Reduction Act to have a material impact on our financial results.

## FINANCIAL CONDITION

### Summary

Total assets were \$11.6 billion and \$11.7 billion at March 31, 2024 and December 31, 2023, respectively. Assets remained at similar levels from December 31, 2023 to March 31, 2024 with minor changes in the asset mix. The decrease in total assets of \$51.9 million (or 0.4%) from December 31, 2023 to March 31, 2024 was primarily due to decreases in investment securities and interest-bearing deposits with other banks and other short-term investments, the total of which was partially offset by an increase in loans.

The largest component of assets, total loans, **amounted** had an amortized cost basis of \$8.0 billion at March 31, 2024, a 0.2% increase from the balance at December 31, 2023. The increase in loans over the three months ended March 31, 2024, was driven primarily by increased fundings of ongoing construction projects for commercial and residential properties, partially offset by decreases in income producing - CRE, owner occupied - CRE and commercial loans.

Investment securities, at amortized cost net of the ACL, totaled \$2.6 billion at March 31, 2024 as compared to \$2.7 billion at December 31, 2023, a decrease of \$69.7 million, or 2.6%, that was primarily driven by the pay down of principal on mortgage-backed securities ("MBS") and calls of securities. At March 31, 2024 and December 31, 2023, investment securities available-for-sale had an amortized cost of **\$70.2 million** \$1.6 billion and \$1.7 billion, respectively, and a fair value of \$1.4 billion and \$1.5 billion, respectively. Additionally, March 31, 2024 and December 31, 2023, investment securities held-to-maturity had an amortized cost, less an ACL of \$2.0 million, of \$1.0 billion and an estimated fair value of \$878.2 million and \$901.6 million, respectively.

In terms of funding, total deposits at **September 30, 2023** (0.89% March 31, 2024 were \$8.5 billion, down from \$8.8 billion at December 31, 2023, a decline of 3.5%. Total borrowings (excluding customer repurchase agreements) were \$1.7 billion and \$1.4 billion at March 31, 2024 and December 31, 2023, respectively. The decrease in deposits was primarily attributable to first quarter seasonality, while the increase in borrowings, attributable to net fundings on the Company's secured borrowings, was primarily to meet funding needs, including to fund loan growth, given the decrease in deposits.

Total shareholders' equity remained consistent at \$1.3 billion as of March 31, 2024, and December 31, 2023. During the three months ended March 31, 2024, there was a slight decrease of 1.2%, which was primarily the result of cash dividends and the decrease in earnings.

The Company's capital ratios remain substantially in excess of regulatory minimum and buffer requirements. Regulatory ratios based on risk-weighted assets experienced minor fluctuations of less than 1% from December 31, 2023 to March 31, 2024. The total risk based capital ratio was 14.87% at March 31, 2024, as compared to 14.79% at December 31, 2023. The common equity tier 1 capital ("CET1") risk based capital ratio was 13.80% at March 31, 2024, as compared to 13.90% at December 31, 2023. The tier 1 risk based capital ratio was 13.80% at March 31, 2024, as compared to 13.90% at December 31, 2023. The tier 1 leverage ratio was 10.26% at March 31, 2024, as compared to 10.73% at December 31, 2023.

The ratio of common equity to total assets was 10.85% at March 31, 2024, as compared to 10.92% at December 31, 2023 as common equity levels remained consistent over the three months ended March 31, 2024. Book value per share was \$41.72 at March 31, 2024, a 2.0% decrease over \$42.58 at December 31, 2023.

In addition, the tangible common equity ratio was 10.03% at March 31, 2024, as compared to 10.12% at December 31, 2023. Tangible book value per share was \$38.26 at March 31, 2024, a 2.1% decrease from \$39.08 at December 31, 2023. Refer to the "Use of Non-GAAP Financial Measures" section for additional detail and a reconciliation of GAAP to non-GAAP financial measures.



In order to be considered well-capitalized, the Bank must have a CET1 risk based capital ratio of 6.5%, a Tier 1 risk-based ratio of 8.0%, a total risk-based capital ratio of 10.0% and a leverage ratio of 5.0%. The Company and the Bank exceed all these requirements and satisfy the capital conservation buffer of 2.5% of CET1 capital. Failure to maintain the required capital conservation buffer would limit the ability of the Company and the Bank to pay dividends, repurchase shares or pay discretionary bonuses.

## Loan Portfolio

In its lending activities, the Company seeks to develop and expand relationships with clients whose businesses and individual banking needs will grow with the Bank. Superior customer service, local decision making, and accelerated turnaround time from application to closing have been significant factors in growing the loan portfolio and meeting the lending needs in the markets served, while maintaining sound asset quality.

Loans outstanding were \$8.0 billion at March 31, 2024, an increase of \$14.0 million, or 0.2%, from the balance at December 31, 2023. The loan portfolio has continued to grow in the three months ended March 31, 2024, driven by increased fundings of ongoing construction projects for commercial and residential properties, partially offset by a reduction in CRE loans. Market rates in 2024 for our new loan originations remained consistent with the market rates at the end of 2023, reflecting that the Federal Reserve has not raised short-term interest rates in 2024. We continue to see opportunities for growth in the commercial real estate market in our focused sectors; our processes for evaluating these opportunities are designed to ensure they are subject to reasonable underwriting standards, including appropriate collateral and cash flow necessary to support debt service. Following origination, we continue to monitor our borrowers' business plans and identify primary and alternative sources for loan repayment and, if necessary, obtain collateral to mitigate credit loss in the event of default.

Loans, net of amortized deferred fees and costs, at March 31, 2024 and December 31, 2023 by major category are summarized below.

(dollars in thousands, except amounts in the footnote)	March 31, 2024		December 31, 2023	
	Amount	%	Amount	%
Commercial	\$ 1,408,767	18 %	\$ 1,473,766	18 %
PPP loans	467	— %	528	— %
Income producing - commercial real estate	4,040,655	50 %	4,094,614	51 %
Owner occupied - commercial real estate	1,185,582	15 %	1,172,239	15 %
Real estate mortgage - residential	72,087	1 %	73,396	1 %
Construction - commercial and residential	1,082,556	13 %	969,766	12 %
Construction - C&I (owner occupied)	138,379	2 %	132,021	2 %
Home equity	53,251	1 %	51,964	1 %
Other consumer	958	— %	401	— %
Total loans	7,982,702	100 %	7,968,695	100 %
Less: allowance for credit losses	(99,684)		(85,940)	
Loans, net <sup>(1)</sup>	\$ 7,883,018		\$ 7,882,755	

(1) Excludes accrued interest receivable of \$46.3 million and \$45.3 million at March 31, 2024 and December 31, 2023, respectively, which is recorded in other assets.

As noted above, a significant portion of the loan portfolio consists of commercial, construction and commercial real estate loans, primarily made in the Washington, D.C. metropolitan area, and is secured by real estate or other collateral in that market. Although these loans are made to a diversified pool of unrelated borrowers across numerous businesses, adverse developments in the Washington, D.C. metropolitan real estate market could continue to have an adverse impact on this portfolio of loans and the Company's income and financial position. Management believes that the CRE concentration risk is mitigated by diversification among the types and characteristics of real estate collateral properties, sound underwriting practices and ongoing portfolio monitoring and market analysis. While our basic market area is the Washington, D.C. metropolitan area, the Bank has made loans outside that market area where the applicant is an existing customer and the nature and quality of such loans was consistent with the Bank's lending policies.

The Company's concentration in the Washington, D.C. metro area includes "Washington's Maryland Suburbs," which comprise Frederick, Prince George's and Montgomery counties and "Northern Virginia," which comprises Alexandria, Arlington, Falls Church, Fairfax, Loudoun and Prince William counties. At March 31, 2024, 31.8%, 26.9%, 24.2%, 5.4% and 11.7% of the loan portfolio, as a percentage of total loans) compared to \$6.5 million at December 31, 2022 (0.08% amortized cost, was concentrated in Washington D.C., Washington's Maryland Suburbs, Northern Virginia, other counties in Maryland and other locations in the United States, respectively. At December 31, 2023, 31.5%, 26.4%, 25.1%, 5.5% and 11.5% of the loan portfolio, as a percentage of total loans), amortized cost, was concentrated in Washington D.C., Washington's Maryland Suburbs, Northern Virginia, other counties in Maryland and other locations in the United States, respectively. While we remain cautious with regard to CRE market conditions, principally office, the strength of the Washington D.C. metro area in certain sectors, particularly multi-family CRE and the housing market, continue to drive premiums for well-located properties.

As part of its lending strategy, the Company maintains a substantial portfolio of CRE loans, with \$6.2 billion and \$6.1 billion, or 77.1% and 77.0% of total loans, of amortized cost outstanding at March 31, 2024 and December 31, 2023, respectively. Management meets regularly in order to monitor its existing CRE loan portfolio and to evaluate the pipeline for CRE loan investment. The increase was primarily Company has remained focused on monitoring sectors that have had a lasting impact from the ramifications of the COVID-19 pandemic, particularly income producing CRE loans collateralized by office properties, which comprised approximately \$898.7 million and \$949.0 million, or 11.2% and 11.9% of total loans, at March 31, 2024 and December 31, 2023, respectively. Office loans within Washington D.C., Washington's Maryland Suburbs and Northern Virginia were \$829.5 million and \$879.0 million, or 10.4% and 11.0% of total loans, at March 31, 2024 and December 31, 2023, respectively. As a percentage of total income producing - CRE office loans, 37.4%, 31.4% and 23.5% were located in Washington's Maryland Suburbs, Northern Virginia, and Washington, D.C. at March 31, 2024.

The following table summarizes the Company's income producing - commercial real estate loans, at principal, at March 31, 2024:

	Maryland	Virginia

(dollars in thousands)	Washington D.C.	Washington Suburbs	Other	Northern Virginia	Other	Other	Total	Percent of Total
<b>Collateral Type:</b>								
Hotel & motel	\$ 138,330	\$ 85,641	\$ 83,327	\$ 66,982	\$ —	\$ 22,129	\$ 396,409	10 %
Industrial	5,854	78,924	40,898	19,713	3,815	—	149,204	4 %
Mixed use	265,432	45,969	372	54,511	25,793	5,380	397,457	10 %
Multifamily	384,408	214,415	320	72,131	84,636	47,877	803,787	20 %
Office	211,181	336,043	4,349	282,297	64,823	47	898,740	22 %
Retail	82,279	97,738	62,018	77,094	99,788	1,938	420,855	10 %
Single / 1-4 Family & Res. Condo	73,737	2,775	2,543	14,496	6,554	4,080	104,185	2 %
Other	155,520	188,186	39,918	459,291	9,355	27,255	879,525	22 %
<b>Total</b>	<b>\$ 1,316,741</b>	<b>\$ 1,049,691</b>	<b>\$ 233,745</b>	<b>\$ 1,046,515</b>	<b>\$ 294,764</b>	<b>\$ 108,706</b>	<b>\$ 4,050,162</b>	<b>100 %</b>
Percent of total	32 %	26 %	6 %	26 %	7 %	3 %	100 %	
<b>Percent of Principal by Loan Size:</b>								
Less than \$1 million	29 %	23 %	45 %	26 %	30 %	34 %		
\$1 million to \$15 million	16 %	16 %	6 %	10 %	8 %	8 %		
\$5 million to \$10 million	8 %	7 %	— %	10 %	35 %	49 %		
\$10 million to \$25 million	25 %	37 %	43 %	26 %	24 %	9 %		
\$25 million to \$50 million	18 %	17 %	6 %	14 %	3 %	— %		
Greater than \$50 million	4 %	— %	— %	14 %	— %	— %		
<b>Total</b>	<b>100 %</b>	<b>100 %</b>	<b>100 %</b>	<b>100 %</b>	<b>100 %</b>	<b>100 %</b>		

At March 31, 2024, \$248.9 million of principal of loans collateralized by office properties were criticized or classified.

At March 31, 2024, the Company had no concentrations of loans with any one borrower in any one industry exceeding 10% of its total loan portfolio. An industry for this purpose is defined as a group of businesses that are engaged in similar activities and have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.

The following table sets forth the time to the final contractual maturity of the loan portfolio as of March 31, 2024:

(dollars in thousands)	March 31, 2024				
	Total	One Year or Less <sup>(1)</sup>	Over One Year to Five		Over Five Years to Fifteen
			Years	Years	Over Fifteen Years
Commercial	\$ 1,408,767	\$ 356,329	\$ 879,193	\$ 169,699	\$ 3,546
PPP loans	467	—	467	—	—
Income producing - commercial real estate <sup>(2)</sup>	4,040,655	1,499,809	2,218,712	322,134	—
Owner occupied - commercial real estate	1,185,582	211,602	442,072	308,355	223,553
Real estate mortgage - residential	72,087	16,956	43,995	487	10,649
Construction - commercial and residential	1,082,556	289,929	755,137	7,689	29,801
Construction - C&I (owner occupied)	138,379	24,314	18,586	36,681	58,798
Home equity	53,251	2,331	2,192	1,092	47,636
Other consumer	958	771	—	—	187
<b>Total loans</b>	<b>\$ 7,982,702</b>	<b>\$ 2,402,041</b>	<b>\$ 4,360,354</b>	<b>\$ 846,137</b>	<b>\$ 374,170</b>
Loans with:					
Predetermined fixed interest rate	\$ 3,132,625	\$ 963,405	\$ 1,668,486	\$ 403,587	\$ 97,147
Floating or adjustable interest rate	4,850,077	1,438,636	2,691,868	442,550	277,023
<b>Total loans</b>	<b>\$ 7,982,702</b>	<b>\$ 2,402,041</b>	<b>\$ 4,360,354</b>	<b>\$ 846,137</b>	<b>\$ 374,170</b>

(1) Demand loans, having no contractual maturity, and overdrafts are reported as due in one year or less.

(2) Income producing CRE office loans, which had total principal of \$898.7 million at March 31, 2024 and are included within income producing - commercial real estate, had principal of \$323.8 million, \$559.8 million, and \$15.1 million aggregated with one year or less, over one year to five years, and over five years to fifteen years remaining until contractual maturity, respectively. Approximately \$107.8 million and \$368.8 million of income producing CRE office note loans as of March 31, 2024 were due to mature within three months and 18 months, respectively.

#### Allowance for Credit Losses

The ACL is an estimate based on many factors which reflect management's assessment of the risk in Northern Virginia, the loan portfolio. Those factors include economic conditions and trends, the value and adequacy of which approximately \$3.2 million was charged off collateral, volume and mix of the portfolio, performance of the portfolio and internal loan processes of the Company and Bank. A full discussion of the accounting for ACL is contained in Note 1 to the Consolidated Financial Statements and activity in the ACL is contained in Note 4 to the Consolidated Financial Statements. Also, please refer to the discussion under the caption "Provision for Credit Losses" for a discussion of the Company's calculation of the provision for credit losses during the second quarter of 2023, three months ended March 31, 2024 and one construction - commercial and residential note in Washington, D.C. 2023.

The following table shows the amounts of nonperforming assets, including ACL for loans at amortized cost March 31, 2024, or \$99.7 million, reflected a \$13.7 million increase from December 31, 2023, or \$85.9 million, reflecting a provision for credit losses of \$35.2 million and OREO \$21.4 million in net charge-offs during the three months ended March 31, 2024. Net charge-offs, on an annualized basis, represented 1.07% of average loans for the three months ended March 31, 2024, an increase from net charge-offs of \$975 thousand during the three months ended March 31, 2023, which represented 0.05% of average loans, excluding loans held for sale, on an annualized basis. Net charge-offs during the three months ended March 31, 2024 included \$20.6 million of charge offs on one CRE office lending relationship. At March 31, 2024, the ACL for loans represented 1.25% of total loans outstanding, as compared to 1.08% at the lower of cost or fair value less estimated costs to sell, at the dates indicated.

(dollars in thousands)	September 30, 2023	December 31, 2022
Nonaccrual Loans:		
Commercial	\$ 2,521	\$ 2,488
Income producing - commercial real estate	24,989	2,000
Owner occupied - commercial real estate	758	17
Real estate mortgage - residential	1,950	1,913
Construction - commercial and residential	39,695	—
Home equity	245	—
Other consumer	—	50
Total nonperforming loans	70,158	6,468
Other real estate owned	1,487	1,962
Total nonperforming assets	\$ 71,645	\$ 8,430
Coverage ratio, allowance for credit losses to total nonperforming loans	119 %	1,151 %
Ratio of nonperforming loans to total loans	0.89 %	0.08 %
Ratio of nonperforming assets to total assets	0.64 %	0.08 %

Significant variation in the amount December 31, 2023. The ACL represented 109% of nonperforming loans may occur from period at March 31, 2024, as compared to period because 131% at December 31, 2023. Refer to the amount "Provision for Credit Losses" section of nonperforming loans depends largely Management's Discussion and Analysis of Financial Condition and Results of Operations for more information on the condition provision for credit losses.

As part of a relatively small number its comprehensive loan review process, the Bank's Risk Committee evaluates loans which are past due 30 days or more. The Committee makes an assessment of individual credits the conditions and borrowers relative to the total circumstances surrounding delinquent and potential problem loans. The Bank's loan portfolio.

At September 30, 2023, there were \$219.0 million of Substandard loans. Substandard policy requires that loans be placed on nonaccrual if they are considered potential 90 days past due or actual problem loans due to known information about possible or actual credit problems which causes management if their collection is deemed to be uncertain as doubtful, unless they are well secured and in the process of collection. The Credit Administration department analyzes the status of development and construction projects, including sales activities and utilization of interest reserves in order to the ability assess potential increased levels of the borrowers to comply with the present loan repayment terms, risk which may require additional reserves.

The Company believes it has taken a prudent posture with respect to risk rating its loan portfolio. As of March 31, 2024 and December 31, 2023, loans rated special mention had an amortized cost of \$265.3 million and \$207.1 million, respectively, and loans rated substandard had an amortized cost of \$361.8 million and \$335.8 million, respectively. The increases in the future result special mention loans were primarily attributable to additions in the reclassification to the past due, nonaccrual or restructured loan categories, as appropriate. CRE loans, particularly in income producing - commercial real estate and commercial construction loans, and commercial loans. At March 31, 2024, 97.5% and \$73.9% of special mention and substandard loans, respectively, were current. Based upon their status as potential or actual problem loans, these loans risk rated special mention or substandard receive heightened scrutiny and ongoing intensive risk management. Additionally, the Company's loan loss allowance methodology incorporates increased reserve factors for certain loans considered potential problem loans as compared to the general portfolio.

Management, being aware of the loan growth experienced by the Bank and the risks facing CRE, is intent on maintaining strong portfolio management and a strong risk rating process. The Bank provides analysis of credit requests and the management of problem credits. The Bank has developed and implemented analytical procedures for evaluating credit requests, has refined the Company's risk rating system and has adopted enhanced monitoring of the loan portfolio and the adequacy of the ACL, in particular on its CRE and construction loans (including those collateralized by office properties). These analyses include stress testing. Additionally, fair value assessments of loans acquired are included in our analytical procedures. The loan portfolio analysis process is ongoing and proactive to support the Company's objective of maintaining a portfolio of quality credits and quickly identifying weaknesses before they become more severe.

At March 31, 2024 and December 31, 2023, the Company's performing office coverage ratio, which calculates the ACL attributable to loans collateralized by performing office properties as a percentage of total loans, was 3.67% and 1.91%, respectively.

The following table sets forth activity in the ACL for the periods indicated.

(dollars in thousands)	Three Months Ended March 31,	
	2024	2023
Balance at beginning of period	\$ 85,940	\$ 74,444
Charge-offs:		
Commercial	(496)	(868)
Income producing - commercial real estate	(20,943)	—
Construction - commercial and residential	(129)	(136)
Other consumer	(1)	(50)
Total charge-offs	(21,569)	(1,054)
Recoveries:		
Commercial	115	76
Owner occupied - commercial real estate	24	—
Other consumer	—	3
Total recoveries	139	79
Net charge-offs	(21,430)	(975)
Provision for credit losses - loans	35,174	4,908
Balance at end of period	\$ 99,684	\$ 78,377
Annualized ratio of net charge-offs during the period to average loans outstanding during the period	1.07 %	0.05 %

The following table reflects the allocation of the ACL at the dates indicated. The allocation of the allowance at March 31, 2024 includes ACL of \$387 thousand against individually assessed loans of \$92.1 million, as compared to ACL of \$641 thousand against individually assessed loans of \$66.1 million at December 31, 2023. The allocation of the allowance to each category is not necessarily indicative of future losses or charge-offs and does not restrict the use of the allowance to absorb losses in any category.

