REFINITIV

DELTA REPORT

10-Q

FMBH - FIRST MID BANCSHARES, INC

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

The following comparison report has been automatically generated

TOTAL DELTAS	2246
CHANGES	543
DELETIONS	1494
ADDITIONS	209

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549

FORM 10-Q

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

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

Or

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

For the transition period from to

Commission file number 001-36434

FIRST MID BANCSHARES, INC.

(Exact name of Registrant as specified in its charter)

Delaware	**37-1103704**
(State or other jurisdiction of incorporation or organization)	(I.R.S. employer identification no.)
1421 Charleston Avenue	
Mattoon, Illinois	**61938**
(Address of principal executive offices)	(Zip code)

(217) 234-7454

(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock	**FMBH**	**NASDAQ Global Market**

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

Indicate by check mark whether the Registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (Section 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, 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. (Check one):

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 Act). ☐ Yes ☒ No

As of November 8, 2023 May 7, 2024, 23,840,265 23,896,252 common shares, $4.00 par value, were outstanding.

PART I

ITEM 1. FINANCIAL STATEMENTS

First Mid Bancshares, Inc.
Condensed Consolidated Balance Sheets
(Unaudited)

(In thousands, except share data)	September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023
Assets				
Cash and due from banks:				
Non-interest bearing	$ 142,766	$ 138,412	$ 81,006	$ 122,871
Interest bearing	232,017	6,394	274,680	11,211
Federal funds sold	8,454	7,627	15	8,982
Cash and cash equivalents	383,237	152,433	355,701	143,064
Certificates of deposit	1,960	1,470	3,745	1,470
Investment securities:				
Available-for-sale, at fair value (amortized cost of $1,470,569 and $1,432,372 at September 30, 2023 and December 31, 2022, respectively)	1,218,595	1,218,985		
Held-to-maturity, at amortized cost (estimated fair value of $2,259 and $2,954 at September 30, 2023 and December 31, 2022, respectively)	2,259	2,954		
Available-for-sale, at fair value (amortized cost of $1,342,603 and $1,363,721 at March 31, 2024 and December 31, 2023, respectively)			1,139,427	1,171,572
Held-to-maturity, at amortized cost (estimated fair value of $2,282 and $2,286 at March 31, 2024 and December 31, 2023, respectively)			2,282	2,286
Equity securities, at fair value	3,932	311	4,298	4,074
Loans held for sale	6,233	338	4,817	4,980

Loans	5,533,832	4,825,874	5,494,478	5,575,585
Less allowance for credit losses	(68,241)	(59,093)	(67,936)	(68,675)
Net loans	5,465,591	4,766,781	5,426,542	5,506,910
Interest receivable	36,476	28,357	37,667	35,082
Other real estate owned	2,296	4,261	1,346	1,163
Premises and equipment, net	102,004	90,473	101,666	101,396
Goodwill	196,461	140,412		
Goodwill, net			196,461	196,461
Intangible assets, net	71,332	29,485	64,238	67,770
Bank owned life insurance	165,022	151,756	167,247	166,125
Right of use lease assets	14,192	15,774	14,318	14,306
Deferred tax asset, net	104,541	72,254	69,876	70,067
Other assets	81,163	68,171	88,615	100,068
Total assets	$ 7,855,294	$ 6,744,215	$ 7,678,246	$ 7,586,794
Liabilities and stockholders' equity				
Deposits:				
Non-interest bearing	$ 1,389,022	$ 1,256,514	$ 1,448,299	$ 1,398,234
Interest bearing	4,957,302	4,000,487	4,794,637	4,725,425
Total deposits	6,346,324	5,257,001	6,242,936	6,123,659
Securities sold under agreements to repurchase	214,978	221,414	210,719	213,721
Interest payable	6,727	3,346	6,318	5,437
FHLB borrowings	364,953	465,071	238,761	263,787
Junior subordinated debentures, net	24,003	19,364	24,113	24,058
Subordinated debt, net	106,648	94,553	106,862	106,755
Lease liabilities	14,503	16,035	14,624	14,615
Other liabilities	39,210	34,276	35,961	41,558
Total liabilities	7,117,346	6,111,060	6,880,294	6,793,590
Stockholders' equity:				