(dollars in thousands)	March 31, 2024			December 31, 2023		
	Amount	% of Total ACL	% of Total Loans	Amount	% of Total ACL	% of Total Loans
Commercial	\$ 23,682	24 %	18 %	\$ 17,824	21 %	18 %
Income producing - commercial real estate	45,937	46 %	50 %	40,050	47 %	51 %
Owner occupied - commercial real estate	13,537	13 %	15 %	14,333	16 %	15 %
Real estate mortgage - residential	893	1 %	1 %	861	1 %	1 %
Construction - commercial and residential	13,058	13 %	13 %	10,198	12 %	12 %
Construction - C&I (owner-occupied)	1,929	2 %	2 %	1,992	2 %	2 %
Home equity	618	1 %	1 %	657	1 %	1 %
Other consumer	30	— %	— %	25	— %	— %
Total allowance	\$ 99,684	100 %	100 %	\$ 85,940	100 %	100 %

#### Noninterest Income

Total noninterest Noninterest income includes service charges on deposits, gain on sale of loans, gains and losses on sale of investment securities, FHA multi-family income, income from bank owned life insurance ("BOLI") and other income. The following table summarizes the comparative noninterest income for the three months ended March 31, 2024 and 2023:

(dollars in thousands)	Three Months Ended March 31,			
	2024	2023	Dollar Change	Percent Change
Service charges on deposits	\$ 1,699	\$ 1,510	\$ 189	13 %
Gain on sale of loans	—	305	(305)	(100)%
Net gain (loss) on sale of investment securities	4	(21)	25	(119)%
Increase in the cash surrender value of bank-owned life insurance	703	655	48	7 %
Other income	1,183	1,251	(68)	(5)%
Total	\$ 3,589	\$ 3,700	\$ (111)	(3)%

Total noninterest income for the three months ended September 30, 2023 increased March 31, 2024 decreased to \$6.3 million \$3.6 million from \$5.3 million \$3.7 million for the three months ended September 30, 2022 March 31, 2023, a 19.6% increase. Total noninterest income for the nine months ended September 30, 2023 increased to \$18.6 million from \$18.3 million for the nine months ended September 30, 2022, a 1.7% increase.

Service charges on deposits for the three months ended September 30, 2023 increased to \$1.6 million from \$1.3 million for the three months ended September 30, 2022. Service charges on deposits for the nine months ended September 30, 2023 increased to \$4.8 million from \$4.0 million for the nine months ended September 30, 2022.

Loss on the sales of loans for the three months ended September 30, 2023 3% decrease. The decrease was \$5 thousand as compared primarily attributable to a gain of \$821 thousand for the three months ended September 30, 2022, a 100.6% decrease. Gain decrease in gains on sale of loans for the nine months ended September 30, 2023 decreased to \$395 thousand from \$3.2 million for the nine months ended September 30, 2022, a \$2.8 million, or 87.5% decrease. The reduction from a gain on the sales of loans to a loss for the comparative three months ended September 30, 2023 and 2022 and decline in the gain on the sales of loans for the comparative nine months ended September 30, 2023 and 2022 were due to lower volumes as a result of higher interest rates as well as ceasing the origination of residential mortgages as previously announced.

There were no residential mortgage loan locked commitments for the three months ended September 30, 2023 as compared to \$57.5 million for the same period in 2022. Residential mortgage loan locked commitments were \$32.8 million for the nine months ended September 30, 2023 as compared to \$286.2 million for the same period in 2022, a 88.5% decrease.

The residential mortgage loans, were originated for sale to third-party investors subject to compliance with pre-established criteria, partially offset by an increase in service charges on deposits. The Company commenced the cessation ceased originations of first lien residential mortgage origination mortgages for secondary sale during in the first quarter of 2023. The Company 2023, and completed residual origination and sales activities as of the end of in the second quarter of 2023.

Gain on the sale of investments for the three months ended September 30, 2023, was \$5 thousand compared to a gain of \$4 thousand for the three months ended September 30, 2022. Loss on the sale of investments for the nine months ended September 30, 2023, was \$14 thousand compared to a loss of \$172 thousand for the nine months ended September 30, 2022. The loss for the nine months ended September 30, 2023 was due to the sale of 12 securities for a loss of \$27 thousand, which was partially offset by \$13 thousand in gains on partial calls.

Other income for the three months ended September 30, 2023 increased to \$4.0 million from \$2.5 million for the three months ended September 30, 2022, a 61.0% increase, primarily attributable to an increase in swap fee income of \$1.2 million. Other income for the nine months ended September 30, 2023 increased to \$11.5 million from \$9.5 million for the nine months ended September 30, 2022, a 21.7% increase. Other interest income during the comparative nine months ended September 30, 2023 and 2022 increased primarily due to an increase in other fees driven by income of \$2.8 million from an investment in an SBIC fund, \$1.5 million in swap fee income, and BOLI income of \$846 thousand, which was partially offset by reductions in credit card income of \$1.5 million, mortgage servicing fees of \$887 thousand, and other loan income of \$808 thousand.

Servicing agreements relating to the Ginnie Mae mortgage-backed securities program require the Company to advance funds to make scheduled payments of principal, interest, taxes and insurance, if such payments have not been received from the borrowers. The Company will generally recover funds advanced pursuant to these arrangements under the FHA insurance and guarantee program. However, in the interim, the Company must absorb the cost of the funds it advances during the time the advance is outstanding. The Company must also bear the costs of attempting to collect on delinquent and defaulted mortgage loans. In addition, if a defaulted loan is not cured, the mortgage loan would be canceled as part of the foreclosure proceedings and the Company would not receive any future servicing income with respect to that loan. To the extent the mortgage loans underlying the Company's servicing portfolio experience delinquencies, the Company would be required to dedicate cash resources to comply with its obligation to advance funds, as well as incur additional administrative costs related to increases in collection efforts.

The Company is a long-time originator of SBA loans and its practice is to sell the guaranteed portion of those loans at a premium. There was \$0 and \$45 thousand of income from this source for the three and nine months ended September 30, 2023, respectively, compared to \$59 thousand and \$249 thousand for the three and nine months ended September 30, 2022, respectively. Activity in SBA loan sales to secondary markets can vary widely from quarter to quarter.

## Noninterest Expense

Total noninterest expense includes salaries and employee benefits, premises and equipment expenses, marketing and advertising, data processing, legal, accounting and professional, FDIC Federal Deposit Insurance Corporation ("FDIC") insurance assessments, and other expenses. The following table summarizes the comparative noninterest expense for the three months ended March 31, 2024 and 2023:

(dollars in thousands)	Three Months Ended March 31,		Dollar Change	Percent Change
	2024	2023		
Salaries and employee benefits	\$ 21,726	\$ 24,174	\$ (2,448)	(10)%
Premises and equipment expenses	3,059	3,317	(258)	(8)%
Marketing and advertising	859	636	223	35 %
Data processing	3,293	3,099	194	6 %
Legal, accounting and professional fees	2,507	3,254	(747)	(23)%
FDIC insurance	6,412	1,486	4,926	331 %
Other expenses	2,141	4,618	(2,477)	(54)%
Total	\$ 39,997	\$ 40,584	\$ (587)	(1)%

Total noninterest expense totaled \$37.6 million \$40.0 million for the three months ended September 30, 2023 March 31, 2024, as compared to \$36.2 million \$40.6 million for the three months ended September 30, 2022 March 31, 2023, a 3.9% increase. Total noninterest expense totaled \$116.2 million for the nine months ended September 30, 2023, as compared 1% decrease. The decrease was primarily attributable to \$126.2 million for the nine months ended September 30, 2022, a 7.9% decrease.

Salaries \$2.5 million reduction in other expenses, a \$2.4 million reduction in salaries and employee benefits, were \$21.5 million for both and a \$747 thousand reduction in legal, accounting and professional fees. This total of these reductions to expense was partially offset by a \$4.9 million increase in FDIC insurance.

The decrease in salaries and employee benefits over the comparative three months ended September 30, 2023 March 31, 2024 and September 30, 2022. Salaries 2023 was primarily due to a reduction in payroll taxes and employee benefits were \$67.7 million for the nine months ended September 30, 2023, as compared to \$60.4 million for the nine

months ended September 30, 2022, a 12.1% increase. The primary reason for the difference for the first nine months expense was the one-time accrual reduction in the first three months of 2022 of \$5.0 million related to stock-based compensation awards and deferred compensation for our former CEO and Chairman. benefits. At September 30, 2023 March 31, 2024, the Company's full time equivalent staff numbered 452 451, as compared to 495 486 at September 30, 2022 March 31, 2023.

Premises and equipment for the three and nine months ended September 30, 2023 and 2022, were \$3.1 million and \$9.6 million compared to \$3.3 million and \$9.9 million, respectively, of which premises expenses were \$1.8 million and \$5.6 million compared to \$2.0 million and \$6.0 million, respectively.

Marketing and advertising expenses totaled \$768 thousand for the three months ended September 30, 2023 and \$1.2 million for the same period in 2022. For the nine months ended September 30, 2023, marketing and advertising expense was \$2.3 million compared to \$3.4 million for the nine month period ended September 30, 2022. The decrease for both the three and nine month periods were due to a reduction in advertising and promotions.

Data processing expenses were \$3.2 million and \$9.6 million for the three and nine months ended September 30, 2023, respectively, compared to \$3.4 million and \$9.1 million for the same periods in 2022, respectively.

Legal, legal, accounting and professional fees were \$2.2 million and \$8.1 million for over the three and nine months ended September 30, 2023, respectively, compared to \$2.3 million and \$6.0 million for the three and nine months ended September 30, 2022, respectively, a decrease of \$170 thousand and an increase of \$2.1 million for the comparative periods, respectively. Legal fees and expenditures were \$446 thousand and \$227 thousand for the three months ended September 30, 2023 March 31, 2024 and 2022, respectively. For the nine months ended September 30, 2023 and September 30, 2022 legal fees and expenditures were \$2.9 million and \$723 thousand, respectively. The decrease 2023 was primarily due to a \$959 thousand reversal of legal fees receivable in the first quarter of 2023 relating to the previously disclosed settled litigations and investigations as Directors & Officers insurance for the 2016-2017 years was fully depleted.

FDIC insurance assessments were \$3.3 million for the three months ended September 30, 2023 compared to \$1.3 million for the same period in 2022, a 159.7% increase. For the nine months ended September 30, 2023, FDIC insurance assessments were \$7.4 million compared to \$3.3 million for the nine months ended September 30, 2022.

The major components of other expenses include franchise taxes, director compensation and insurance expense. Other expenses increased to \$3.5 million from \$3.1 million, or 11.9%, for the three months ended September 30, 2023, compared to the same three month period in 2022. For the nine month period ended September 30, 2023 other expenses decreased to \$11.5 million from \$34.1 million, or 66.4%, for the same period in 2022. The decrease in other expenses over the comparative nine three months ended September 30, 2023 March 31, 2024 and 2022 2023 was primarily due to the SEC a reduction in director fees of \$1.3 million and FRB penalties totaling \$22.9 million, a \$857 thousand recovery of real estate taxes.

The efficiency ratio, which measures the ratio of noninterest expense to total revenue, was 48.83% 51.09% for the third quarter of 2023, three months ended March 31, 2024, as compared to 40.59% for the third quarter of 2022. For the first nine months of 2023, the efficiency ratio was 49.19% as compared to 47.51% 51.55% for the same period in 2022, 2023. Refer to the "Use of Non-GAAP Financial Measures" section for additional detail and a reconciliation of GAAP to non-GAAP financial measures. The adverse change improvement in the efficiency ratio for the three and nine months ended September 30, 2023 March 31, 2024 as compared to the same three and nine month period in 2022 2023 was primarily driven by the decrease in noninterest expenses outpacing the decreases in net interest income as a result of the increase in interest rates on deposits and borrowings which was partially offset by the decrease in noninterest expense in connection with the second quarter of 2022 accrual of settlement expenses in connection with the agreements with the SEC and FRB associated with previously disclosed government investigations, totaling \$22.9 million of settlement expenses associated with previously disclosed government investigations in the second quarter of 2022. income.

As a percentage of average assets, total noninterest expense (annualized) was 1.25% 1.26% for the three months ended September 30, 2023 March 31, 2024, as compared to 1.27% 1.44% for the same period in 2022. As a percentage of average assets, total noninterest expense (annualized) was 1.32% for the nine months ended September 30, 2023 as compared to 1.41% for the same period in 2022. 2023. The decrease for the nine three month period ended September 30, 2023 March 31, 2024 was primarily due to the accrual of the \$22.9 million of settlement expenses an increase in the second quarter of 2022. The decrease for the nine month period ended September 30, 2023 was partially offset by the salary accrual reduction in the first quarter of 2022 of \$5.0 million related to stock-based compensation awards and deferred compensation for our former CEO and Chairman. average interest earning assets.

## Income Tax Expense

The Company's ratio of income tax expense to pre-tax income ("effective tax rate") for the three months ended September 30, 2023 and 2022 was 20.9% and 24.2%, respectively. The total tax provision for the three months ended September 30, 2023 March 31, 2024 was \$7.2 million \$3.0 million, compared to \$11.9 million \$6.9 million for the three months ended September 30, 2022 March 31, 2023. The effective tax rate for the nine months ended September 30, 2023 was 21.7% as compared to 28.1% for the same period in 2022. The total tax provision for the nine months ended September 30, 2023 was \$22.3 million, compared to \$38.6 million for the nine months ended September 30, 2022.

The decreases decrease in the effective tax rate and tax provision over the comparative three months ended September 30, 2023 March 31, 2024 and 2022 were 2023 was primarily due to decreases in pre-tax income period over period. The decrease in the effective tax rate and tax provisions over the comparative nine months ended September 30, 2023 and 2022 was primarily due to the SEC and FRB penalties totaling \$22.9 million and decreases in pre-tax income period over period. The penalties associated with the previously disclosed investigations are not deductible for tax purposes.

The Inflation Reduction Act of 2022 was signed into law by President Biden on August 16, 2022 which makes and made significant changes to the U.S. tax law, including the introduction of a corporate alternative minimum tax of 15% of the "adjusted financial statement income" of certain domestic corporations as well as a 1% excise tax on the fair market value of stock repurchases by certain domestic corporations, effective for tax years beginning in 2023. Effective January 1, 2023, the Company became subject to the tax laws under the Inflation Reduction Act. The Company has not experienced and currently does not expect the tax-related provisions of the Inflation Reduction Act to have a material impact on our financial results.

## FINANCIAL CONDITION

### Summary



Total assets were \$11.2 billion \$11.6 billion and \$11.7 billion at September 30, 2023 March 31, 2024 and December 31, 2022. Total December 31, 2023, respectively. Assets remained at similar levels from December 31, 2023 to March 31, 2024 with minor changes in the asset mix. The decrease in total assets remained consistent over the nine months ended September 30, 2023, as a result of an increase in loan balances which were partially offset by \$51.9 million (or 0.4%) from December 31, 2023 to March 31, 2024 was primarily due to decreases in investment securities and interest-bearing deposits with other banks and other short-term investments. investments, the total of which was partially offset by an increase in loans.

The largest component of assets, total loans, (excluding loans held for sale), had an amortized cost basis of \$7.9 billion \$8.0 billion at September 30, 2023 March 31, 2024, a 3.7% 0.2% increase from the balance at December 31, 2022 December 31, 2023. The increase in loans over the nine three months ended September 30, 2023 March 31, 2024, was driven primarily by growth from increased fundings of ongoing construction projects for commercial and residential properties, partially offset by decreases in income producing - CRE, owner occupied - CRE and construction commercial loans. There were no loans held for sale at September 30, 2023, compared to \$6.7 million at December 31, 2022, as a result of the cessation in origination of residential mortgages as previously announced.

Investment securities, at amortized cost net of the allowance for credit losses, ACL, totaled \$2.7 billion \$2.6 billion at September 30, 2023 March 31, 2024 as compared to \$2.9 billion \$2.7 billion at December 31, 2022 December 31, 2023, a decrease of \$164.6 million \$69.7 million, or 5.7% 2.6%. that was primarily driven by the pay down of principal on mortgage-backed securities and sales ("MBS") and calls of securities. During the first quarter At March 31, 2024 and December 31, 2023, investment securities available-for-sale had an amortized cost of 2022, we evaluated our securities portfolio \$1.6 billion and determined that certain securities will be maintained for the life of the instrument \$1.7 billion, respectively, and made a decision to transfer \$1.1 billion of securities designated as available-for-sale ("AFS") to held-to-maturity ("HTM"), including \$237.0 million of securities acquired in the first quarter of 2022 for which the intention to hold to maturity was finalized. The securities transferred with unrealized losses of \$66.2 million, and, as of September 30, 2023, \$53.5 million remains in accumulated other comprehensive loss, and will be accreted ratably over the remaining lives of the securities through accumulated other comprehensive loss. The securities transferred were generally municipal bonds, corporate bonds, bonds that qualify for Community Reinvestment Act credit, and mortgage-backed securities with longer final maturity dates. At quarter-end, \$1.0 billion, or 41.2% of the securities portfolio, was classified as securities HTM. The fair value of HTM \$1.4 billion and \$1.5 billion, respectively. Additionally, March 31, 2024 and December 31, 2023, investment securities was \$159.8 million held-to-maturity had an amortized cost, less than carrying an ACL of \$2.0 million, of \$1.0 billion and an estimated fair value at September 30, 2023 compared to a difference of \$125.4 million at December 31, 2022, \$878.2 million and \$901.6 million, respectively.

In terms of funding, total deposits at September 30, 2023 March 31, 2024 were \$8.4 billion \$8.5 billion, down from \$8.7 billion \$8.8 billion at December 31, 2022 December 31, 2023, a decline of 3.9% 3.5%. Total borrowed funds borrowings (excluding customer repurchase agreements) were \$1.7 billion and \$1.4 billion at March 31, 2024 and \$1.0 billion at September 30, 2023 and December 31, 2022 December 31, 2023, respectively. The decrease in deposits was primarily attributable to first quarter seasonality, while the increase in borrowings, attributable to net fundings on the Company's secured borrowings, was primarily to meet funding needs, including to fund loan growth, given the decrease in deposits.

Total shareholders' equity was \$1.2 billion remained consistent at \$1.3 billion as of September 30, 2023 March 31, 2024, and December 31, 2022 December 31, 2023. During the three months ended March 31, 2024, there was a slight decrease of 1.2%, which was primarily the result of cash dividends and the decrease in earnings.

The Company's capital ratios remain substantially in excess of regulatory minimum and buffer requirements. Regulatory ratios based on risk-weighted assets experienced decreases minor fluctuations of less than 2% 1% from December 31, 2022 December 31, 2023 to September 30, 2023 March 31, 2024. The decreases were primarily due to an increase in average assets and also due to minor declines in Tier 1 and risk based capital. The total risk based capital ratio was 14.54% 14.87% at September 30, 2023 March 31, 2024, as compared to 14.94% 14.79% at December 31, 2022 December 31, 2023. The common equity tier 1 capital ("CET1") risk based capital ratio was 13.68% 13.80% at September 30, 2023 March 31, 2024, as compared to 14.03% 13.90% at December 31, 2022 December 31, 2023. The tier 1 risk based capital ratio was 13.68% 13.80% at September 30, 2023 March 31, 2024, as compared to 14.03% 13.90% at December 31, 2022 December 31, 2023. The tier 1 leverage ratio was 10.96% 10.26% at September 30, 2023 March 31, 2024, as compared to 11.63% 10.73% at December 31, 2022 December 31, 2023.

The ratio of common equity to total assets was 10.89% 10.85% at September 30, 2023 March 31, 2024, as compared to 11.02% 10.92% at December 31, 2022 December 31, 2023 as common equity levels remained almost constant over the nine months ended September 30, 2023. Total assets remained consistent over the nine three months ended September 30, 2023, as a result of an increase in loan balances which were partially offset by decreases in investment securities and other short-term investments. March 31, 2024. Book value per share was \$40.64 \$41.72 at September 30, 2023 March 31, 2024, a 3.7% increase 2.0% decrease over \$39.18 \$42.58 at December 31, 2022 primarily as a result of share repurchases of 1,600,000 of the Company's common stock during the nine months ended September 30, 2023 under the 2023 Repurchase Program. The repurchases, at prices below book and tangible book values, reduced the number of shares outstanding as of September 30, 2023 December 31, 2023. The Company has reached the maximum number of shares that may be purchased under the 2023 Repurchase Program.

In addition, the tangible common equity ratio was 10.04% 10.03% at September 30, 2023 March 31, 2024, as compared to 10.18% 10.12% at December 31, 2022 December 31, 2023. Tangible book value per share was \$37.12 \$38.26 at September 30, 2023 March 31, 2024, a 3.5% increase 2.1% decrease from \$35.86 \$39.08 at December 31, 2022 December 31, 2023. Refer to the "Use of Non-GAAP Financial Measures" section for additional detail and a reconciliation of GAAP to non-GAAP financial measures.

In order to be considered well-capitalized, the Bank must have a CET1 risk based capital ratio of 6.5%, a Tier 1 risk-based ratio of 8.0%, a total risk-based capital ratio of 10.0% and a leverage ratio of 5.0%. The Company and the Bank exceed all these requirements and satisfy the capital conservation buffer of 2.5% of CET1 capital. Failure to maintain the required capital conservation buffer would limit the ability of the Company and the Bank to pay dividends, repurchase shares or pay discretionary bonuses.

## Loan Portfolio

Loans, net of amortized deferred fees and costs, at September 30, 2023 and December 31, 2022 by major category are summarized below.

(dollars in thousands, except amounts in the footnote)	September 30, 2023		December 31, 2022	
	Amount	%	Amount	%
Commercial	\$ 1,418,760	18 %	\$ 1,487,349	19 %
PPP loans	588	— %	3,256	— %
Income producing - commercial real estate	4,147,301	52 %	3,919,941	51 %

Owner occupied - commercial real estate	1,182,959	15 %	1,110,325	15 %
Real estate mortgage - residential	76,511	1 %	73,001	1 %
Construction - commercial and residential	904,282	11 %	877,755	12 %
Construction - C&I (owner occupied)	129,616	2 %	110,479	1 %
Home equity	53,917	1 %	51,782	1 %
Other consumer	2,457	— %	1,744	— %
Total loans	7,916,391	100 %	7,635,632	100 %
Less: allowance for credit losses	(83,332)		(74,444)	
Net loans <sup>(1)</sup>	\$ 7,833,059		\$ 7,561,188	

(1) Excludes accrued interest receivable of \$45.4 million and \$43.5 million at September 30, 2023 and December 31, 2022, respectively, which is recorded in other assets.

In its lending activities, the Company seeks to develop and expand relationships with clients whose businesses and individual banking needs will grow with the Bank. Superior customer service, local decision making, and accelerated turnaround time from application to closing have been significant factors in growing the loan portfolio and meeting the lending needs in the markets served, while maintaining sound asset quality.

Loans outstanding were \$7.9 billion \$8.0 billion at September 30, 2023 March 31, 2024, an increase of \$280.8 million \$14.0 million, or 3.7% 0.2%, from the balance at December 31, 2022 December 31, 2023.

The loan portfolio has continued to grow in the nine three months ended September 30, 2023 March 31, 2024, due primarily to our income producing CRE loan originations and driven by increased fundings along with increases in our owner occupied CRE loans, and to a lesser extent, of ongoing construction projects for commercial and residential loans and construction C&I (owner occupied) properties, partially offset by a reduction in CRE loans. Amidst this growth, we have remained cognizant of the volatility in our industry, capital markets and interest rate markets. Market rates on in 2024 for our new loan originations have risen in connection remained consistent with rate increases implemented by the market rates at the end of 2023, reflecting that the Federal Reserve Reserve has not raised short-term interest rates in 2024. We continue to see opportunities for growth in the commercial real estate market in our focused sectors; our processes for evaluating these opportunities are designed to ensure they are subject to reasonable underwriting standards, including appropriate collateral and cash flow necessary to support debt service. Following origination, we continue to monitor our borrowers' business plans and identify primary and alternative sources for loan repayment and, if necessary, obtain collateral to mitigate credit loss in the event of default.

Loans, net of amortized deferred fees and costs, at March 31, 2024 and December 31, 2023 by major category are summarized below.

(dollars in thousands, except amounts in the footnote)	March 31, 2024		December 31, 2023	
	Amount	%	Amount	%
Commercial	\$ 1,408,767	18 %	\$ 1,473,766	18 %
PPP loans	467	— %	528	— %
Income producing - commercial real estate	4,040,655	50 %	4,094,614	51 %
Owner occupied - commercial real estate	1,185,582	15 %	1,172,239	15 %
Real estate mortgage - residential	72,087	1 %	73,396	1 %
Construction - commercial and residential	1,082,556	13 %	969,766	12 %
Construction - C&I (owner occupied)	138,379	2 %	132,021	2 %
Home equity	53,251	1 %	51,964	1 %
Other consumer	958	— %	401	— %
Total loans	7,982,702	100 %	7,968,695	100 %
Less: allowance for credit losses	(99,684)		(85,940)	
Loans, net <sup>(1)</sup>	\$ 7,883,018		\$ 7,882,755	

(1) Excludes accrued interest receivable of \$46.3 million and \$45.3 million at March 31, 2024 and December 31, 2023, respectively, which is recorded in other assets.

As noted above, a significant portion of the loan portfolio consists of commercial, construction and commercial real estate loans, primarily made in the Washington, D.C. metropolitan area, and is secured by real estate or other collateral in that market. Although these loans are made to a diversified pool of unrelated borrowers across numerous businesses, adverse developments in the Washington, D.C. metropolitan real estate market could continue to have an adverse impact on this portfolio of loans and the Company's income and financial position. Management believes that the CRE concentration risk is mitigated by diversification among the types and characteristics of real estate collateral properties, sound underwriting practices and ongoing portfolio monitoring and market analysis. While our basic market area is the Washington, D.C. metropolitan area, the Bank has made loans outside that market area where the applicant is an existing customer and the nature and quality of such loans was consistent with the Bank's lending policies.

The Company's overall loan portfolio is substantially concentrated with borrowers located concentration in the Washington, D.C. metro area including includes "Washington's Maryland Suburbs," which comprise Frederick, Prince George's and Montgomery counties and "Northern Virginia," which comprises Alexandria, Arlington, Falls Church, Fairfax, Loudoun and Prince William counties. At September 30, 2023 March 31, 2024, 30.8% 31.8%, 26.8% 26.9%, 24.6% 24.2%, 6.0% 5.4% and 11.8% 11.7% of the loan portfolio, as a percentage of total amortized cost, was concentrated in Washington D.C., Washington's Maryland Suburbs, Northern Virginia, other counties in Maryland and other locations in the United States, respectively. At December 31, 2022 December 31, 2023, 33.2% 31.5%, 25.8% 26.4%, 23.7% 25.1%, 5.8% 5.5% and 11.5% of the loan portfolio, as a percentage of total amortized cost, was concentrated in Washington D.C., Washington's Maryland Suburbs, Northern Virginia, other counties in Maryland and other locations in the United States,



respectively. While we remain cautious with regard to CRE market conditions, principally office, the strength of the Washington D.C. metro area in certain sectors, particularly multi-family **commercial real estate CRE** and the housing market, continue to drive premiums for well-located properties.

As part of its lending strategy, the Company maintains a substantial portfolio of CRE loans, with **\$6.1 billion** **\$6.2 billion** and **\$5.8 billion** **\$6.1 billion**, or **77.5%** **77.1%** and **76.2%** **77.0%** of total loans, of amortized cost outstanding at **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**, respectively. Management meets regularly in order to monitor its existing CRE loan portfolio and to evaluate the pipeline for CRE loan investment. The Company has remained focused on monitoring sectors that have **been impacted by** **had a lasting impact from** the ramifications of the COVID-19 pandemic, particularly income producing CRE loans collateralized by office properties, which comprised approximately **\$950.1 million** **\$898.7 million** and **\$937.2 million** **\$949.0 million**, or **12.0%** **11.2%** and **12.3%** **11.9%** of total loans, at **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**, respectively. Office loans within Washington D.C., Washington's Maryland Suburbs and Northern Virginia were **\$877.7 million** **\$829.5 million** and **\$851.9 million** **\$879.0 million**, or **11.1%** **10.4%** and **11.2%** **11.0%** of total loans, at **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**, respectively. As a percentage of total income producing - CRE office loans, **34.0%** **37.4%**, **33.9%** **31.4%** and **24.5%** **23.5%** were located in **Northern Virginia**, Washington's Maryland Suburbs, **Northern Virginia**, and Washington, D.C. at **September 30, 2023** **March 31, 2024**.

The following table summarizes the Company's income producing - commercial real estate loans, at principal, at **March 31, 2024**:

		Maryland		Virginia					
(dollars in thousands)	Washington D.C.	Washington Suburbs	Other	Northern Virginia	Other	Other	Total	Percent of Total	
Collateral Type:									
Hotel & motel	\$ 138,330	\$ 85,641	\$ 83,327	\$ 66,982	\$ —	\$ 22,129	\$ 396,409	10 %	
Industrial	5,854	78,924	40,898	19,713	3,815	—	149,204	4 %	
Mixed use	265,432	45,969	372	54,511	25,793	5,380	397,457	10 %	
Multifamily	384,408	214,415	320	72,131	84,636	47,877	803,787	20 %	
Office	211,181	336,043	4,349	282,297	64,823	47	898,740	22 %	
Retail	82,279	97,738	62,018	77,094	99,788	1,938	420,855	10 %	
Single / 1-4 Family & Res. Condo	73,737	2,775	2,543	14,496	6,554	4,080	104,185	2 %	
Other	155,520	188,186	39,918	459,291	9,355	27,255	879,525	22 %	
Total	\$ 1,316,741	\$ 1,049,691	\$ 233,745	\$ 1,046,515	\$ 294,764	\$ 108,706	\$ 4,050,162	100 %	
Percent of total	32 %	26 %	6 %	26 %	7 %	3 %	100 %		
Percent of Principal by Loan Size:									
Less than \$1 million	29 %	23 %	45 %	26 %	30 %	34 %			
\$1 million to \$15 million	16 %	16 %	6 %	10 %	8 %	8 %			
\$5 million to \$10 million	8 %	7 %	— %	10 %	35 %	49 %			
\$10 million to \$25 million	25 %	37 %	43 %	26 %	24 %	9 %			
\$25 million to \$50 million	18 %	17 %	6 %	14 %	3 %	— %			
Greater than \$50 million	4 %	— %	— %	14 %	— %	— %			
Total	100 %	100 %	100 %	100 %	100 %	100 %			

At **September 30, 2023** **March 31, 2024**, **\$181.9 million** **\$248.9 million** of principal of loans collateralized by office properties were criticized or classified.

At March 31, 2024, the Company had no concentrations of loans with any one borrower in any one industry exceeding 10% of its total loan portfolio. An industry for this purpose is defined as a group of businesses that are engaged in similar activities and have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.

The following table sets forth the time to the final contractual maturity of the loan portfolio as of **September 30, 2023** **March 31, 2024**:

September 30, 2023							March 31, 2024					
March 31, 2024							March 31, 2024					
(dollars in thousands)	(dollars in thousands)	Total	One Year or Less	Over One Year to Five Years	Over Five Years to Fifteen Years	Over Fifteen Years	(dollars in thousands)	Total	One Year or Less (1)	Over One Year to Five Years	Over Five Years to Fifteen Years	Over Fifteen Years
Commercial	Commercial	\$1,418,760	\$ 531,057	\$ 711,836	\$ 172,213	\$ 3,654						
PPP loans	PPP loans	588	—	588	—	—						
Income producing - commercial real estate (1)		4,147,301	1,439,877	2,238,713	468,711	—						

Income producing - commercial real estate <sup>(2)</sup>						
Owner occupied - commercial real estate	Owner occupied - commercial real estate	1,182,959	94,290	492,412	377,578	218,679
Real estate mortgage - residential	Real estate mortgage - residential	76,511	11,997	52,395	510	11,609
Construction - commercial and residential	Construction - commercial and residential	904,282	282,350	583,040	9,786	29,106
Construction - C&I (owner occupied)	Construction - C&I (owner occupied)	129,616	1,011	33,734	35,782	59,089
Home equity	Home equity	53,917	3,869	2,351	1,607	46,090
Other consumer	Other consumer	2,457	2,189	68	—	200
Total loans	Total loans	<u>\$7,916,391</u>	<u>\$2,366,640</u>	<u>\$4,115,137</u>	<u>\$1,066,187</u>	<u>\$368,427</u>
Loans with:	Loans with:					
Predetermined fixed interest rate	Predetermined fixed interest rate	\$2,997,636	\$ 771,529	\$1,573,630	\$ 553,044	\$ 99,433
Predetermined fixed interest rate						
Predetermined fixed interest rate						
Floating or adjustable interest rate	Floating or adjustable interest rate	4,918,755	1,595,111	2,541,507	513,143	268,994
Total loans	Total loans	<u>\$7,916,391</u>	<u>\$2,366,640</u>	<u>\$4,115,137</u>	<u>\$1,066,187</u>	<u>\$368,427</u>

(1) Demand loans, having no contractual maturity, and overdrafts are reported as due in one year or less.

(2) Income producing CRE office loans, which had total principal of \$950.1 million \$898.7 million at September 30, 2023 March 31, 2024 and are included within income producing - commercial real estate, had principal of \$249.9 million \$323.8 million, \$652.6 million \$559.8 million, \$47.6 million and \$15.1 million aggregated with one year or less, over one year to five years, and over five years to fifteen years remaining until contractual maturity, respectively. Approximately \$94.8 million \$107.8 million and \$393.3 million \$368.8 million of income producing CRE office loans as of September 30, 2023 March 31, 2024 were due to mature within three months and 18 months, respectively.

#### Allowance for Credit Losses

The ACL is an estimate based on many factors which reflect management's assessment of the risk in the loan portfolio. Those factors include economic conditions and trends, the value and adequacy of collateral, volume and mix of the portfolio, performance of the portfolio and internal loan processes of the Company and Bank. A full discussion of the accounting for ACL is contained in Note 1 to the Consolidated Financial Statements and activity in the ACL is contained in Note 4 to the Consolidated Financial Statements. Also, please refer to the discussion under the caption "Provision for Credit Losses" for a discussion of the Company's calculation of the provision for credit losses during the three months ended March 31, 2024 and 2023.

The ACL for loans at March 31, 2024, or \$99.7 million, reflected a \$13.7 million increase from December 31, 2023, or \$85.9 million, reflecting a provision for credit losses of \$35.2 million and \$21.4 million in net charge-offs during the three months ended March 31, 2024. Net charge-offs, on an annualized basis, represented 1.07% of average loans for the three months ended March 31, 2024, an increase from net charge-offs of \$975 thousand during the three months ended March 31, 2023, which represented 0.05% of average loans, excluding loans held for sale, on an annualized basis. Net charge-offs during the three months ended March 31, 2024 included \$20.6 million of charge offs on one CRE office lending relationship. At March 31, 2024, the ACL for loans represented 1.25% of total loans outstanding, as compared to 1.08% at December 31, 2023. The ACL represented 109% of nonperforming loans at March 31, 2024, as compared to 131% at December 31, 2023. Refer to the "Provision for Credit Losses" section of Management's Discussion and Analysis of Financial Condition and Results of Operations for more information on the provision for credit losses.

As part of its comprehensive loan review process, the Bank's Risk Committee evaluates loans which are past due 30 days or more. The Committee makes an assessment of the conditions and circumstances surrounding delinquent and potential problem loans. The Bank's loan policy requires that loans be placed on nonaccrual if they are 90 days past due or if their collection is deemed to be doubtful, unless they are well secured and in the process of collection. The Credit Administration department analyzes the status of development and construction projects, including sales activities and utilization of interest reserves in order to assess potential increased levels of risk which may require additional reserves.

The Company believes it has taken a prudent posture with respect to risk rating its loan portfolio. As of March 31, 2024 and December 31, 2023, loans rated special mention had an amortized cost of \$265.3 million and \$207.1 million, respectively, and loans rated substandard had an amortized cost of \$361.8 million and \$335.8 million, respectively. The increases in special mention loans were primarily attributable to additions in CRE loans, particularly in income producing - commercial real estate and commercial construction loans, and commercial loans. At March 31, 2024, 97.5% and \$73.9% of special mention and substandard loans, respectively, were current. Based upon their status as potential problem loans, loans risk rated special mention or substandard receive heightened scrutiny and ongoing intensive risk management. Additionally, the Company's loan loss allowance methodology incorporates increased reserve factors for certain loans considered potential problem loans as compared to the general portfolio.

Management, being aware of the loan growth experienced by the Bank and the risks facing CRE, is intent on maintaining strong portfolio management and a strong risk rating process. The Bank provides analysis of credit requests and the management of problem credits. The Bank has developed and implemented analytical procedures for evaluating credit requests, has refined the Company's risk rating system and has adopted enhanced monitoring of the loan portfolio and the adequacy of the ACL, in particular on its CRE and construction loans (including those collateralized by office properties). These analyses include stress testing. Additionally, fair value assessments of loans acquired are included in our analytical procedures. The loan portfolio analysis process is ongoing and proactive to support the Company's objective of maintaining a portfolio of quality credits and quickly identifying weaknesses before they become more severe.

At March 31, 2024 and December 31, 2023, the Company's performing office coverage ratio, which calculates the ACL attributable to loans collateralized by performing office properties as a percentage of total loans, was 3.67% and 1.91%, respectively.

The following table sets forth activity in the ACL for the periods indicated.

(dollars in thousands)	Three Months Ended March 31,	
	2024	2023
Balance at beginning of period	\$ 85,940	\$ 74,444
Charge-offs:		
Commercial	(496)	(868)
Income producing - commercial real estate	(20,943)	—
Construction - commercial and residential	(129)	(136)
Other consumer	(1)	(50)
Total charge-offs	(21,569)	(1,054)
Recoveries:		
Commercial	115	76
Owner occupied - commercial real estate	24	—
Other consumer	—	3
Total recoveries	139	79
Net charge-offs	(21,430)	(975)
Provision for credit losses - loans	35,174	4,908
Balance at end of period	\$ 99,684	\$ 78,377
Annualized ratio of net charge-offs during the period to average loans outstanding during the period	1.07 %	0.05 %

The following table reflects the allocation of the ACL at the dates indicated. The allocation of the allowance at March 31, 2024 includes ACL of \$387 thousand against individually assessed loans of \$92.1 million, as compared to ACL of \$641 thousand against individually assessed loans of \$66.1 million at December 31, 2023. The allocation of the allowance to each category is not necessarily indicative of future losses or charge-offs and does not restrict the use of the allowance to absorb losses in any category.

(dollars in thousands)	March 31, 2024			December 31, 2023		
	Amount	% of Total ACL	% of Total Loans	Amount	% of Total ACL	% of Total Loans
Commercial	\$ 23,682	24 %	18 %	\$ 17,824	21 %	18 %
Income producing - commercial real estate	45,937	46 %	50 %	40,050	47 %	51 %
Owner occupied - commercial real estate	13,537	13 %	15 %	14,333	16 %	15 %
Real estate mortgage - residential	893	1 %	1 %	861	1 %	1 %
Construction - commercial and residential	13,058	13 %	13 %	10,198	12 %	12 %
Construction - C&I (owner-occupied)	1,929	2 %	2 %	1,992	2 %	2 %
Home equity	618	1 %	1 %	657	1 %	1 %
Other consumer	30	— %	— %	25	— %	— %
Total allowance	\$ 99,684	100 %	100 %	\$ 85,940	100 %	100 %

#### Nonperforming Assets

The Company's level of nonperforming assets, which comprise the amortized cost of loans delinquent 90 days or more and nonaccrual loans, which includes the nonperforming portion of loan modifications, and the carrying value of OREO, totaled \$92.3 million at March 31, 2024 representing 0.79% of total assets, as compared to \$66.6 million of nonperforming assets, or 0.57% of total assets, at December 31, 2023. The increase is primarily due to the increase in nonperforming loans discussed below.

The Company had no accruing loans 90 days or more past due at March 31, 2024 or December 31, 2023. Management prioritizes remaining attentive to early signs of deterioration in borrowers' financial conditions and to taking action designed to mitigate risk. The Company places loans on nonaccrual status if it deems collection to be doubtful. The Company believes it is diligent in placing loans on nonaccrual status and believes, based on its loan portfolio risk analysis, that its ACL, at 1.25% of total loans at March 31, 2024, is adequate to absorb expected credit losses within the loan portfolio at that date.

Total nonperforming loans had an amortized cost of \$91.5 million at March 31, 2024, representing 1.15% of total loans, compared to \$65.5 million at December 31, 2023, representing 0.82% of total loans. The increase was primarily from the addition of two income-producing commercial real estate loans to non-accruing status following a partial charge-off on the combined balances.