Common stock ($4 par value; authorized 30,000,000 shares; issued 24,469,298 and 21,091,466 shares in 2023 and 2022, respectively; outstanding 23,830,038 and 20,452,376 shares in 2023 and 2022, respectively)	99,877	86,366		
Common stock ($4 par value; authorized 30,000,000 shares; issued 24,541,500 and 24,479,708 shares in 2024 and 2023, respectively; outstanding 23,888,929 and 23,827,137 shares in 2024 and 2023, respectively)			100,166	99,919
Additional paid-in capital	509,09 5	427,00 1	511,785	509,314
Retained earnings	326,05 2	289,28 4	353,694	338,662
Deferred compensation	2,072	2,064	832	2,629
Accumulated other comprehensive loss	(178,9 03)	(151,5 07)	(147,667)	(136,427)
Treasury stock, at cost (639,260 shares in 2023 and 639,090 shares in 2022)	(20,24 5)	(20,05 3)		
Treasury stock, at cost (652,571 shares in 2024 and 652,571 shares in 2023)			(20,858)	(20,893)
Total stockholders' equity	737,94 8	633,15 5	797,952	793,204
Total liabilities and stockholders' equity	7,855, $ 294	6,744, $ 215	$ 7,678,246	$ 7,586,794

See accompanying notes to unaudited condensed consolidated financial statements.

First Mid Bancshares, Inc.

Condensed Consolidated Statements of Income (unaudited)

(In thousands, except per share data)

	Three months ended September 30,		**Nine months ended September 30,**		**Three months ended March 31,**	
(In thousands, except per share data)	**2023**	**2022**	**2023**	**2022**	**2024**	**2023**
Interest income:						
Interest and fees on loans	69,14 $ 3	49,27 $ 8	183,7 $ 47	132,7 $ 41	$ 77,823	$ 56,236
Interest on investment securities	9,284	7,302	23,60 4	22,09 5	7,405	7,127

Interest on certificates of deposit investments	15	8	44	29	20	14
Interest on federal funds sold	114	38	297	45	17	85
Interest on deposits with other financial institutions	1,882	128	2,547	272	2,407	209
Total interest income	80,438	56,754	210,239	155,182	87,672	63,671
Interest expense:						
Interest on deposits	22,047	4,915	51,394	9,586	26,096	12,767
Interest on securities sold under agreements to repurchase	1,625	428	4,811	632	2,056	1,463
Interest on FHLB borrowings	4,761	1,926	13,719	2,842	2,314	4,874
Interest on other borrowings	(12)	1	(3)	6	—	9
Interest on junior subordinated debentures	545	241	1,314	553	542	379
Interest on subordinated debentures	1,029	986	3,003	2,958	1,194	988
Total interest expense	29,995	8,497	74,238	16,577	32,202	20,480
Net interest income	50,443	48,257	136,001	138,605	55,470	43,191
Provision for credit losses	5,911	142	5,552	4,001	(357)	(817)
Net interest income after provision for credit losses	44,532	48,115	130,449	134,604	55,827	44,008
Other income:						
Wealth management revenues	4,940	4,843	15,795	16,291	5,322	5,514
Insurance commissions	5,199	4,158	19,416	16,903	9,213	8,480
Service charges	2,994	2,445	7,583	6,737	2,956	2,203
Securities gains, net	3,389	79	3,337	81		
Securities gains (losses), net					—	(46)
Mortgage banking revenue, net	846	355	1,328	1,125	706	150
ATM / debit card revenue	3,766	3,101	10,114	9,213	4,055	3,083
Bank owned life insurance	1,024	913	3,854	2,634	1,121	1,641
Other	895	897	3,591	3,491	1,105	1,454
Total other income	23,053	16,791	65,018	56,475	24,478	22,479
Other expense:						
Salaries and employee benefits	25,422	24,877	75,037	74,984	30,448	26,071
Net occupancy and equipment expense	6,929	5,903	18,969	18,131	7,560	6,005

Net other real estate owned expense	902	58	1,062	243	(21)	133
FDIC insurance	785	479	2,324	1,341	869	463
Amortization of intangible assets	2,568	1,598	5,567	4,753	3,497	1,522
Stationery and supplies	335	361	942	997	391	292
Legal and professional	1,844	1,770	5,314	5,389	2,449	1,690
ATM / debit card	1,751	1,243	3,990	2,991	1,191	1,223
Marketing and donations	764	739	2,326	2,318	862	654
Other	5,796	4,521	13,184	12,342	6,116	3,524
Total other expense	47,096	41,549	128,715	123,489	53,362	41,577
Income before income taxes	20,489	23,357	66,752	67,590	26,943	24,910
Income taxes	5,372	5,418	15,888	15,277	6,440	5,730
Net income	$ 15,117	$ 17,939	$ 50,864	$ 52,313	$ 20,503	$ 19,180
Per share data:						
Basic net income per common share	$ 0.68	$ 0.88	$ 2.41	$ 2.61	$ 0.86	$ 0.94
Diluted net income per common share	0.68	0.88	2.40	2.60	0.86	0.93
Cash dividends declared per common share	0.23	0.23	0.69	0.67	0.23	0.23

See accompanying notes to unaudited condensed consolidated financial statements.