The CECL standard allows for institutions to evaluate individual loans in the event that the asset does not share similar risk characteristics with its original segmentation. This can occur due to credit deterioration, increased collateral dependency or other factors leading to impairment. In particular, the Company individually evaluates loans on nonaccrual and those identified as loan modifications to borrowers experiencing financial difficulties, though it may individually evaluate other loans or groups of loans as well if it determines they no longer share similar risk with their assigned segment. Reserves on individually assessed loans are determined by one of two methods: the fair value of collateral or the discounted cash flow. Fair value of collateral is used for loans determined to be collateral dependent, and the fair value represents the net realizable value of the collateral, adjusted for sales costs, commissions, senior liens, etc. Discounted cash flow is used on loans that are not collateral dependent where structural concessions have been made and continuing payments are expected. The continuing payments are discounted over the expected life at the loan's original contract rate and include adjustments for risk of default.

Nonperforming assets include loans that the Company considers to be individually assessed. Individually assessed loans are defined as those as to which we believe it is probable that we will not collect all amounts due according to the contractual terms of the loan agreement, as well as those loans whose terms have been modified in a loan restructuring to a borrower experiencing financial difficulties that has not shown a period of performance as required under applicable accounting standards. Loans that do not share risk characteristics are evaluated on an individual basis. For collateral dependent financial assets where the Company has determined that foreclosure of the collateral is probable, or where the borrower is experiencing financial difficulty and the Company expects repayment of the financial asset to be provided substantially through the sale of the collateral, the ACL is measured based on the difference between the fair value of the collateral and the amortized cost basis of the asset as of the measurement date. When repayment is expected to be from the operation of the collateral, expected credit losses are calculated as the amount by which the amortized cost basis of the financial asset exceeds the net present value ("NPV") from the operation of the collateral. When repayment is expected to be from the sale of the collateral, expected credit losses are calculated as the amount by which the amortized cost basis of the financial asset exceeds the fair value of the underlying collateral less estimated cost to sell. The ACL may be zero if the fair value of the collateral at the measurement date exceeds the amortized cost basis of the financial asset. Generally, all appraisals associated with individually assessed loans are updated on a not less than annual basis.

The Company evaluates loan modifications according to the accounting guidance for loan modifications to determine if the modification results in a new loan or a continuation of the existing loan. Loan modifications to borrowers experiencing financial difficulty that result in a direct change in the timing or amount of contractual cash flows include situations where there is principal forgiveness, interest rate reductions, other-than-insignificant payment delays, term extensions, and combinations of the listed modifications. A loan that is considered a restructured loan may be subject to an individually evaluated loan analysis if the commitment is \$1.0 million or greater; otherwise, the restructured loan remains in the appropriate segment in the ACL model and associated reserves are adjusted based on changes in the discounted cash flows resulting from the modification of the restructured loan. Management strives to identify borrowers in financial difficulty early and work with them to modify their loan to more affordable terms before their loan reaches nonaccrual status, foreclosure or repossession of the collateral to minimize economic loss to the Company.

Commercial and consumer loans modified are closely monitored for delinquency as an early indicator of possible future default. If loans modified in a loan restructuring subsequently default, the Company evaluates the loan for possible further impairment. The allowance may be increased, adjustments may be made in the allocation of the allowance, or partial charge-offs may be taken to further write-down the carrying value of the loan.

During the three months ended March 31, 2024, the Bank modified 11 loans with a total amortized cost of \$85.0 million at March 31, 2024 (1.1% of the loan portfolio). These loans received extended loan terms of between approximately one to 12 months.

Loans modified in the preceding twelve months totaled \$237.5 million, of which approximately \$8.0 million are loans 30-89 days past due and \$85.3 million are on non-accrual status. All other loans are performing under their modified terms.

Alternatively, management, from time-to-time and in the ordinary course of business, implements renewals, modifications, extensions and/or changes in terms of loans to borrowers who have the ability to repay on reasonable market-based terms, as circumstances may warrant, and therefore, such modifications are not considered to be loan restructurings to a borrower experiencing financial difficulty, as the accommodation of a borrower's request does not rise to the level of a concession if the modified transaction is at market rates and terms and/or the borrower is not experiencing financial difficulty. For example: (1) adverse weather conditions may create a short term cash flow issue for an otherwise profitable retail business which suggests a temporary interest only period on an amortizing loan; (2) there may be delays in absorption on a real estate project which reasonably suggests extension of the loan maturity at market terms; or (3) there may be maturing loans to borrowers with demonstrated repayment ability who are not in a position at the time of maturity to obtain alternate long-term financing.

Included in nonperforming assets was OREO of \$773 thousand, comprising four foreclosed properties, at March 31, 2024 and \$1.1 million, comprising two foreclosed properties, at December 31, 2023. OREO properties are carried at the lower of cost or fair value less estimated costs to sell.

It is the Company's policy to obtain third party appraisals prior to foreclosure, and to obtain updated third party appraisals on OREO properties generally not less frequently than annually. Generally, the Company would obtain updated appraisals or evaluations on OREO properties where it has reason to believe, based upon market indications (such as: comparable sales, a scenario in which the Company is considering legitimate offers below carrying value, broker indications and similar factors), that the current appraisal does not accurately reflect current value. Two OREO properties were sold during the three months ended March 31, 2024, generating proceeds of \$656 thousand. There were no sales of OREO property during the three months ended March 31, 2023.

The following table shows the amounts of nonperforming assets, including loans at amortized cost and OREO at the lower of cost or fair value less estimated costs to sell:

(dollars in thousands)	March 31, 2024	December 31, 2023
Nonaccrual Loans:		
Commercial	\$ 1,920	\$ 2,049
Income producing - commercial real estate	67,602	40,926
Owner occupied - commercial real estate	19,798	19,836
Real estate mortgage - residential	1,934	1,946
Construction - commercial and residential	—	525
Home equity	237	242
Other consumer	—	—
Total nonperforming loans	91,491	65,524
Other real estate owned	773	1,108
Total nonperforming assets	\$ 92,264	\$ 66,632
Coverage ratio, allowance for credit losses to total nonperforming loans	109 %	131 %
Ratio of nonperforming loans to total loans	1.15 %	0.82 %
Ratio of nonperforming assets to total assets	0.79 %	0.57 %

Significant variation in the amount of nonperforming loans may occur from period to period because the amount of nonperforming loans depends largely on the condition of a relatively small number of individual credits and borrowers relative to the total loan portfolio.

At March 31, 2024, there were \$361.8 million of Substandard loans. Substandard loans are considered potential or actual problem loans due to known information about possible or actual credit problems which causes management to be uncertain as to the ability of the borrowers to comply with the present loan repayment terms, which may in the future result in the reclassification to the past due, nonaccrual or restructured loan categories, as appropriate. Based upon their status as potential or actual problem loans, these loans receive heightened scrutiny and ongoing intensive risk management.

#### Deposits and Other Borrowings

The principal sources of funds for the Bank are core deposits, consisting of demand deposits, money market accounts, NOW Negotiable Order of Withdrawal ("NOW") accounts, savings accounts, and certificates of deposits. The deposit base includes transaction accounts, time and savings accounts, which and accounts that customers use for cash management and which provide the Bank with a source of fee income and cross-marketing opportunities, as well as an attractive source of lower cost funds. To meet funding needs including during periods of high loan demand and seasonal variations in core deposits, the Bank regularly utilizes alternative funding sources such as secured borrowings from the FHLB, federal funds purchased lines of credit from correspondent banks and brokered deposits from regional and national brokerage firms. Additionally, the Bank has participated in the BTFP established by the Federal Reserve Bank in March 2023. The Federal Reserve announced in January 2024 that the BTFP would stop originating new loans on March 11, 2024, as scheduled. The Federal Reserve also modified the terms of the program so that the interest rate for new loans would be no lower than the interest rate on reserve balances in effect on the day the loan is made. In January 2024, prior to these announcements by the Federal Reserve, the Company borrowed an additional \$500.0 million through the BTFP and refinanced \$500.0 million under the program, each at an interest rate of 4.76% and a maturity date in January 2025.

The following table summarizes the Company's deposits at March 31, 2024 and December 31, 2023:

	March 31, 2024		December 31, 2023	
	Balance	Percentage	Balance	Percentage
Noninterest-bearing demand	\$ 1,835,524	22 %	\$ 2,279,081	26 %
Interest-bearing transaction	1,207,566	14 %	997,448	11 %
Savings and money market	3,235,391	38 %	3,314,043	38 %
Time deposits	2,222,958	26 %	2,217,467	25 %
Total	\$ 8,501,439	100 %	\$ 8,808,039	100 %

For the nine months ended September 30, 2023 March 31, 2024, total deposits decreased by \$336.9 million \$306.6 million as compared to December 31, 2022 December 31, 2023. The decline decrease was primarily attributable to a \$1.1 billion reduction \$443.6 million decrease in noninterest bearing demand deposits and a \$510.9 million reduction in savings and money market accounts as a result of an increase of disintermediation driven primarily by an increase in interest rates, \$78.7 million, which was partially offset by a \$1.5 billion \$210.1 million increase in interest bearing time transaction deposits. The growth in interest bearing deposits was driven by the increased utilization of brokered deposits, particularly brokered time deposits, during the nine months ended September 30, 2023. During the nine months ended September 30, 2023, brokered time deposits increased by approximately \$1.2 billion, while other interest bearing brokered deposits decreased by approximately \$1.1 billion.

No single depositor represented more than 10% of total deposits as of September 30, 2023 March 31, 2024. The ten largest depositors not associated with brokered pass-through relationships represented approximately 17% 19% of total deposits in the aggregate as of September 30, 2023 March 31, 2024. The Company maintains a significant deposit relationship with a third-party payments processor, whose business results in deposit inflows and outflows on an ongoing basis, which contributes to variations in period end compared to average deposit balances.

From time to time, when appropriate in order to fund strong loan demand or account for increased deposit outflow, the Bank accepts brokered time deposits, generally in denominations of less than \$250 thousand, from a regional brokerage firm and other national brokerage networks, including IntraFi, IntraFi Network, LLC ("IntraFi"). Additionally, the Bank participates in the Certificates of Deposit Account Registry Service (the "CDARS" ("CDARS")) and the Insured Cash Sweep product ("ICS"), which provide for reciprocal ("two-way") transactions among banks facilitated by IntraFi for the purpose of maximizing FDIC insurance. The total of reciprocal deposits at September 30, 2023 March 31, 2024 was \$1.5 billion (18.2% \$1.7 billion (19.9% of total deposits) as compared to \$782.2 million (9.0% \$1.6 billion (17.7% of total deposits) at December 31, 2022 December 31, 2023. These sources are believed by the Company to represent a reliable and cost efficient alternative funding source for the Bank, but there can be no assurance that they will continue to be adequate or appropriate to meet our liquidity needs. The Bank also is able to obtain one-way CDARS deposits and participates in IntraFi's Insured Network Deposit Program ("IND"). The Bank had \$648.3 million \$823.6 million and \$1.1 billion \$786.5 million of IND brokered deposits as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively. However, to the extent that the condition or reputation of the Company or Bank deteriorates, to the extent that there are significant changes in market interest rates which the Company and Bank do not elect to match, or if aggregate funding available to banks change changes due to changes in the marketplace, we may experience an outflow of brokered deposits or difficulty in obtaining them in the future. In that event, we would be required to obtain alternate sources for funding, which may increase our cost of funds and negatively impact our net interest margin.

We have used brokered deposits and intend to continue to use brokered deposits as one of our funding sources to support future growth. At September 30, 2023 and December 31, 2022 March 31, 2024, total brokered deposits included \$2.4 billion were \$4.2 billion, or 49.1% of total deposits, of which \$1.7 billion were attributable to the CDARS and \$2.3 billion ICS two-way accounts. Total brokered deposits comprised \$1.7 billion, \$1.6 billion, and \$853.0 million of time deposits, savings and money market accounts and interest-bearing transaction accounts, respectively, at March 31, 2024. At December 31, 2023, total brokered deposits (excluding the CDARS and ICS two-way) were \$2.5 billion, which represented 29.1% and 26.5% or 28.8% of total deposits, and comprised \$1.5 billion, \$961.5 million, and \$108.2 million of time deposits, savings and money market accounts, and interest-bearing transaction accounts, respectively.

At September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, total deposits included estimated totals of \$2.5 billion \$2.3 billion and \$4.4 billion \$2.8 billion of uninsured deposits, which represented 29.6% 27.6% and 50.5% 31.4% of total deposits, respectively. The decrease in the percentage of the Bank's deposits that are uninsured was in part due to customers' increased use of the products facilitated by IntraFi that enable customers to maximize FDIC deposit insurance coverage for their deposits. At September 30, 2023, the Company had \$2.1 billion in noninterest bearing demand deposits, representing 24.7% of total deposits, compared to \$3.2 billion of noninterest bearing demand deposits at December 31, 2022, or 36.2% of total deposits. The decrease was primarily attributable to outflows from noninterest bearing deposits and savings/money market accounts which was partially offset by the increase in time deposits. Average noninterest bearing deposits of total deposits for the nine months ended September 30, 2023 and 2022 were 31.9% and 38.4%, respectively. The Bank also offers business NOW accounts and business savings accounts to accommodate those customers who may have excess short term cash to deploy in interest earning assets.

As an enhancement to the basic noninterest bearing demand deposit account, the Company offers a sweep account, or "customer repurchase agreement," allowing qualifying businesses to earn interest on short-term excess funds, that which are not suited for either a certificate of deposit or a money market account. The balances in these accounts were \$25.7 million \$37.1 million at September 30, 2023 March 31, 2024 compared to \$35.1 million \$30.6 million at December 31, 2022 December 31, 2023. Customer repurchase agreements are not deposits and are not insured by the FDIC, but are collateralized by U.S. agency securities and/or U.S. agency backed mortgage-backed securities. MBS. These accounts are particularly suitable to businesses with significant fluctuation in the levels of cash flows. Attorney and title company escrow accounts are examples of accounts which can benefit from this product, as are customers who may require collateral for deposits in excess of FDIC insurance limits but do not qualify for other pledging arrangements. This program requires the Company to maintain a sufficient investment securities level to accommodate the fluctuations in balances which may occur in these accounts.

At September 30, 2023 the Company had \$2.2 billion in time deposits an increase of \$1.5 billion from year end December 31, 2022. The Bank raises and renews time deposits through its branch network, for its public funds customers, and through brokered certificates of deposits ("CDs") to meet the needs of its community of savers and as part of its interest rate risk management and liquidity planning. Throughout the year, the Bank raised rates in most of its time deposit accounts in response to the increased intermediation of deposits, and the current rate environment with continued rate increases.

The Company had no outstanding balances under its federal funds lines of credit provided by correspondent banks (which are unsecured) at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023.

At September 30, 2023 and December 31, 2022 March 31, 2024, the Company had \$0 and \$975.0 million, respectively, of \$600.0 million in FHLB short-term advances borrowed. Additionally, secured borrowings outstanding compared to none at September 30, 2023, the Company had a \$1.3 billion one year fixed rate advance, maturing on March 26, 2024 from the BTFP as part of the overall asset liability strategy and to support loan growth. December 31, 2023. Outstanding FHLB advances are secured by collateral consisting of specifically pledged marketable investment securities and a blanket lien on qualifying loans in the Bank's commercial mortgage, residential mortgage and home equity loan portfolios. Additionally, at March 31, 2024 and December 31, 2023, the Company had \$1.0 billion and \$1.3 billion of outstanding borrowings under the BTFP. Outstanding BTFP advances are secured by collateral consisting of specifically pledged qualifying investment securities. Outstanding short-term advances and borrowings are part of the overall asset liability strategy to support loan growth.

Long-term borrowings The subordinated notes outstanding at September 30, 2023 March 31, 2024 and December 31, 2022 included December 31, 2023 comprised the Company's August 5, 2014 issuance of \$70.0 million of subordinated notes, due September 1, 2024.

#### Liquidity Management

Liquidity The Company is a measure considering various options to finance the upcoming maturity of the Company's subordinated debt, and Bank's ability the Company may seek to meet loan demand and to satisfy depositor withdrawal requirements in an orderly manner. The Bank's primary sources of liquidity consist of cash and cash balances due from correspondent banks, excess reserves at the Federal Reserve, loan repayments, federal funds sold and issue new subordinated notes or other short-term investments, maturities and sales of investment securities, income from operations and new core deposits into the Bank. Approximately 59% of the Company's investment portfolio of debt securities is held in an available-for-sale status which allows for flexibility, subject to holdings held as collateral for customer repurchase agreements and public funds, to generate cash from sales as needed to meet ongoing loan demand. As of September 30, 2023, replace those that are maturing, or fund the unrealized losses recorded on the available-for-sale securities were acting as a deterrent to maturity through other means. Given prevailing interest rates, any sale of those new debt securities to raise liquidity. However, these securities refinance the subordinated notes are utilized as pledged assets that provide secondary liquidity through the form of additional available borrowings. Investment securities that are classified as held-to-maturity can also be used as collateral expected to pledge against additional borrowings. The Company's primary sources of liquidity are supplemented by the ability of the Company and Bank to borrow funds or issue brokered deposits, which are termed secondary sources of liquidity and which are substantial.



The following table summarizes the Company's secondary sources of liquidity in use and available at September 30, 2023:

	Secondary Sources of Liquidity in		Secondary Sources of Liquidity	
(dollars in thousands, except amount in the footnotes)	Use		Available	
September 30, 2023:				
Unsecured brokered deposits <sup>(1)</sup>	\$	873,410	\$	1,841,487
FHLB secured borrowings		—		1,736,759
FRB:				
BTFP secured borrowings		1,300,001		253,133
Discount window secured borrowings		—		606,178
Federal funds lines		—		155,000
Customer repurchase agreements		25,689		—
Raymond James repurchase agreement		—		17,162
Unpledged assets: <sup>(2)</sup>				
Interest-bearing deposits with banks		N/A		31,811
Investment securities		N/A		269,882
Total	\$	2,199,100	\$	4,911,412

(1) The available liquidity from the unsecured brokered deposits represents unsecured funds under one-way CDARS and ICS brokered deposits that would require then current market rates and be dependent on the availability of funds in those networks.

(2) Comprise unencumbered assets that could be liquidated or used as collateral to obtain additional liquidity through debt financing.

The funding mix has continued to change in the nine months ended September 30, 2023. Deposits at quarter-end were \$8.4 billion and \$8.7 billion at September 30, 2023 and December 31, 2022, respectively. The decline in deposits was primarily attributable to have a decrease in noninterest bearing deposits and savings and money market accounts, offset by an increase in interest bearing deposits primarily due to the increased utilization of brokered deposits as discussed in "Deposits and Other Borrowings" above. Short-term borrowings at quarter-end were \$1.3 billion and \$975.0 million at September 30, 2023 and December 31, 2022, respectively. The increase in borrowings was due to the utilization of BTFP borrowings during the nine months ended September 30, 2023.

The Bank can purchase up to \$155 million in federal funds on an unsecured basis from its correspondents, against which there was no outstanding amount at September 30, 2023, and can obtain unsecured funds under one-way CDARS and ICS brokered deposits in the amount of \$1.8 billion, against which there was \$873.4 million outstanding at September 30, 2023. The Bank also has custodial agreements with various broker-dealers through IntraFi's IND program which provided \$648.3 million of brokered deposits at September 30, 2023.

At September 30, 2023, the Bank was also eligible to draw on advances from the FHLB up to \$1.7 billion based on assets pledged as collateral to the FHLB, against which there was no outstanding amount at September 30, 2023. The Bank had FHLB borrowings of \$975.0 million outstanding at December 31, 2022, which were repaid during the nine months ended September 30, 2023. The Bank posted additional collateral to the FHLB during the nine months ended September 30, 2023 to increase its eligibility for advances to meet its ongoing liquidity needs and expects to continue to utilize this source of funding in the future.

In March 2023, the Federal Reserve Board announced that it would make available additional funding to eligible depository institutions through the creation of the BTFP. The BTFP provides eligible depository institutions, including the Bank, an additional source of liquidity. At September 30, 2023, the Bank had eligible collateral and borrowing capacity with the BTFP of \$1.6 billion on assets that have been pledged, of which \$1.3 billion was outstanding. This alternative source of liquidity is being utilized for balance sheet optimization. The program permits advances to be requested until March 2024, unless extended by the Federal Reserve Bank. There can be no assurance, however, that the opportunity to further borrow from the BTFP will continue to be available beyond March 2024. Once the BTFP program terminates, we may be required to rely on other, potentially more expensive, sources of liquidity.

The Bank's aggregate borrowing capacity at September 30, 2023 was \$2.3 billion which consists of \$2.0 billion of additional aggregate capacity to borrow from the Federal Home Loan Bank of Atlanta ("FHLB") and BTFP on assets that have been pledged. The Bank also has unencumbered securities totaling approximately \$269.9 million available for pledging to the FHLB or the BTFP for additional borrowing capacity.

The Bank may enter into repurchase agreements as well as obtain additional borrowing capabilities from the FHLB, provided adequate collateral exists to secure these lending relationships. The Bank also has a back-up borrowing facility through the Discount Window at the Federal Reserve Bank. This facility, which amounts to approximately \$606.2 million, is collateralized with specific loan assets identified to the Federal Reserve Bank. It is anticipated that, except for periodic testing, this facility would be utilized for contingency funding only.

The loss of deposits through disintermediation is one of the greater risks to liquidity. Disintermediation occurs most commonly when rates rise and depositors withdraw deposits seeking higher rates from alternative savings and investment sources. The Bank makes competitive deposit interest rate comparisons weekly and makes adjustments from time to time to ensure its interest rate offerings are competitive.

There is, however, a risk that than the cost of funds will increase significantly as the Bank competes for deposits or that some deposits would be lost if rates were to continue to increase and the Bank elected not to remain competitive with its deposit rates. Under those conditions, the Bank believes that it is well positioned to use other sources of funds such as FHLB borrowings, brokered deposits, repurchase agreements and correspondent banks' lines of credit to offset a decline in deposits in the short run, but the use of such sources may negatively impact our net interest margin and our earnings, as the use of such sources did in the first nine months of 2023, and there can be no assurance that they

will be adequate to meet our liquidity needs. The market for customer and brokered deposits is highly competitive and the risk of disintermediation is high, particularly in a rising or high interest rate environment. Most of our noninterest bearing deposits are operating deposits or compensating balances that are held in connection with lending relationships. The potential outflow of such deposits is a risk unless we pay a more competitive rate of interest on them, which could significantly and negatively impact the Bank's interest expense and net interest margin, as the transfer of some noninterest-bearing deposits to interest-bearing deposits did in the first nine months of 2023. Over the long-term, an adjustment in assets and change in business emphasis could compensate for a potential loss of deposits. The Bank also maintains a marketable investment portfolio to provide flexibility in the event of significant liquidity needs. The ALCO has adopted policy guidelines, which emphasize the importance of core deposits, adequate asset liquidity and a contingency funding plan.

The Company believes it maintains sufficient primary and secondary sources of liquidity to fund its operations. We maintain a liquid investment portfolio outside of our held-to-maturity investments, including overnight liquidity. In the first nine months of 2023, average short term liquidity was \$2.5 billion, which is above the Bank's average needs. Secondary sources of liquidity at September 30, 2023 were \$4.9 billion, which include the FHLB, BTFP, other insured brokered deposit sweep programs, unpledged securities, Fed funds lines, and the FRB Discount Window. At September 30, 2023, the Company held total securities available to be pledged with a par balance of \$269.9 million, subordinated notes.

## Commitments and Contractual Obligations

Loan commitments outstanding and lines and letters of credit at September 30, 2023 are were as follows:

(dollars in thousands)		
Unfunded loan commitments	\$	2,250,259
Unfunded lines of credit		99,449
Letters of credit		93,254
Total	\$	2,442,962

  

(dollars in thousands)	March 31, 2024		December 31, 2023	
Unfunded loan commitments	\$	1,850,316	\$	1,981,334
Unfunded lines of credit		99,930		98,614
Letters of credit		85,719		87,146
Total	\$	2,035,965	\$	2,167,094

Various commitments to extend credit are made in the normal course of banking business. Letters of credit are also issued for the benefit of customers. These commitments are subject to loan underwriting standards and geographic boundaries consistent with the Company's loans outstanding.

Unfunded loan commitments are agreements whereby the Bank has made a commitment to lend to a customer as long as there is satisfaction of the terms or conditions established in the contract and the borrower has accepted the commitment, commitment in writing. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee before the commitment period is extended. In many instances, borrowers are required to meet performance milestones in order to draw on a commitment as is the case in construction loans, or to have a required level of collateral in order to draw on a commitment as is the case in asset based lending credit facilities. Collateral obtained varies and may include certificates of deposit, accounts receivable, inventory, property and equipment, residential and CRE. Since commitments may expire without being drawn, the total commitment amount does not necessarily represent future cash requirements.

Unfunded lines of credit are agreements to lend to a customer as long as there is no violation of the terms or conditions established in the contract. Lines of credit generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since lines of credit may expire without being drawn, the total unfunded line of credit amount does not necessarily represent future cash requirements.

Letters of credit include standby and commercial letters of credit. Standby letters of credit are conditional commitments issued by the Bank to guarantee the performance by the Bank's customer to a third party. Standby letters of credit generally become payable upon the failure of the customer to perform according to the terms of the underlying contract with the third party. Standby letters of credit are generally not drawn. Commercial letters of credit are issued specifically to facilitate commerce and typically result in the commitment being drawn when the underlying transaction is consummated between the customer and a third party. The contractual amount of these letters of credit represents the maximum potential future payments guaranteed by the Bank. The Bank has recourse against the customer for any amount it is required to pay to a third party under a letter of credit, and holds cash and or other collateral on those standby letters of credit for which collateral is deemed necessary.

## Asset/Liability Liquidity Management

Liquidity is a measure of the Company's and Quantitative Bank's ability to meet loan demand and Qualitative Disclosures about Market Risk to satisfy depositor withdrawal requirements in an orderly manner. The Bank's primary sources of liquidity consist of cash and cash balances due from correspondent banks, excess reserves at the Federal Reserve, loan repayments, federal funds sold and other short-term investments, maturities and sales of investment securities, income from operations and new core deposits into the Bank. Approximately 59% of the Company's investment portfolio of debt securities is held in an available-for-sale status which allows for flexibility, subject to holdings held as collateral for customer repurchase agreements and public funds, to generate cash from sales as needed to meet ongoing loan demand. As of March 31, 2024, the unrealized losses recorded on the available-for-sale securities were acting as a deterrent to any sale of those securities to raise liquidity. However, these securities are utilized as pledged assets that provide secondary liquidity through the form of additional available borrowings. Investment securities that are classified as held-to-maturity can also be used as collateral to pledge against additional borrowings. The Company's primary sources of liquidity are supplemented by the ability of the Company and Bank to borrow funds or issue brokered deposits, which are termed secondary sources of liquidity and which are substantial.

A fundamental risk The following table summarizes the Company's secondary sources of liquidity in banking is exposure use and available at March 31, 2024:



	Secondary Sources of Liquidity in		Secondary Sources of Liquidity	
(dollars in thousands, except amount in the footnotes)	Use		Available	
March 31, 2024:				
Unsecured brokered deposits <sup>(1)</sup>	\$	998,220	\$	1,959,516
FHLB secured borrowings		600,000		1,302,153
FRB:				
BTFP secured borrowings		1,000,000		—
Discount window secured borrowings		—		568,602
Federal funds lines		—		155,000
Customer repurchase agreements		37,059		—
Raymond James repurchase agreement		—		17,780
Unpledged assets: <sup>(2)</sup>				
Interest-bearing deposits with banks		N/A		34,626
Investment securities		N/A		297,521
Total	\$	2,635,279	\$	4,335,198

(1) The available liquidity from the unsecured brokered deposits represents unsecured funds under one-way CDARS and ICS brokered deposits that would require then current market rates and be dependent on the availability of funds in those networks.

(2) Comprise unencumbered assets that could be liquidated or used as collateral to obtain additional liquidity through debt financing.

The funding mix has continued to change throughout the three months ended March 31, 2024. Deposits at quarter-end were \$8.5 billion and \$8.8 billion at March 31, 2024 and December 31, 2023, respectively. The decrease in deposits was primarily attributable to a \$443.6 million decrease in noninterest bearing demand deposits and a reduction in savings and money market **risk**, or accounts of \$78.7 million, partially offset by a \$210.1 million increase in interest bearing transaction deposits. Borrowings at quarter-end were \$1.7 billion and \$1.4 billion at March 31, 2024 and December 31, 2023, respectively. The increase in borrowings was attributable to net fundings on the Company's secured borrowings.

The Bank can purchase up to \$155.0 million in federal funds on an unsecured basis from its correspondents, against which there were no amounts outstanding at March 31, 2024 and December 31, 2023. The Bank can borrow unsecured funds under one-way CDARS and ICS brokered deposits up to \$2.0 billion, against which there was \$998.2 million outstanding at March 31, 2024. The Bank also has custodial agreements with various broker-dealers through IntraFi's IND program which provided \$823.6 million of brokered deposits at March 31, 2024.

At March 31, 2024, the Bank was eligible to draw on advances from the FHLB up to \$1.9 billion based on assets pledged as collateral to the FHLB, against which the Bank borrowed \$600.0 million as of March 31, 2024. The Bank had no FHLB borrowings outstanding at December 31, 2023. The Bank posted additional collateral to the FHLB during the three months ended March 31, 2024 and during the year ended December 31, 2023 to increase its eligibility for advances to meet its ongoing liquidity needs and expects to continue to utilize this source of funding in the future.

In March 2023, the Federal Reserve Board announced that it would make available additional funding to eligible depository institutions through the creation of the BTFP. The BTFP provided eligible depository institutions, including the Bank, an additional source of liquidity. Subsequent to its initiation, the Federal Reserve also modified the terms of the program so that the interest rate **risk**, since a bank's net income is largely dependent on net interest income. The Bank's ALCO formulates and monitors for new loans would be no lower than the management of interest rate risk on reserve balances in effect on the day the loan is made. In January 2024, the Company borrowed an additional \$500.0 million through policies the BTFP and guidelines established by it refinanced \$500.0 million under the program at an interest rate of 4.76% and overseen by a maturity in January 2025. The Federal Reserve discontinued the Audit Committee origination of new loans on March 11, 2024, as scheduled. At March 31, 2024, the Bank had \$1.0 billion of BTFP borrowings outstanding. This alternative source of liquidity is being utilized for balance sheet optimization.

The Bank has a back-up borrowing facility through the Discount Window at the Federal Reserve. This facility, which can be used to borrow up to \$568.6 million, is collateralized with specific assets identified to the Federal Reserve. It is anticipated that, except for periodic testing, this facility would be utilized for contingency funding only. There can be no assurance, however, that these alternative sources of liquidity will continue to be available or will be sufficient to meet our ongoing liquidity needs.

In total, the Bank's aggregate borrowing capacity at March 31, 2024 was \$2.2 billion, which consists of \$1.3 billion and \$568.6 million of additional aggregate capacity to borrow from the FHLB and the full Board Federal Reserve's Discount Window, respectively, on assets that have been pledged; along with \$17.8 million of Directors aggregate capacity to borrow on a pledge security through a repurchase agreement with Raymond James. The Bank also has unencumbered securities totaling approximately \$297.5 million available for pledging to the FHLB or the Federal Reserve for additional borrowing capacity.

The loss of deposits through disintermediation is one of the greater risks to liquidity. Disintermediation occurs most commonly when rates rise and through review depositors withdraw deposits seeking higher rates in alternative savings and investment sources than the Bank may offer. The Bank makes competitive deposit interest rate comparisons weekly and makes adjustments from time to time to ensure its interest rate offerings are competitive.

There is, however, a risk that the cost of detailed reports discussed quarterly. In funds will increase significantly as the Bank competes for deposits or that some deposits would be lost if rates were to continue to increase and the Bank elected not to remain competitive with its consideration deposit rates. Under those conditions, the Bank believes that it is well positioned to use other sources of risk limits, funds such as FHLB borrowings, brokered deposits, repurchase agreements and correspondent banks' lines of credit to offset a decline in deposits in the ALCO considers short run, but the use of such sources may negatively impact on earnings and capital, the level and direction of interest rates, liquidity, local economic conditions, outside threats and other factors. Banking is generally a business of managing the maturity and repricing mismatch inherent in its asset and liability cash flows to provide net interest income growth consistent with the Company's profit objectives.

During the nine months ended September 30, 2023, the Company was able to produce a **our** net interest margin of 2.56% as compared to 2.86% during the same period in 2022 and continues to manage its overall interest rate risk position.

**our earnings.** The Company, through its ALCO and ongoing financial management practices, monitors the interest rate environment in which it operates and adjusts the rates and maturities of its assets and liabilities to remain competitive and to achieve its overall financial objectives subject to established risk limits. In the current and expected future interest rate environment, the Company has been maintaining its investment portfolio to manage the balance between yield and risk in its portfolio of mortgage-backed securities. Further, the Company has been principally collecting cash flows from the investment portfolio to provide liquidity. Additionally, the Company has limited call risk in its U.S. agency investment portfolio. At September 30, 2023, the amortized cost less allowance of the investment portfolio decreased by \$164.6 million, or 5.7%, as compared to the balance at December 31, 2022.

The percentage mix of municipal securities was 5% sources used in the first quarter of total investments at September 30, 2023 2024 negatively impacted our net interest margin and December 31, 2022. The portion of the portfolio invested earnings, as is expected in mortgage-backed securities was 61% at September 30, 2023 and 62% at December 31, 2022. The portion of the portfolio invested in U.S. agency investments was 28% at September 30, 2023 and 26% at December 31, 2022. Corporate bonds made up 5% of total investments at September 30, 2023 and December 31, 2022. U.S. treasury bonds were 2% of total investments at September 30, 2023 and December 31, 2022. The duration of the investment portfolio decreased to 4.6 years at September 30, 2023 from 4.8 years at December 31, 2022.

At September 30, 2023, \$80.3 million of corporate bonds were subordinated debt from other financial institutions. Corporate bonds generally, and subordinated debt in particular, pose credit risk such that if any of these issuers were to enter bankruptcy or insolvency proceedings, we could experience losses that may be material to operating results and our financial condition.

The re-pricing duration of the loan portfolio was 11 and 13 months at September 30, 2023 and December 31, 2022, respectively, an economic environment with fixed rate loans amounting to 38% of total loans at September 30, 2023 and December 31, 2022. Variable and adjustable rate loans comprised 62% of total loans at September 30, 2023 and December 31, 2022. Variable rate loans are generally indexed to either the one month LIBOR interest rate (prior to the June 30, 2023 LIBOR cessation date), SOFR, or the Wall Street Journal prime interest rate, while adjustable rate loans are indexed primarily to the five year U.S. Treasury interest rate. The few remaining loans that were still tied to LIBOR based rates on June 30, 2023 were transitioned to their appropriate fallback rate on July 3, 2023.

The duration of the deposit portfolio decreased as rates rose, measuring 24 months at September 30, 2023 and 29 months at December 31, 2022.

The net unrealized loss before income tax on the investment securities available-for-sale portfolio was \$225.3 million and \$205.3 million at September 30, 2023 and December 31, 2022, respectively. At September 30, 2023, the net unrealized loss position represented 13.25% of the investment portfolio's book value.

Management relies on the use of models in order to measure the expected future impact on interest income of various interest rate environments, as described above. Through its modeling, the Company makes certain estimates that may vary from actual results. continued elevated rates. There can be no assurance that the Company mix of sources of funds available to us at any particular time in the future will be able adequate to successfully achieve its optimal asset liability mix, given meet our future liquidity needs. However, the market for customer and brokered deposits is highly competitive pressures, customer preferences and the inability to forecast future risk of disintermediation is high, particularly in a rising or high interest rates rate environment. Most of our noninterest bearing deposits are operating deposits or compensating balances that are held in connection with lending relationships. The potential outflow of such deposits is a risk unless we pay a more competitive rate of interest on them, which could significantly and movements with complete accuracy.

Although negatively impact the Company has experienced Bank's interest expense and net interest margin, compression during as the nine months ended September 30, 2023, transfer of some noninterest-bearing deposits to interest-bearing deposits did in 2023. Over the Company's interest rate risk modeling shows net interest margin expansion long-term, an adjustment in an increasing rate environment. The model's prediction is the result of increases in both interest income on variable and adjustable rate loans and interest expense on its deposit liabilities, based on our funding needs, market conditions and certain contractual obligations but with no changes in the mix of assets or liabilities or the spreads we are able to earn. The model also assumes a stable interest rate environment after the programmed rate change, allowing assets and liabilities to reprice at their schedule in a stable environment, which may be quite different than real world conditions. Interest rate floors on certain of the Company's variable and adjustable rate loans may provide asset yield protection in a low-interest rate environment; however, they are also expected to delay the impact of increases to market rates on interest income until such floors have been exceeded, though this is not relevant for the current rate environment with most variable rate loans well above their floor rate. The weighted average rate of the Company's variable rate loans increased by approximately 92 basis points from December 31, 2022 to September 30, 2023 in connection with the increase in 100 basis points for the same period in Fed Funds rate hikes caused by actions taken by the Federal Reserve Bank. At September 30, 2023, the Company had a portfolio of \$4.9 billion of variable and adjustable rate loans that were subject to interest rate floors with a weighted average rate of 7.79%. At September 30, 2023, only \$224.5 million of loans held by the Company were earning interest at their floor rate, and the majority of those are expected to reset at rates higher than their floor at their next rate reset date.

Additionally, the Company's cost of interest bearing deposits increased by 108 basis points across its interest-bearing deposits, which comprise 75.3% of its total deposits, at September 30, 2023.

The Company employs an earnings simulation model on a quarterly basis to monitor its interest rate sensitivity and risk and to model its balance sheet cash flows and the related income statement effects in different interest rate scenarios. The model utilizes current balance sheet data and attributes and is adjusted for assumptions as to investment maturities (including prepayments), loan prepayments, interest rates, deposit decay rates, and the level of noninterest income and noninterest expense. The data is then subjected to a "shock test" which assumes a simultaneous change in interest rates up 100, 200, 300, and 400 basis points or down 100, 200, and 300 basis points, along the entire yield curve, but not below zero. The results are analyzed as to the impact on net interest income, net income and the market equity over the next 12 months from September 30, 2023. In addition to analysis business emphasis could compensate for a potential loss of simultaneous changes in interest rates along the yield curve, an analysis of changes based on interest rate "ramps" is also performed. This analysis represents the impact of a more gradual change in interest rates, as well as yield curve shape changes.

For the analysis presented below at September 30, 2023, the simulation assumes a high degree of correlation between the change in interest rates on offered interest bearing deposit products for each 100 basis point change in market interest rates in a rate shock scenario with a floor of 0 basis points. Those correlations range from 75% for interest bearing checking to 100% for savings and money market demand accounts. deposits. The Bank does have deposits with contractual terms which means these deposits will change 100 basis points for every 100 basis points change in market rates. Thus, the overall measure of the correlation between deposit costs and market rate changes is modeled at 95%. At December 31, 2022, the Company assumed also maintains a 70 basis point change in interest rates on interest bearing deposits for each 100 basis point change in market interest rates, with a floor of 10 basis points and 0 basis points on decreasing and increasing rate shock scenarios, respectively.

The Company's analysis at September 30, 2023 shows a moderate effect on net interest income (over the next 12 months) as well as a moderate effect on the economic value of equity when interest rates are shocked down 100, 200, and 300 basis points and up 100, 200, 300, and 400 basis points. This moderate impact is due substantially to the significant level of variable rate and repricable assets and liabilities and related shorter relative durations. The repricing duration of the marketable investment portfolio at September 30, 2023 is 4.6 years, the loan portfolio 0.9 years, the interest bearing deposit portfolio 1.0 years, and the borrowed funds portfolio 0.5 years.

The following table reflects the result of simulation analysis on the September 30, 2023 asset and liabilities balances:

Change in interest rates (basis points)	Percentage change in net interest income	Percentage change in net income	Percentage change in market value of portfolio equity
+ 400	2.1%	5.2%	(8.0)%
+ 300	1.6%	3.9%	(5.8)%
+ 200	1.1%	2.7%	(3.6)%
+ 100	0.4%	1.0%	(1.8)%
—	—	—	—
- 100	0.9%	2.0%	1.8%
- 200	3.2%	7.1%	2.1%
- 300	5.6%	12.6%	0.6%

The results of the simulation are within the relevant policy limits adopted by the Company for percentage change in net interest income. For net interest income, the Company has adopted a policy limit of -10% for a 100 basis point change, -12% for a 200 basis point change, -18% for a 300 basis point change and -24% for a 400 basis point change. For the market value of equity, the Company has adopted a policy limit of -12% for a 100 basis point change, -15% for a 200 basis point change, -25% for a 300 basis point change and -30% for a 400 basis point change. The changes in net interest income, net income and the economic value of equity in higher interest rate shock scenarios at September 30, 2023 are not believed to be excessive. The impact of 0.9% in net interest income and 2% in net income given a 100 basis point decrease in market interest rates reflects in large measure the ability to quickly reprice deposits downward while recently booked loans would take time to re-price. In the nine months ended September 30, 2023, the Company continued to manage its interest rate sensitivity position to moderate levels of risk, as indicated in the simulation results above.