First Mid Bancshares, Inc.

Condensed Consolidated Statements of Comprehensive Income (Loss) (unaudited)

	Three months ended September 30,		Nine months ended September 30,	
(In thousands)	2023	2022	2023	2022
Net income	$ 15,117	$ 17,939	$ 50,864	$ 52,313
Other comprehensive income (loss)				
Unrealized losses on available-for-sale securities, net of tax benefits of $10,183 and $16,079 for three months ended September 30, 2023 and 2022, respectively and $10,223 and $68,119 for nine months ended September 30, 2023 and 2022, respectively	(24,931)	(39,367)	(25,027)	(166,775)

Less: reclassification adjustment for realized gains (losses) included in net income, net of tax benefit (expense) of ($983) and $23 for three months ended September 30, 2023 and 2022, respectively and ($968) and $24 for nine months ended September 30, 2023 and 2022, respectively	2,406	56	2,369	57
Other comprehensive loss, net of taxes	(27,337)	(39,423)	(27,396)	(166,832)
Comprehensive income/(loss)	$ (12,220)	$ (21,484)	$ 23,468	$ (114,519)

	Three months ended March 31,	
(In thousands)	2024	2023
Net income	$ 20,503	$ 19,180
Other comprehensive income (loss)		
Unrealized gains (losses) on available-for-sale securities, net of tax benefit (expense) of $4,225 and ($5,544) for three months ended March 31, 2024 and 2023, respectively	(11,240)	13,573
Less: reclassification adjustment for realized gains (losses) included in net income, net of tax benefit (expense) of $0 and ($13) for three months ended March 31, 2024 and 2023, respectively	—	(33)
Other comprehensive income (loss), net of taxes	(11,240)	13,606
Comprehensive income	$ 9,263	$ 32,786

See accompanying notes to unaudited condensed consolidated financial statements.

First Mid Bancshares, Inc.

Condensed Consolidated Statements of Changes in Stockholders' Equity (unaudited)

For the three months ended September 30, 2023 and 2022 March 31, 2024

(In thousands)	Common Stock	Additional Paid-In-Capital	Retained Earnings	Deferred Compensation	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total
June 30, 2023	**$ 86,670**	**$ 428,504**	**$ 315,636**	**$ 1,502**	**$ (151,566)**	**$ (20,059)**	**$ 660,687**
Net income	—	—	15,117	—	—	—	15,117
Other comprehensive loss, net tax	—	—	—	—	(27,337)	—	(27,337)

	Common Stock	Additional Paid-In-Capital	Retained Earnings	Deferred Compensation	Accumulated Other Comprehensive Loss	Treasury Stock	Total
Cash dividends on common stock (.230/share)	—	—	(4,701)	—	—	—	(4,701)
Forfeiture of 700 restricted shares pursuant to the 2017 stock incentive plan	—	—	—	—	—	—	—
Issuance of 11,624 common shares pursuant to the employee stock purchase plan	46	192	—	—	—	—	238
Issuance of 3,290,222 common shares pursuant to the acquisition of Blackhawk Bancorp, Inc., net proceeds	13,161	80,347	—	—	—	—	93,508
Deferred compensation	—	—	—	153	—	(186)	(33)
Vested restricted shares/units compensation expense	—	52	—	417	—	—	469
September 30, 2023	**$ 99,877**	**$ 509,095**	**$ 326,052**	**$ 2,072**	**$ (178,903)**	**$ (20,245)**	**$ 737,948**
June 30, 2022	**$ 86,310**	**$ 426,562**	**$ 260,080**	**$ 974**	**$ (128,240)**	**$ (19,418)**	**$ 626,268**
Net income	—	—	17,939	—	—	—	17,939
Other comprehensive loss, net tax	—	—	—	—	(39,423)	—	(39,423)
Cash dividends on common stock (.230/share)	—	—	(4,684)	—	—	—	(4,684)
Forfeiture of 267 restricted shares pursuant to the 2017 stock incentive plan	(1)	(8)	—	—	—	—	(9)
Issuance of 6,104 common shares pursuant to the employee stock purchase plan	25	160	—	—	—	—	185
Deferred compensation	—	—	—	166	—	(158)	8
Vested restricted shares/units compensation expense	—	53	—	378	—	—	431
September 30, 2022	**$ 86,334**	**$ 426,767**	**$ 273,335**	**$ 1,518**	**$ (167,663)**	**$ (19,576)**	**$ 600,715**