Although certain assets and liabilities may have similar maturities or repricing periods, they may react in different degrees to changes in market interest rates. Also, the interest rates on certain types of assets and liabilities may fluctuate in advance of changes in market interest rates, while interest rates on other types may lag behind changes in market rates. Additionally, certain assets, such as adjustable-rate mortgage loans, have features that limit changes in interest rates on a short-term basis and over the life of the loan. Further, provide flexibility in the event of significant liquidity needs. The Asset Liability Committee ("ALCO") has adopted policy guidelines, which emphasize the importance of core deposits, adequate asset liquidity and a change in interest rates, prepayment contingency funding plan.

The Company believes it maintains sufficient primary and early withdrawal levels could deviate significantly from those assumed in modeling. Finally, the ability secondary sources of many borrowers liquidity to service their debt may decrease in the event of a significant interest rate increase.

fund its operations. During the nine three months ended September 30, 2023 March 31, 2024, average market short term liquidity, comprising interest rates increased across bearing deposits with other banks and other short-term investments and investment securities available-for-sale, was \$3.4 billion, which is above the yield curve as compared Bank's average needs. Secondary sources of liquidity available at March 31, 2024 were \$4.3 billion, which include the FHLB, other insured brokered deposit sweep programs, unpledged securities, Fed funds lines, and the FRB Discount Window. At March 31, 2024, the Company held total securities available to be pledged with an estimated fair value of \$297.5 million. At March 31, 2024, under the 2022 year end, Bank's liquidity formula, it had \$5.3 billion of primary and secondary liquidity sources. Management believes the amount is adequate to meet current and projected funding needs.

#### Capital Resources and Adequacy

The assessment of capital adequacy depends on a number of factors such as asset quality and mix, liquidity, earnings performance, changing competitive conditions and economic forces, stress testing, regulatory measures and policy, as well as the overall level of growth and complexity of the balance sheet. The adequacy of the Company's current and future capital needs is monitored by management on an ongoing basis. Management seeks to maintain a capital structure that will assure an adequate level of capital to support anticipated asset growth and to absorb potential losses.

The federal banking regulators have issued guidance for those institutions which are deemed to have concentrations in commercial real estate lending. Pursuant to the supervisory criteria contained in the guidance for identifying institutions with a potential commercial real estate concentration risk, institutions which have (1) total reported loans for construction, land development, and other land acquisitions which represent 100% or more of an institution's total risk-based capital; or (2) total commercial real estate loans representing 300% or more of the institution's total risk-based capital and the institution's commercial real estate loan portfolio has increased 50% or more during the prior 36 months are identified as having potential commercial real estate concentration risk. Institutions which are deemed to have concentrations in commercial real estate lending are expected to employ heightened levels of risk management with respect to their commercial real estate portfolios, and may be required to hold higher levels of capital. The Company, like many community banks, has focused on commercial real estate loans, and the Company has experienced growth in its commercial real estate portfolio in recent years. Although growth in that segment over the past 36 months at 20% did not exceed the 50% threshold laid out in the regulatory guidance, we expect the heightened supervisory expectations to continue to apply to us given the federal banking regulators' general focus on commercial real estate exposures at banks.

At September 30, 2023 March 31, 2024, we did exceed the construction, land development, and other land acquisitions regulatory concentration threshold, and we continue to monitor our concentration in commercial real estate lending and remain in compliance with the guidance issued by the federal banking regulators. Construction, land and land development loans represent 106% 115% of total risk based capital. Management has extensive experience in commercial real estate lending, and has implemented and continues to maintain heightened risk management procedures and strong underwriting criteria with respect to its commercial real estate portfolio.

Loan monitoring practices include but are not limited to periodic stress testing analysis to evaluate changes to cash flows, owing to interest rate increases and declines in net operating income. Nevertheless, as our commercial real estate concentration fluctuates each quarter, we may be required to maintain higher levels of capital as a result of our commercial real estate concentrations, which could require us to obtain additional capital, and may adversely affect shareholder returns. The Company has an extensive seeks to manage the risks relating to commercial real estate and its capital adequacy through the development and implementation of its Capital Policy and Capital Plan, and Capital Policy, which includes the preparation of pro-forma projections including stress testing within which and the Board development of Directors has established internal minimum targets for regulatory capital ratios that are subject to approval by the Board and in excess of well capitalized ratios.

The Company and the Bank are subject to regulatory capital requirements administered by federal banking agencies. Capital adequacy and prompt corrective action regulations involve quantitative measures of assets, liabilities, and certain off-balance-sheet items calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgments by regulators about components, risk weightings, and other factors and the regulators can lower classifications in certain cases. Failure to meet various capital requirements can initiate regulatory action that could have a direct material effect on the financial statements.

At March 31, 2024, the capital position of the Company and its wholly owned subsidiary, the Bank, continue to exceed regulatory requirements and well-capitalized guidelines. The primary indicators relied on by bank regulators in measuring the capital position are four ratios as follows: Tier 1 risk-based capital ratio, Total risk-based capital ratio, the Leverage ratio and the CET1 ratio. Tier 1 capital consists of common and qualifying preferred shareholders' equity less goodwill and other intangibles. Total risk-based capital consists of Tier 1 capital, plus qualifying subordinated debt and the qualifying portion of the ACL. Risk-based capital ratios are calculated with reference to risk-weighted assets, which are prescribed by regulation. The measure of Tier 1 capital to average assets for the prior quarter is often referred to as the leverage ratio. The CET1 ratio is the Tier 1 capital ratio but excluding preferred stock.

The prompt corrective action regulations provide five categories, including well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized, although these terms are not used to represent overall financial condition. If a bank is only adequately capitalized, regulatory approval is required to, among other things, accept, renew or roll-over brokered deposits. If a bank is undercapitalized, capital distributions and growth and expansion are limited, and plans for capital restoration are required.

The FRB and the FDIC have adopted rules (the "Basel III Rules") implementing the Basel Committee on Banking Supervision's capital guidelines for U.S. banks. Under the Basel III Rules, the Company and Bank are required to maintain inclusive a CET1 ratio of the 4.5% and a capital conservation buffer of 2.5%, of risk-weighted assets, effectively resulting in a minimum CET1 ratio of 7.0%; a minimum ratio of Tier 1 capital to risk-weighted assets of 6.0%, or 8.5%, with the fully phased in capital conservation buffer; a minimum total capital to risk-weighted assets ratio of 10.5%, with the fully phased-in capital conservation buffer; and a minimum leverage ratio of 4.0%. The Basel III Rules also increased risk weights for certain assets and off-balance-sheet exposures. At September 30, 2023 March 31, 2024, the Company and the Bank meet all these requirements.

The Company's capital position remained strong for the nine months ended September 30, 2023 as a result of good earnings, continued improvements in economic conditions and strong asset quality. As a result of the Company's strong capital position and earnings, we were able to continue with our quarterly dividend. The Company announced a regular quarterly cash dividend on September 27, 2023 March 28, 2024 of \$0.45 per share to shareholders of record on October 20, 2023 April 18, 2024 and it was paid on October 31, 2023 April 30, 2024.

On December 13, 2022, the Company's Board of Directors authorized a new share repurchase program which took effect starting January 2, 2023, after the expiration The ability of the previous repurchase program Company to continue to grow is dependent on December 31, 2022. The Board its results of Directors authorized operations and those of the repurchase Bank, the ability to obtain additional funds for contribution to the Bank's capital, through additional borrowings, through the sale of 1,600,000 shares of additional common stock or approximately 5% preferred stock or through the issuance of additional qualifying capital instruments, such as subordinated debt. The capital levels required to be maintained by the Company and Bank may be impacted as a result of the Company's outstanding shares of common stock, under the 2023 Repurchase Program. In June 2023, the Company completed the repurchase of authorized shares of common stock under the 2023 Stock Repurchase Plan. The Company paid an average price of \$29.77 per share (including commissions) to repurchase the shares Bank's concentrations in 2023. No shares were repurchased in the third quarter of 2023, commercial real estate loans.

The capital amounts and ratios for the Company and Bank as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 are presented in the table below.

Company						Bank		Minimum Required Basel III	To Be Well- Capitalized Under Prompt Corrective Action Regulations	Minin Requ Base
Actual						Actual				
Company						Company				
Company						Company				
Company						Bank				
Actual						Actual				
</										

(dollars in thousands)									(1)				
(dollars in thousands)													
March 31, 2024													
March 31, 2024													
March 31, 2024													
CET1 capital (to risk weighted assets)													
CET1 capital (to risk weighted assets)													
CET1 capital (to risk weighted assets)	CET1 capital (to risk weighted assets)	\$1,326,400	13.68 %	\$1,323,915	13.73 %	7.00 %	6.50 %	\$1,322,880	13.80	13.80 %	\$1,317,280	13.81	13.81
Total capital (to risk weighted assets)	Total capital (to risk weighted assets)	1,409,767	14.54 %	1,407,282	14.59 %	10.50 %	10.00 %	\$1,425,534	14.87	14.87 %	\$1,419,934	14.89	
Tier 1 capital (to risk weighted assets)	Tier 1 capital (to risk weighted assets)	1,326,400	13.68 %	1,323,915	13.73 %	8.50 %	8.00 %	\$1,322,880	13.80	13.80 %	\$1,317,280	13.81	
Tier 1 capital (to average assets)	Tier 1 capital (to average assets)	1,326,400	10.96 %	1,323,915	10.99 %	4.00 %	5.00 %	\$1,322,880	10.26	10.26 %	\$1,317,280	10.25	
December 31, 2022													
December 31, 2023													
December 31, 2023													
December 31, 2023													
CET1 capital (to risk weighted assets)													
CET1 capital (to risk weighted assets)													
CET1 capital (to risk weighted assets)	CET1 capital (to risk weighted assets)	\$1,329,971	14.03 %	\$1,341,347	14.23 %	7.00 %	6.50 %	\$1,335,967	13.90	13.90 %	\$1,330,001	13.92	13.92
Total capital (to risk weighted assets)	Total capital (to risk weighted assets)	1,415,854	14.94 %	1,412,904	14.99 %	10.50 %	10.00 %	1,421,347	14.79	14.79 %	1,415,381	14.81	
Tier 1 capital (to risk weighted assets)	Tier 1 capital (to risk weighted assets)	1,329,971	14.03 %	1,341,347	14.23 %	8.50 %	8.00 %	1,335,967	13.90	13.90 %	1,330,001	13.92	
Tier 1 capital	Tier 1 capital	1,329,971	11.63 %	1,341,347	11.78 %	4.00 %	5.00 %	1,335,967	10.73	10.73 %	1,330,001	10.72	





Market rates have stabilized as the last short-term interest rate increase from the Federal Reserve was instituted in July 2023. While yields on interest-earning assets have increased, including the impact of the reset of variable and adjustable rate loans, as scheduled, our cost of funds on interest-bearing liabilities has also increased in connection with increased utilization of interest-bearing deposits and borrowings and increasing rates on those financing sources. As a result, the net interest margin has remained steady, as compared to the two previous quarters.

Our rate risk modeling showed net interest margin expansion in an increasing rate environment; however, the model's prediction is the result of increases in both interest income on variable and adjustable rate loans and interest expense on its deposit liabilities, based on our funding needs, market conditions and certain contractual obligations but with no changes in the mix of assets or liabilities or the spreads we are able to earn. The model also assumes a stable interest rate environment after the programmed rate change, allowing assets and liabilities to reprice at their schedule in a stable environment, which may be quite different than real world conditions. Interest rate floors on certain of the Company's variable and adjustable rate loans may provide asset yield protection in a low-interest rate environment; however, they are also expected to delay the impact of increases to market rates on interest income until such floors have been exceeded, though this is not relevant for the current rate environment with most variable rate loans well above their floor rate. At March 31, 2024, the Company had a portfolio of \$4.9 billion of variable and adjustable rate loans that were subject to interest rate floors with a weighted average rate of 7.82%, which was consistent with the rate at December 31, 2023. At March 31, 2024, only \$210.6 million of loans held by the Company were earning interest at their floor rate, and the majority of those are expected to reset at rates higher than their floor at their next rate reset date.

The Company employs an earnings simulation model (immediate parallel shifts along the yield curve) on a quarterly basis to monitor its interest rate sensitivity and risk and to model its balance sheet cash flows and the related income statement effects in different interest rate scenarios. The model utilizes current balance sheet data and attributes and is adjusted for assumptions as to investment maturities (including prepayments), loan prepayments, interest rates, deposit decay rates, and the level of noninterest income and noninterest expense. Further discussion of the limitations of this analysis are listed below and in the risk factors and other cautionary language included in the Company's Annual Report on Form 10-K for the year ended December 31, 2023, and in other periodic and current reports filed by the Company with the SEC.

The data is then subjected to a "shock test" which assumes a simultaneous change in interest rates up 100, 200, 300, and 400 basis points or down 100, 200, and 300 basis points, along the entire yield curve, but not below zero. The results are analyzed as to the impact on net interest income, earnings and the market equity over the next twelve and twenty-four month periods from March 31, 2024. In addition to analysis of simultaneous changes in interest rates along the yield curve, an analysis of changes based on interest rate "ramps" is also performed. Such analysis represents the impact of a more gradual change in interest rates, as well as yield curve shape changes.

For the analysis presented below, at March 31, 2024, the simulation assumes a 100 basis point change in interest rates on interest bearing deposits for each 100 basis point change in market interest rates in a decreasing interest rate shock scenario with a floor of 10 basis points and assumes a 100 basis point change in interest rates on interest bearing deposits for each 100 basis point change in market interest rates in an increasing interest rate shock scenario. The Bank does have deposits with contractual terms which means these deposits will change 100 basis points for every 100 basis points change in market rates. Thus, the overall measure of the correlation between deposit costs and market rate changes is modeled at 100%. The Company utilized the same assumptions for its analysis at December 31, 2023.

Because competitive market behavior does not necessarily track the trend of interest rates but at times moves ahead of financial market influences, the change in the cost of liabilities may be different than anticipated by the interest rate risk model. If this were to occur, the effects of a rising or declining interest rate environment may not be in accordance with management's expectations.

As quantified in the table below, the Company's analysis at March 31, 2024 shows a moderate effect on net interest income (over the next 12 months) as well as a moderate effect on the economic value of equity when interest rates are shocked down 100, 200, and 300 basis points and up 100, 200, 300, and 400 basis points. This moderate impact is due substantially to the significant level of variable rate and repriceable assets and liabilities and related shorter relative durations. At March 31, 2024, the repricing duration of the (a) investment portfolio was 4.3 years, (b) loan portfolio was 1.1 years, (c) interest bearing deposit portfolio was 1.1 years, and (d) the borrowed funds portfolio was 0.5 years.

The following table reflects the result of simulation analysis on the March 31, 2024 asset and liabilities balances:

Change in interest rates (basis points)	Percentage change in net interest income	Percentage change in net income	Percentage change in market value of portfolio equity
+ 400	2.7%	6.9%	(8.0)%
+ 300	2.1%	5.2%	(5.8)%
+ 200	1.3%	3.4%	(3.8)%
+ 100	0.6%	1.5%	(1.6)%
—	—	—	—
- 100	0.1%	0.2%	1.1%
- 200	1.9%	4.4%	0.9%
- 300	2.4%	5.5%	(3.3)%

The results of the simulation are within the relevant policy limits adopted by the Company for percentage change in net interest income. For net interest income, the Company has adopted a policy limit of -10% for a 100 basis point change, -12% for a 200 basis point change, -18% for a 300 basis point change, and -24% for a 400 basis point change. For the market value of equity, the Company has adopted a policy limit of -12% for a 100 basis point change, -15% for a 200 basis point change, -25% for a 300 basis point change, and -30% for a 400 basis point change.

The impact of 0.1% in net interest income and 0.2% in net income given a 100 basis point decrease in market interest rates at March 31, 2024 compares to (1.3)% in net interest income and (2.6)% in net income for the same period in 2023, and reflects in large measure the beta factor discussion above. The analysis at the end of the first quarter of 2024 compared to the first quarter of 2023, showed that in an environment of increasing rates the continued increase in income is dependent on rate increases, which are passed through to borrowers basis point for basis point, as opposed to the prior year where our model suggested rising rates would not be fully passed on to depositors. The changes in net interest income, net income and the economic value of equity in higher interest rate shock scenarios at March 31, 2024 are not believed to be excessive.

Certain shortcomings are inherent in the method of analysis presented in the foregoing table. For example, although certain assets and liabilities may have similar maturities or repricing periods, they may react in different degrees to changes in market interest rates. Also, the interest rates on certain types of assets and liabilities may fluctuate in advance of changes in market interest rates, while interest rates on other types may lag behind changes in market rates. Additionally, certain assets, such as adjustable-rate mortgage loans, have features that limit changes in interest rates on a short-term basis and over the life of the loan. Further, in the event of a change in interest rates, prepayment and early withdrawal levels could deviate significantly from those assumed in calculating the tables. Finally, the ability of many borrowers to service their debt may decrease in the event of a significant interest rate increase.

While an instantaneous parallel shift in interest rates was used in this analysis to provide an estimate of exposure under these scenarios, we believe that a non-immediate parallel shifts in interest rates would have a more modest impact. Further, the earnings simulation model does not take into account factors such as future balance sheet growth, changes in product mix, changes in yield curve relationships, the various rate indexes do not move in parallel (e.g. SOFR, Fed Funds), hedging activities we might take and changing product spreads that could mitigate any potential beneficial or adverse impact of changes in interest rates.

Another key factor to consider is the behavior of our deposit portfolio in the baseline forecast and in alternate interest rate scenarios set out in the table above is a key assumption in our projected estimates of net interest income. The projected impact on net interest income in the table above assumes no change in deposit portfolio size or mix from the baseline forecast in alternative rate environments. In higher rate scenarios, any customer activity resulting in the replacement of low-cost or noninterest-bearing deposits with higher-yielding deposits or market-based funding would reduce the assumed benefit of those deposits. The projected impact on net interest income in the table above also assumes a "through-the-cycle" non-maturity deposit beta which may not be an accurate predictor of actual deposit rate changes realized in scenarios of smaller and/or non-parallel interest rate movements.

Each of the above analyses may not, on its own, be an accurate indicator of how our net interest income will be affected by changes in interest rates. Income associated with interest-earning assets and costs associated with interest-bearing liabilities may not be affected uniformly by changes in interest rates. In addition, the magnitude and duration of changes in interest rates may have a significant impact on net interest income. For example, although certain assets and liabilities may have similar maturities or periods of repricing, they may react to different degrees to changes in market interest rates. Interest rates on certain types of assets and liabilities fluctuate in advance of changes in general market rates, while interest rates on other types may lag behind changes in general market rates. In addition, certain assets, such as adjustable-rate mortgage loans, have features (generally referred to as interest rate caps and floors) that limit changes in interest rates. Prepayment and early withdrawal levels also could deviate significantly from those assumed in calculating the maturity of certain instruments. The ability of many borrowers to service their debts also may decrease during periods of rising interest rates. ALCO reviews each of the above interest rate sensitivity analyses along with several different interest rate scenarios as part of its responsibility to provide a satisfactory, consistent level of profitability within the framework of established liquidity, loan, investment, borrowing and capital policies.

#### Use of Non-GAAP Financial Measures

The information set forth below contains certain financial information determined by methods other than in accordance with GAAP. These non-GAAP financial measures are "tangible common equity," "tangible book value per common share," "tangible common equity ratio," "average tangible common equity," "annualized return on average tangible common equity," "efficiency ratio," and "pre-provision net revenue." The Company considers the following these non-GAAP measurements useful for investors, regulators, management and others to evaluate capital adequacy and to compare against other financial institutions. The tables below provide a reconciliation of Management uses these non-GAAP financial measures with financial in its analysis of our performance because it believes these measures defined are used as a measure of our performance by GAAP.

Tangible common equity to tangible assets (the "tangible common equity ratio"), tangible book value per common share, the annualized return on average tangible common equity, and the efficiency ratio are non-GAAP financial measures derived from GAAP-based amounts, investors.

The Company calculates the tangible common equity ratio by excluding the balance of intangible assets from common shareholders' equity, or tangible common equity, and dividing by tangible assets. The Company calculates tangible book value per common share by dividing tangible common equity by common shares outstanding, as compared to book value per common share, which the Company calculates by dividing common shareholders' equity by common shares outstanding. The Company calculates the ROATCE by dividing net income available to common shareholders by average tangible common equity which is calculated by excluding the average balance of intangible assets from the average common shareholders' equity. The Company considers this information important to shareholders as tangible equity is a measure that is consistent with the calculation of capital for bank regulatory purposes, which excludes intangible assets from the calculation of risk based ratios, and as such is useful for investors, regulators, management and others to evaluate capital adequacy and to compare against other financial institutions.

The Company calculates the efficiency ratio by dividing noninterest expense by the sum of net interest income and noninterest income. The efficiency ratio measures a bank's overhead as a percentage of its revenue. The Company believes that reporting the non-GAAP efficiency ratio more closely measures its effectiveness of controlling operational activities.

The Company calculates pre-provision net revenue by subtracting noninterest expenses from the sum of net interest income and noninterest income. PPNR to average assets is calculated by dividing the annualized PPNR by average assets. The Company considers this information important to shareholders because it illustrates revenue excluding the impact of provisions and reversals to the ACL on loans.

These disclosures should not be considered in isolation or as a substitute for results determined in accordance with GAAP and are not necessarily comparable to non-GAAP performance measures which may be presented by other bank holding companies. Management compensates for these limitations by providing detailed reconciliations between GAAP information and the non-GAAP financial measures.

The following tables reconcile the GAAP financial measures to the associated non-GAAP financial measures:

#### GAAP Reconciliation

(dollars in thousands except per share data)	March 31, 2024	December 31, 2023
Common shareholders' equity	\$ 1,259,413	\$ 1,274,283
Less: Intangible assets	(104,611)	(104,925)



Tangible common equity	\$ 1,154,802	\$ 1,169,358
Book value per common share	\$ 41.72	\$ 42.58
Less: Intangible book value per common share	(3.46)	(3.50)
Tangible book value per common share	\$ 38.26	\$ 39.08
Total assets	\$ 11,612,648	\$ 11,664,538
Less: Intangible assets	(104,611)	(104,925)
Tangible assets	\$ 11,508,037	\$ 11,559,613
Tangible common equity ratio	10.03 %	10.12 %

(dollars in thousands except per share data)	September 30, 2023	December 31, 2022
Common shareholders' equity	\$ 1,215,884	\$ 1,228,321
Less: Intangible assets	(105,239)	(104,233)
Tangible common equity	\$ 1,110,645	\$ 1,124,088
Book value per common share	\$ 40.64	\$ 39.18
Less: Intangible book value per common share	(3.52)	(3.32)
Tangible book value per common share	\$ 37.12	\$ 35.86
Total assets	\$ 11,164,214	\$ 11,150,854
Less: Intangible assets	(105,239)	(104,233)
Tangible assets	\$ 11,058,975	\$ 11,046,621
Tangible common equity ratio	10.04 %	10.18 %

		Three Months Ended September 30,		Nine Months Ended September 30,			
		Three Months Ended March 31,		Three Months Ended March 31,		Three Months Ended March 31,	
(dollars in thousands)	(dollars in thousands)	2023	2022	2023	2022	(dollars in thousands)	
Average common shareholders' equity	Average common shareholders' equity	\$1,235,162	\$1,271,753	\$1,240,574	\$1,298,170		
Less: Average intangible assets	Less: Average intangible assets	(104,639)	(104,253)	(104,366)	(104,252)		
Average tangible common equity	Average tangible common equity	\$1,130,523	\$1,167,500	\$1,136,208	\$1,193,918		
Net income available to common shareholders	Net income available to common shareholders	\$ 27,383	\$ 37,297	\$ 80,309	\$ 98,737		
Net income available to common shareholders							
Net income available to common shareholders							

Average tangible common equity	Average tangible common equity	1,130,523	1,167,500	1,136,208	1,193,918				
Annualized return on average tangible common equity	Annualized return on average tangible common equity	9.61 %	12.67 %	9.45 %	11.06 %	Annualized return on average tangible common equity	(0.11)	%	8.65 %
Net interest income	Net interest income	\$ 70,719	\$ 83,897	\$ 217,554	\$ 247,267				
Net interest income	Net interest income						\$ 74,698	\$ 75,024	
Noninterest income	Noninterest income	6,347	5,308	18,642	18,325	Noninterest income	3,589	3,700	
Operating revenue	Operating revenue	\$ 77,066	\$ 89,205	\$ 236,196	\$ 265,592	Operating revenue	\$ 78,287	\$ 78,724	
Noninterest expense	Noninterest expense	\$ 37,633	\$ 36,206	\$ 116,195	\$ 126,180	Noninterest expense	\$ 39,997	\$ 40,584	
Efficiency ratio	Efficiency ratio	48.83 %	40.59 %	49.19 %	47.51 %	Efficiency ratio	51.09	%	51.55 %
Net interest income									
Net interest income									
Net interest income									
Noninterest income									
Less:									
Noninterest expense									
Pre-provision net revenue									

### Item ITEM 3. Quantitative and Qualitative Disclosures about Market Risk QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Please refer to Item 2 of this report, "Management's Discussion and Analysis of Financial Condition and Results of Operations," under the caption "Asset/Liability Management and Quantitative and Qualitative Disclosure about Market Risk."

### Item ITEM 4. Controls and Procedures CONTROLS AND PROCEDURES

*Evaluation of disclosure controls and procedures.* The Company's management, under the supervision and with the participation of the Chief Executive Officer, Executive Chairman and Chief Financial Officer, evaluated, as of the last day of the period covered by this report, the effectiveness of the design and operation of the Company's disclosure controls and procedures, as defined in Rule 13a-15(e) under the Exchange Act. Based on that evaluation, the Chief Executive Officer, Executive Chairman and the Chief Financial Officer concluded that the Company's disclosure controls and procedures as of September 30, 2023 March 31, 2024 were effective to provide reasonable assurance that information required to be disclosed in the reports we file and submit under the Exchange Act is recorded, processed, summarized and reported as and when required and that it is accumulated and communicated to our management, including the Chief Executive Officer, Executive Chairman and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

*Changes in internal control over financial reporting.* There were no changes in our internal control over financial reporting as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) that occurred during the third first quarter of 2023 2024 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II - OTHER INFORMATION

### Item ITEM 1. - Legal Proceedings LEGAL PROCEEDINGS

Refer to "Note 12. Legal Contingencies" of the Notes to Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q, which is incorporated herein by reference.

### Item ITEM 1A. - Risk Factors RISK FACTORS

We are subject to various risks and uncertainties, including those described in Part I, Item 1A, "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023, which could adversely affect our business, financial performance and results of operations. There have been no material changes to our risk factors from those risks included in our Annual Report on Form 10-K.

**Item ITEM 2. - Unregistered Sales of Equity Securities, Use of Proceeds, and Issuer Purchases of Equity Securities UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

None.

**Item ITEM 3. - Defaults Upon Senior Securities DEFAULTS UPON SENIOR SECURITIES**

None.

**Item ITEM 4. - Mine Safety Disclosures MINE SAFETY DISCLOSURES**

Not Applicable.

**Item ITEM 5. - Other Information OTHER INFORMATION**

**Director and Officer Trading Arrangements:**

During the three months ended September 30, 2023, no director or officer (as defined in Rule 16a-1(f) under the Exchange Act) of the Company adopted or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408(a) of Regulation S-K. None.

**Item ITEM 6. - Exhibits EXHIBITS**

[10.1](#) Form of Indemnification Agreement

[31.1](#) Certification of Susan G. Riel

[31.2](#) Certification of Eric R. Newell

[31.3](#) Certification of Norman R. Pozez

[31.3](#) Certification of Eric R. Newell

[32.1](#) Certification of Susan G. Riel

[32.2](#) Certification of Norman Eric R. PozezNewell

[32.3](#) Certification of Eric Norman R. Newell Pozez

101 Interactive data files pursuant to Rule 405 of Regulation S-T:

- (i) Consolidated Balance Sheets at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023
- (ii) Consolidated Statement of Income Operations for the three and nine months ended September 30, 2023 March 31, 2024 and 2022 2023
- (iii) Consolidated Statement of Comprehensive (Loss) Income (Loss) for the three and nine months ended September 30, 2023 March 31, 2024 and 2022 2023
- (iv) Consolidated Statement of Changes in Shareholders' Equity for the three and nine months ended September 30, 2023 March 31, 2024 and 2022 2023
- (v) Consolidated Statement of Cash Flows for the nine three months ended September 30, 2023 March 31, 2024 and 2022 2023
- (vi) Notes to the Consolidated Financial Statements

104 The cover page of this Quarterly Report on Form 10-Q, formatted in Inline XBRL

**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.

**EAGLE BANCORP, INC.**

Date: November 8, 2023 May 3, 2024

By: /s/ Susan G. Riel  
Susan G. Riel, President and Chief Executive Officer of the Company

Date: November 8, 2023 May 3, 2024

By: /s/ Eric R. Newell  
Eric R. Newell, Executive Vice President and Chief Financial Officer of the Company

69 65

**Exhibit 10.1**

## INDEMNIFICATION AGREEMENT

THIS INDEMNIFICATION AGREEMENT ("Agreement") is made and entered into as of the \_\_\_ day of March, 2024, by and between Eagle Bancorp, Inc., a Maryland corporation ("Parent" or the "Company") and \_\_\_ ("Indemnitee"), under the following circumstances:

A. At the request of the Company, Indemnitee currently serves as [a director] [and] [an officer] of Parent and EagleBank ("Bank") and may, therefore, be subjected to claims, suits or proceedings and judgments and amounts paid in settlement in connection therewith arising as a result of such service. Bank is a wholly-owned subsidiary of Parent.

B. As a material inducement to Indemnitee to serve or continue to serve in such capacity, the Company has agreed to indemnify and to advance reasonable expenses and costs incurred by Indemnitee in connection with any such claims, suits or proceedings and all judgments and amounts paid in settlement in connection therewith, as provided in this Agreement.

C. The parties desire to set forth in this Agreement their agreement regarding indemnification and advancement of expenses; provided that this Agreement shall not be deemed exclusive of any other rights to which Indemnitee may at any time be entitled under applicable law, the articles of incorporation or bylaws of either Parent or Bank, any agreement entered into after the date of this Agreement or a resolution of the stockholders entitled to vote generally in the election of directors, or of the Board of Directors, or otherwise.

NOW, THEREFORE, in consideration of the premises and the covenants contained herein, the Company and Indemnitee do hereby covenant and agree as follows:

### Section 1. Definitions. For purposes of this Agreement:

(a) "Corporate Status" means the status of a person as a present or former director, officer, employee or agent of the Company or as a director, trustee, officer, partner, manager, managing member, fiduciary, employee or agent of any other foreign or domestic corporation, partnership, limited liability company, joint venture, trust, employee benefit plan or other enterprise that such person is or was serving in such capacity at the request of the Company. As a clarification and without limiting the circumstances in which Indemnitee may be serving at the request of the Company, service by Indemnitee shall be deemed to be at the request of the Company: (i) if Indemnitee serves or served as a director, trustee, officer, partner, manager, managing member, fiduciary, employee or agent of any corporation, partnership, limited liability company, joint venture, trust or other enterprise (1) of which a majority of the voting power or equity interest is owned directly or indirectly by the Company, or (2) the management of which is controlled directly or indirectly by the Company, and (ii) if, as a result of Indemnitee's service to the Company or any of its affiliated entities, Indemnitee is subject to duties by, or required to perform services for, an employee benefit plan or its participants or beneficiaries, including as deemed fiduciary thereof.

(b) "Effective Date" means the date set forth in the first paragraph of this Agreement.

(c) "Expenses" means any and all direct and indirect attorneys' fees and costs, retainers, court costs, transcript costs, fees of experts, witness fees, travel expenses, duplicating costs, printing and binding costs, telephone charges, postage, delivery service fees, federal, state, local or foreign taxes imposed on Indemnitee as a result of the actual or deemed receipt of any payments under this Agreement, ERISA excise taxes and penalties and any other disbursements

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or expenses incurred in connection with prosecuting, defending, preparing to prosecute or defend, investigating, being or preparing to be a witness in or otherwise participating in a Proceeding (voluntarily or involuntarily). Expenses shall also include Expenses incurred in connection with any appeal resulting from any Proceeding including, without limitation, the premium, security for and other costs relating to any cost bond, supersedeas bond or other appeal bond or its equivalent.

(d) "Proceeding" means any threatened, pending or completed action, suit, arbitration, alternate dispute resolution mechanism, investigation (internal or external), inquiry, administrative hearing or any other actual, threatened or completed proceeding, whether brought by or in the right of the Company or otherwise and whether of a civil (including intentional or unintentional tort claims), criminal, administrative or investigative (formal or informal) nature, including any appeal therefrom. If Indemnitee reasonably believes that a given situation may lead to or culminate in the institution of a Proceeding, such situation shall also be considered a Proceeding.

**Section 2. Services by Indemnitee.** Indemnitee will serve in the capacity or capacities set forth in the recital A above; however, this Agreement shall not impose any independent obligation on Indemnitee or the Company to continue Indemnitee's service to the Company. This Agreement shall not be deemed an employment contract between the Company (or any other entity) and Indemnitee.

**Section 3. General.** The Company shall indemnify, and advance Expenses to, Indemnitee: (a) as provided in this Agreement, (b) under the articles of incorporation and bylaws of Parent or Bank, and (c) otherwise to the maximum extent permitted by Maryland law in effect on the Effective Date and as amended from time to time; provided, however, that no change in Maryland law shall have the effect of reducing the benefits available to Indemnitee hereunder based on Maryland law as in effect on the Effective Date. The rights of Indemnitee provided in this Section 3 shall include, without limitation, the rights set forth in the other sections of this Agreement, including any additional indemnification permitted by Section 2-418(g) of the Maryland General Corporation Law (the "MGCL").

**Section 4. Indemnification.** If, by reason of Indemnitee's Corporate Status, Indemnitee is, or is threatened to be, made a party to any Proceeding, the Company shall indemnify and hold harmless Indemnitee against all judgments and amounts paid in settlement and all Expenses actually and reasonably incurred by Indemnitee or on Indemnitee's behalf in connection with any such Proceeding or any action, discovery event, claim, issue or matter therein or related thereto, to the maximum extent permitted by Parent and Bank's articles of incorporation and bylaws and Maryland law in effect on the Effective Date and as amended from time to time, subject to the limitations set forth in Section 5.

**Section 5. Certain Limits on Indemnification.** Notwithstanding any other provision of this Agreement (other than Section 6), Indemnitee shall not be entitled to:

(a) indemnification hereunder if it is established, in a final adjudication of the Proceeding not subject to further appeal, that: (i) the act or omission of Indemnitee was material to the matter giving rise to the Proceeding, and was committed in bad faith or was the result of active and deliberate dishonesty, or (ii) Indemnitee actually received an improper personal benefit in money, property or services, or (iii) in the case of any criminal Proceeding, Indemnitee had reasonable cause to believe that Indemnitee's conduct was unlawful;

(b) indemnification hereunder if the Proceeding was one by or in the right of the Company and Indemnitee is adjudged, in a final adjudication of the Proceeding not subject to further appeal, to be liable to the Company; or

(c) indemnification or advancement of Expenses hereunder if the Proceeding was brought by Indemnitee, unless: (i) the Proceeding was brought to enforce indemnification under

-2-

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this Agreement, and then only to the extent in accordance with and as authorized by Section 10 of this Agreement, or (ii) the articles of incorporation or bylaws of Parent or Bank, a resolution of the stockholders entitled to vote generally in the election of directors, or of the Board of Directors of Parent or Bank, or an agreement approved by the Board of Directors of Parent or Bank to which either Parent or Bank is a party expressly provide otherwise.

**Section 6. Court-Ordered Indemnification.** Notwithstanding any other provision of this Agreement, a court of appropriate jurisdiction, upon application of Indemnitee and such notice as the court shall require, may order indemnification of Indemnitee by the Company in the following circumstances:

(a) if such court determines that Indemnitee is entitled to reimbursement under Section 2-418(d)(1) of the MGCL, the court shall order indemnification, in which case Indemnitee shall be entitled to recover the Expenses of securing such reimbursement; or

(b) if such court determines that Indemnitee is fairly and reasonably entitled to indemnification in view of all the relevant circumstances, whether or not Indemnitee (i) has met the standards of conduct set forth in Section 2-418(b) of the MGCL or (ii) has been adjudged liable for receipt of an improper personal benefit under Section 2-418(c) of the MGCL, the court may order such indemnification as the court shall deem proper without regard to any limitation on such court-ordered indemnification contemplated by Section 2-418(d)(2)(ii) of the MGCL.

**Section 7. Advancement of Expenses for Indemnitee.** If, by reason of Indemnitee's Corporate Status, Indemnitee is, or is threatened to be, made a party to (or otherwise becomes a participant in) any Proceeding, the Company shall, without requiring a preliminary determination that Indemnitee has satisfied an applicable standard of conduct of Indemnitee's ultimate entitlement to indemnification hereunder, advance all Expenses incurred by or on behalf of Indemnitee in connection with such Proceeding. The Company shall make such advance or advances within ten days after the receipt by the Company of a statement or statements requesting such advance or advances from time to time, whether prior to or after final disposition of such Proceeding and may be in the form of, in the reasonable discretion of the Indemnitee (but without duplication) (a) payment of such Expenses directly to third parties on behalf of Indemnitee, (b) advancement of funds to Indemnitee in an amount sufficient to pay such Expenses or (c) reimbursement to Indemnitee for Indemnitee's payment of such Expenses. Such statement or statements shall reasonably evidence the Expenses incurred by Indemnitee and shall include or be preceded or accompanied by a written affirmation by Indemnitee and a written undertaking by or on behalf of Indemnitee, in substantially the form attached hereto as Exhibit A or in such form as may be required under applicable law as in effect at the time of the execution thereof. To the extent that Expenses advanced to Indemnitee do not relate to a specific claim, issue or matter in the Proceeding, such Expenses shall be allocated on a reasonable and proportionate basis. The undertaking required by this Section 8 shall be an unlimited general obligation by or on behalf of Indemnitee and shall be accepted without reference to Indemnitee's financial ability to repay such advanced Expenses and without any requirement to post security therefor.

**Section 8. Indemnification and Advancement of Expenses as a Witness or Other Participant.** Notwithstanding any other provision of this Agreement, to the extent that Indemnitee is or may be, by reason of Indemnitee's Corporate Status, made a witness or otherwise asked to participate in any Proceeding, whether instituted by the Company or any other party, and to which Indemnitee is not a party, without requiring a preliminary determination that Indemnitee has satisfied an applicable standard of conduct or Indemnitee's ultimate entitlement to indemnification hereunder, Indemnitee shall be advanced and indemnified against all Expenses actually and reasonably incurred by Indemnitee or on Indemnitee's behalf in connection therewith within ten days after the receipt by the Company of a statement or statements requesting any such advancement or indemnification from time to time, whether prior to or

-3-

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after final disposition of such Proceeding. Such statement or statements shall reasonably evidence the Expenses incurred by Indemnitee. In connection with any such advancement of Expenses, the Company may require Indemnitee to provide an undertaking and affirmation substantially in the form attached hereto as **Exhibit A**.

**Section 9. Presumptions and Effect of Certain Proceedings.** (a) The termination of any Proceeding or of any claim, issue or matter therein, by judgment, order, settlement or conviction, upon a plea of *nolo contendere* or its equivalent, or entry of an order of probation prior to judgment, does not create a presumption that Indemnitee is not entitled to indemnification under this Agreement.

(b) The knowledge and/or actions, or failure to act, of any other director, officer, employee or agent of the Company or any other director, trustee, officer, partner, manager, managing member, fiduciary, employee or agent of any other foreign or domestic corporation, partnership, limited liability company, joint venture, trust, employee benefit plan or other enterprise shall not be imputed to Indemnitee for purposes of determining any other right to indemnification under this Agreement.

**Section 10. Remedies of Indemnitee.** (a) If (i) advancement of Expenses is not timely made pursuant to Sections 7 or 8 of this Agreement, (ii) payment of indemnification is not made pursuant to Sections 4 or 8 of this Agreement within ten days after receipt by the Company of a written request therefor, or (iii) payment of indemnification pursuant to any other section of this Agreement or the articles of incorporation or bylaws of either Parent or Bank is not made within ten days after a determination has been made that Indemnitee is entitled to indemnification, Indemnitee shall be entitled to an adjudication in an appropriate court located in the State of Maryland, or in any other court of competent jurisdiction, or arbitration, conducted by a single arbitrator pursuant to the Commercial Arbitration Rules of the American Arbitration Association, of Indemnitee's entitlement to indemnification or advance of Expenses pursuant to this Agreement. Indemnitee, in such enforcement action, shall also be entitled to be paid all Expenses associated with enforcing his or her claim or exercise of rights, unless as a part of such enforcement action, the court of competent jurisdiction or arbitrator determines that the action was instituted in bad faith or was frivolous or it shall ultimately be determined that Indemnitee is not entitled to be indemnified by the Company under the provisions of this Agreement, Parent or Bank's articles of incorporation or bylaws or the MGCL. The judicial proceeding or arbitration commenced pursuant to this Section shall be conducted in all respects as a *de novo* trial, or arbitration, on the merits, and Indemnitee shall not be prejudiced by reason of the prior adverse determination. Indemnitee shall commence a proceeding seeking an adjudication or an award in arbitration within 180 days following the date on which Indemnitee first has the right to commence such proceeding pursuant to this Section 10(a). Except as set forth herein, the provisions of Maryland law (without regard to its conflicts of laws rules) shall apply to any such arbitration. The Company shall not oppose Indemnitee's right to seek any such adjudication or award in arbitration. Neither the failure of Parent or Bank (including its Board of Directors or stockholders) to have made a determination prior to the commencement of such enforcement action that indemnification of Indemnitee is proper under the circumstances, nor an actual determination by Parent or Bank that such indemnification is improper, shall be a defense to the action or create a presumption that Indemnitee is not entitled to indemnification under this Agreement or otherwise.

(b) In any judicial proceeding or arbitration commenced pursuant to this Section 10, Indemnitee shall be presumed to be entitled to indemnification or advancement of Expenses, as the case may be, under this Agreement, and the Company shall have the burden of proving that Indemnitee is not entitled to indemnification or advancement of Expenses, as the case may be. If Indemnitee commences a judicial proceeding or arbitration pursuant to this Section 10, Indemnitee shall not be required to reimburse the Company for any advances pursuant to Section 7 or 8 of this Agreement until a final determination is made with respect to Indemnitee's entitlement to indemnification (as to which all rights of appeal have been exhausted or lapsed). The Company shall, to the fullest extent not prohibited by law,

-4-

be precluded from asserting in any judicial proceeding or arbitration commenced pursuant to this Section 10 that the procedures and presumptions of this Agreement are not valid, binding and enforceable and shall stipulate in any such court or before any such arbitrator that the Company is bound by all of the provisions of this Agreement.

(c) In the event that Indemnitee is successful in seeking, pursuant to this Section 10, a judicial adjudication of or an award in arbitration to enforce Indemnitee's rights under, or to recover damages for breach of, this Agreement, Indemnitee shall be entitled to recover from the Company, and shall be indemnified by the Company for, any and all Expenses actually and reasonably incurred by Indemnitee in such judicial adjudication or arbitration. If it shall be determined in such judicial adjudication or arbitration that Indemnitee is entitled to receive part but not all of the indemnification or advancement of Expenses sought, the Expenses incurred by Indemnitee in connection with such judicial adjudication or arbitration shall be appropriately prorated.

(d) Interest shall be paid by the Company to Indemnitee at the maximum rate allowed to be charged for judgments under the Courts and Judicial Proceedings Article of the Annotated Code of Maryland for amounts which the Company pays or is obligated to pay for the period (i) commencing with the tenth day after the date on which the Company was requested to advance Expenses in accordance with Sections 7 or 8 of this Agreement, and (ii) ending on the date such payment is made to Indemnitee by the Company.

**Section 11. Defense of the Underlying Proceeding.** (a) Indemnitee shall notify the Company promptly in writing upon being served with any summons, citation, subpoena, complaint, indictment, request or other document relating to any Proceeding which may result in the right to indemnification or the advancement of Expenses hereunder and shall include with such notice a description of the nature of the Proceeding and a summary of the facts underlying the Proceeding. The failure to give any such notice shall not disqualify Indemnitee from the right, or otherwise affect in any manner any right of Indemnitee, to indemnification or the advancement of Expenses under this Agreement unless the Company's ability to defend in such Proceeding or to obtain proceeds under any insurance policy is materially and adversely prejudiced thereby, and then only to the extent the Company is thereby actually so prejudiced.

(b) Subject to the provisions of the last sentence of this Section 11(b) and of Section 11(c) below, the Company shall have the right to defend Indemnitee in any Proceeding which may give rise to indemnification hereunder; provided, however, that the Company shall notify Indemnitee of any such decision to defend within 15 calendar days following receipt of notice of any such Proceeding under Section 11(a) above. The Company shall not, without the prior written consent of Indemnitee, which shall not be unreasonably withheld or delayed, consent to the entry of any judgment against Indemnitee or enter into any settlement or compromise which (i) includes an admission of fault of Indemnitee, (ii) does not include, as an unconditional term thereof, the full release of Indemnitee from all liability in respect of such Proceeding, which release shall be in form and substance reasonably satisfactory to Indemnitee or (iii) would impose any Expense, judgment, fine, penalty or limitation on Indemnitee. This Section 11(b) shall not apply to a Proceeding brought by Indemnitee under Section 10 of this Agreement.

(c) Notwithstanding the provisions of Section 10(b) above, if in a Proceeding to which Indemnitee is a party by reason of Indemnitee's Corporate Status, if the Company fails to assume the defense of such Proceeding in a timely manner, Indemnitee shall be entitled to be represented by separate legal counsel of Indemnitee's choice, subject to the prior approval of the Company, which approval shall not be unreasonably withheld or delayed, at the expense of the Company. In addition, if the Company fails to comply with any of its obligations under this Agreement or in the event that the Company or any other person takes any action to declare this Agreement void or unenforceable, or institutes any Proceeding to deny or to recover from Indemnitee the benefits intended to be provided to Indemnitee hereunder, Indemnitee shall have the right to retain counsel of Indemnitee's choice, subject to the prior

-5-

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approval of the Company, which approval shall not be unreasonably withheld or delayed, at the expense of the Company (subject to Section 10(d) of this Agreement), to represent Indemnitee in connection with any such matter.

**Section 12. Non-Exclusivity; Survival of Rights; Subrogation.** (a) The rights of indemnification and advancement of Expenses as provided by this Agreement shall not be deemed exclusive of any other rights to which Indemnitee may at any time be entitled under applicable law, the charter or Bylaws of Parent or Bank, any agreement entered into after the date hereof or a resolution of the stockholders entitled to vote generally in the election of directors or of the Board of Directors of Parent or Bank, or otherwise. Unless consented to in writing by Indemnitee, no amendment, alteration or repeal of the Company's articles of incorporation or bylaws, this Agreement or of any provision hereof shall limit or restrict any right of Indemnitee under this Agreement in respect of any action taken or omitted by such Indemnitee in Indemnitee's Corporate Status prior to such amendment, alteration or repeal, regardless of whether a claim with respect to such action or inaction is raised prior or subsequent to such amendment, alteration or repeal. No right or remedy herein conferred is intended to be exclusive of any other right or remedy, and every other right or remedy shall be cumulative and in addition to every other right or remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion of any right or remedy hereunder, or otherwise, shall not prohibit the concurrent assertion or employment of any other right or remedy.

(b) In the event of any payment under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of Indemnitee, who shall execute all papers required and take all action necessary to secure such rights, including execution of such documents as are necessary to



enable the Company to bring suit to enforce such rights.

**Section 13. Insurance.** (a) The Company will acquire directors and officers liability insurance, on terms and conditions deemed appropriate by the Board of Directors of Parent, covering Indemnitee for claims made against Indemnitee by reason of Indemnitee's Corporate Status and covering the Company for any indemnification or advancement of Expenses made by the Company to Indemnitee for any claims made against Indemnitee by reason of Indemnitee's Corporate Status. To the extent that the Company maintains an insurance policy or policies providing liability insurance for directors, officers, employees or agents or fiduciaries of Parent and/or Bank or of any other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise which such person serves at the request of the Company, Indemnitee shall be covered by such policy or policies in accordance with its or their terms to the maximum extent of the coverage available for any other person with a similar title or role with Company.

(b) Without in any way limiting any other obligation under this Agreement, the Company shall indemnify Indemnitee for any payment by Indemnitee which would otherwise be indemnifiable hereunder arising out of the amount of any deductible or retention and the amount of any excess of the aggregate of all judgments, settlements and Expenses incurred by Indemnitee in connection with a Proceeding over the coverage of any insurance referred to in Section 13(a). The purchase, establishment and maintenance of any such insurance shall not in any way limit or affect the rights or obligations of the Company or Indemnitee under this Agreement except as expressly provided herein, and the execution and delivery of this Agreement by the Company and the Indemnitee shall not in any way limit or affect the rights or obligations of the Company under any such insurance policies. If, at the time the Company receives notice from any source of a Proceeding to which Indemnitee is a party or a participant (as a witness or otherwise) either Parent or Bank has director and officer liability insurance in effect, it shall give prompt notice of such Proceeding to the insurers in accordance with the procedures set forth in the respective policies.

(c) The Indemnitee shall cooperate with the Company or any insurance carrier of the Company with respect to any investigation or Proceeding.

-6-

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**Section 14. Coordination of Payments.** The Company shall not be liable under this Agreement to make any payment of amounts otherwise indemnifiable or payable or reimbursable as Expenses hereunder if and to the extent that Indemnitee has otherwise actually received such payment under any insurance policy, contract, agreement or otherwise.

**Section 15. Contribution.** If the indemnification provided in this Agreement is unavailable in whole or in part and may not be paid to Indemnitee for any reason, other than as provided in Section 5, then, in respect to any Proceeding in which the Company is jointly liable with Indemnitee (or would be if joined in such Proceeding), to the fullest extent permissible under applicable law, the Company, in lieu of indemnifying and holding harmless Indemnitee, shall pay, in the first instance, the entire amount incurred by Indemnitee, whether for Expenses, judgments and/or amounts paid or to be paid in settlement, in connection with any Proceeding without requiring Indemnitee to contribute to such payment, and the Company hereby waives and relinquishes any right of contribution it may have at any time against Indemnitee.

**Section 16. Reports to Stockholders.** To the extent required by the MGCL, Parent shall report in writing to its stockholders the payment of any amounts for indemnification of, or advancement of Expenses to, Indemnitee under this Agreement arising out of a Proceeding by or in the right of Parent with the notice of the meeting of stockholders next following the date of the payment of any such indemnification or advancement of Expenses or prior to such meeting.

**Section 17. Duration of Agreement; Binding Effect.** (a) This Agreement and the obligations of the Company under this Agreement shall remain in effect while Indemnitee is serving as a director, officer, employee or agent of either Parent or Bank and while Indemnitee is serving as a director, trustee, officer, partner, manager, managing member, fiduciary, employee or agent of any other foreign or domestic corporation, real estate investment trust, partnership, limited liability company, joint venture, trust, employee benefit plan or other enterprise at the request of the Company, and shall continue thereafter so long as Indemnitee is or may be subject to any actual or possible Proceeding (including any rights of appeal thereto and any Proceeding commenced by Indemnitee pursuant to Section 10 of this Agreement) even if, in any such case, Indemnitee has ceased serving in such capacity at the time of any such Proceeding.

(b) The indemnification and advancement of Expenses provided by, or granted pursuant to, this Agreement shall be binding upon and be enforceable by the parties hereto and their respective successors and assigns (including any direct or indirect successor by purchase, merger, consolidation or otherwise to all or substantially all of the business or assets of Parent or Bank), shall continue as to an Indemnitee who has ceased to be a director, officer, employee or agent of Parent and Bank or a director, trustee, officer, partner, manager, managing member, fiduciary, employee or agent of any other foreign or domestic corporation, partnership, limited liability company, joint venture, trust, employee benefit plan or other enterprise that such person is or was serving in such capacity at the request of Parent and Bank, and shall inure to the benefit of Indemnitee and Indemnitee's spouse, assigns, heirs, devisees, executors and administrators and other legal representatives.

(c) The Company shall require and cause any successor (whether direct or indirect by purchase, merger, consolidation or otherwise to all, substantially all or a substantial part, of the business and/or assets of the Company), by written agreement in form and substance satisfactory to Indemnitee, expressly to assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform if no such succession had taken place.



(d) The Company and Indemnitee agree that a monetary remedy for breach of this Agreement, at some later date, may be inadequate, impracticable and difficult of proof, and further agree that such breach may cause Indemnitee irreparable harm. Accordingly, the parties hereto agree that

-7-

Indemnitee may enforce this Agreement by seeking injunctive relief and/or specific performance hereof, without any necessity of showing actual damage or irreparable harm and that by seeking injunctive relief and/or specific performance, Indemnitee shall not be precluded from seeking or obtaining any other relief to which Indemnitee may be entitled. Indemnitee shall further be entitled to such specific performance and injunctive relief, including temporary restraining orders, preliminary injunctions and permanent injunctions, without the necessity of posting bonds or other undertakings in connection therewith. The Company acknowledges that, in the absence of a waiver, a bond or undertaking may be required of Indemnitee by a court, and the Company hereby waives any such requirement of such a bond or undertaking.

**Section 18. Severability.** If any provision or provisions of this Agreement shall be held to be invalid, void, illegal or otherwise unenforceable for any reason whatsoever: (a) the validity, legality and enforceability of the remaining provisions of this Agreement (including, without limitation, each portion of any Section, paragraph or sentence of this Agreement containing any such provision held to be invalid, illegal or unenforceable that is not itself invalid, illegal or unenforceable) shall not in any way be affected or impaired thereby and shall remain enforceable to the fullest extent permitted by law; (b) such provision or provisions shall be deemed reformed to the extent necessary to conform to applicable law and to give the maximum effect to the intent of the parties hereto; and (c) to the fullest extent possible, the provisions of this Agreement (including, without limitation, each portion of any Section, paragraph or sentence of this Agreement containing any such provision held to be invalid, illegal or unenforceable, that is not itself invalid, illegal or unenforceable) shall be construed so as to give effect to the intent manifested thereby

**Section 19. Required Regulatory Provisions.** Notwithstanding anything in this Agreement to the contrary, any payments to Indemnitee by Parent or Bank, whether pursuant to this Agreement or otherwise, are subject to and conditioned upon their compliance with Section 18(k) of the Federal Deposit Insurance Act, 12 U.S.C Section 1828(k), and the regulations promulgated there under in 12 CFR Part 359.

**Section 20. Counterparts.** This Agreement may be executed in two or more counterparts (delivery of which may be by facsimile, via email as a portable document format (.pdf) or by DocuSign or other electronic execution system), each of which will be deemed an original, and it will not be necessary in making proof of this Agreement or the terms of this Agreement to produce or account for more than one of such counterparts.

**Section 21. Headings.** The headings of the Sections of this Agreement are inserted for convenience only and shall not be deemed to constitute part of this Agreement or to affect the construction thereof.

**Section 22. Modification and Waiver.** No supplement, modification or amendment of this Agreement shall be binding unless executed in writing by both of the parties hereto. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provisions hereof (whether or not similar) nor shall such waiver constitute a continuing waiver.

**Section 23. Notices.** All notices, requests, demands and other communications hereunder shall be in writing and shall be deemed to have been duly given if (i) delivered by hand and receipted for by the party to whom said notice or other communication shall have been directed, on the day of such delivery, or (ii) mailed by certified or registered mail with postage prepaid, on the third business day after the date on which it is so mailed:

(a) If to Indemnitee, to the address set forth on the signature page hereto.

(b) If to the Company, to: Eagle Bancorp, Inc.  
7830 Old Georgetown Road

-8-

3rd Floor

Bethesda, MD 20814-2432

Attn: Chief Legal Officer

With a copy to: Chair  
Governance and Nominating Committee  
Eagle Bancorp, Inc.  
7830 Old Georgetown Road  
3rd Floor  
Bethesda, MD 20814-2432

or to such other address as may have been furnished in writing to Indemnatee by the Company or to the Company by Indemnatee, as the case may be.

Section 24. Governing Law. This Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of Maryland, without regard to its conflicts of laws rules.

[SIGNATURE PAGE FOLLOWS]

-9-

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

"Parent"

EAGLE BANCORP, INC.

By: \_\_\_\_\_  
Name:  
Title:

"Indemnatee"

By: \_\_\_\_\_  
Name:  
Title:

-10-

EXHIBIT A

AFFIRMATION AND UNDERTAKING TO REPAY EXPENSES ADVANCED

To: The Boards of Directors of Eagle Bancorp, Inc.

Re: Affirmation and Undertaking

Ladies and Gentlemen:

This Affirmation and Undertaking is being provided pursuant to that certain Indemnification Agreement dated the \_\_\_\_ day of May, 2024, by and between Eagle Bancorp, Inc., a Maryland corporation (the "Company") and the undersigned Indemnatee (the "Indemnification Agreement"), pursuant to which I am entitled to advancement of Expenses in connection with [Description of Proceeding] (the "Proceeding"). Terms used herein and not otherwise defined shall have the meanings specified in the Indemnification Agreement.

I am subject to the Proceeding by reason of my Corporate Status or by reason of alleged actions or omissions by me in such capacity. I hereby affirm my good faith belief that at all times, insofar as I was involved as [a director] [and] [an officer] of the Company, in any of the facts or events giving rise to the Proceeding, I: (1) did not act with bad faith or active or deliberate dishonesty, (2) did not receive any improper personal benefit in money, property or services and (3) in the case of any criminal proceeding, had no reasonable cause to believe that any act or omission by me was unlawful.

In consideration of the advance by the Company for Expenses incurred by me in connection with the Proceeding (the "Advanced Expenses"), I hereby agree that if, in connection with the Proceeding, it is established, in accordance with Section 5 of the Indemnification Agreement, that I am not entitled to indemnification in connection with the Proceeding, then I shall promptly reimburse the portion of the Advanced Expenses relating to the claims, issues or matters in the Proceeding as to which the foregoing findings have been established.

IN WITNESS WHEREOF, I have executed this Affirmation and Undertaking on this \_\_\_\_ day of \_\_\_\_\_, 20\_\_.

Name:

-11-

Exhibit 31.1

#### CERTIFICATION

I, Susan G. Riel, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Eagle Bancorp, 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(s) 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(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 3, 2024  
November  
8, 2023

/s/ Susan G. Riel

\_\_\_\_\_  
President and Chief Executive Officer of the Company

Exhibit 31.2

## CERTIFICATION

I, Eric R. Newell, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Eagle Bancorp, 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(s) 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(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 3, 2024

/s/ Eric R. Newell

\_\_\_\_\_  
Executive Vice President and Chief Financial Officer of the Company

Exhibit 31.3

## CERTIFICATION

I, Norman R. Pozez, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Eagle Bancorp, 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(s) 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(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 3, 2024  
November  
8, 2023

/s/ Norman R. Pozez

Executive Chairman of the Company

Exhibit 31.3

## CERTIFICATION

I, Eric R. Newell, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Eagle Bancorp, 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(s) 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(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 8, 2023

/s/ Eric R. Newell

Executive Vice President and Chief Financial Officer of the Company

Exhibit 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER  
PURSUANT TO 18 U.S.C. SECTION 1350

In connection with the Form 10-Q of Eagle Bancorp, Inc. for the quarter ended September 30, 2023 March 31, 2024, I, Susan G. Riel, President and Chief Executive Officer of Eagle Bancorp, Inc., hereby certify pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge and belief, that:

(1) such Form 10-Q fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in such Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Eagle Bancorp, Inc.

/s/ Susan G. Riel

Date: November 8, 2023

Susan G. Riel

President and Chief Executive Officer of the Company

May 3, 2024

Exhibit 32.2

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER  
PURSUANT TO 18 U.S.C. SECTION 1350**

In connection with the Form 10-Q of Eagle Bancorp, Inc. for the quarter ended September 30, 2023, I, Norman R. Pozez, Executive Chairman of Eagle Bancorp, Inc., hereby certify pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge and belief, that:

- (1) such Form 10-Q fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in such Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Eagle Bancorp, Inc.

/s/ Norman R. Pozez

Date: November 8, 2023

Norman R. Pozez

Executive Chairman of the Company

**Exhibit 32.3**

**CERTIFICATION OF CHIEF FINANCIAL OFFICER  
PURSUANT TO 18 U.S.C. SECTION 1350**

In connection with the Form 10-Q of Eagle Bancorp, Inc. for the quarter ended September 30, 2023 March 31, 2024, I, Eric R. Newell, Executive Vice President and Chief Financial Officer of Eagle Bancorp, Inc., hereby certify pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge and belief, that:

- (1) such Form 10-Q fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in such Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Eagle Bancorp, Inc.

/s/ Eric R. Newell

Date: November 8, 2023

Eric R. Newell

Executive Vice President and Chief Financial Officer of the Company

May 3, 2024

**Exhibit 32.3**

**CERTIFICATION OF EXECUTIVE CHAIRMAN  
PURSUANT TO 18 U.S.C. SECTION 1350**

In connection with the Form 10-Q of Eagle Bancorp, Inc. for the quarter ended March 31, 2024, I, Norman R. Pozez, Executive Chairman of Eagle Bancorp, Inc., hereby certify pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge and belief, that:

- (1) such Form 10-Q fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in such Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Eagle Bancorp, Inc.

/s/ Norman R. Pozez

Norman R. Pozez

Executive Chairman of the Company

May 3, 2024





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