(In thousands)	Common Stock	Additional Paid-In-Capital	Retained Earnings	Deferred Compensation	Accumulated Other Comprehensive Loss	Treasury Stock	Total
December 31, 2023	**$ 99,919**	**$ 509,314**	**$ 338,662**	**$ 2,629**	**$ (136,427)**	**$ (20,893)**	**$ 793,204**
Net income	—	—	20,503	—	—	—	20,503
Other comprehensive loss, net tax	—	—	—	—	(11,240)	—	(11,240)
Cash dividends on common stock (0.23/share)	—	—	(5,471)	—	—	—	(5,471)
Issuance of 47,580 restricted shares pursuant to 2017 stock incentive plan, net of forfeitures	191	1,401	—	—	—	—	1,592

Issuance of 5,600 common shares pursuant to 2017 stock incentive plan	22	166	—	—	—	—	188
Issuance of 8,612 common shares pursuant to the employee stock purchase plan	34	160	—	—	—	—	194
Deferred compensation	—	—	—	(2,288)	—	35	(2,253)
Grant of restricted units pursuant to 2017 stock incentive plan	—	1,311	—	—	—	—	1,311
Release of restricted units pursuant to 2017 stock incentive plan	—	(617)	—	—	—	—	(617)
Vested restricted shares/units compensation expense	—	50	—	491	—	—	541
March 31, 2024	**$ 100,166**	**$ 511,785**	**$ 353,694**	**$ 832**	**$ (147,667)**	**$ (20,858)**	**$ 797,952**

First Mid Bancshares, Inc.

Condensed Consolidated Statements of Changes in Stockholders' Equity (unaudited)

For the nine three months ended September 30, 2023 March 31, 2023

(In thousands)	Common Stock	Additional Paid-In-Capital	Retained Earnings	Deferred Compensation	Accumulated Other Comprehensive Loss	Treasury Stock	Total
December 31, 2022	**$ 86,366**	**$ 427,001**	**$ 289,284**	**$ 2,064**	**$ (151,507)**	**$ (20,053)**	**$ 633,155**
Net income	—	—	50,864	—	—	—	50,864
Other comprehensive loss, net tax	—	—	—	—	(27,396)	—	(27,396)
Cash dividends on common stock (0.69/share)	—	—	(14,096)	—	—	—	(14,096)
Issuance of 54,498 restricted shares pursuant to 2017 stock incentive plan, net of forfeitures	218	1,404	—	—	—	—	1,622
Issuance of 4,350 common shares pursuant to 2017 stock incentive plan	17	103	—	—	—	—	120
Issuance of 28,762 common shares pursuant to the employee stock purchase plan	115	552	—	—	—	—	667

Issuance of 3,290,222 common shares pursuant to the acquisition of Blackhawk Bancorp, Inc., net proceeds	13,161	80,347	—	—	—	—	93,508
Purchase of 170 shares of treasury stock	—	—	—	—	—	(5)	(5)
Deferred compensation	—	—	—	(1,036)	—	(187)	(1,223)
Grant of restricted units pursuant to 2017 stock incentive plan	—	1,048	—	—	—	—	1,048
Release of restricted units pursuant to 2017 stock incentive plan	—	(1,529)	—	—	—	—	(1,529)
Vested restricted shares/units compensation expense	—	169	—	1,044	—	—	1,213
September 30, 2023	**$ 99,877**	**$ 509,095**	**$ 326,052**	**$ 2,072**	**$ (178,903)**	**$ (20,245)**	**$ 737,948**

First Mid Bancshares, Inc.

Condensed Consolidated Statements of Changes in Stockholders' Equity (unaudited)

For the nine months ended September 30, 2022

(In thousands)	Common Stock	Additional Paid-In-Capital	Retained Earnings	Deferred Compensation	Accumulated Other Comprehensive Loss	Treasury Stock	Total
December 31, 2021	**$ 76,835**	**$ 340,419**	**$ 234,162**	**$ 2,517**	**$ (831)**	**$ (19,208)**	**$ 633,894**
Net income	—	—	52,313	—	—	—	52,313
Other comprehensive loss, net tax	—	—	—	—	(166,832)	—	(166,832)
Cash dividends on common stock (.670/share)	—	—	(13,140)	—	—	—	(13,140)
Issuance of 8,378 common shares pursuant to the deferred compensation plan	34	297	—	—	—	—	331
Issuance of 54,567 restricted shares pursuant to 2017 stock incentive plan	218	2,032	—	—	—	—	2,250
Issuance of 4,950 common shares pursuant to 2017 stock incentive plan	20	179	—	—	—	—	199
Issuance of 14,430 common shares pursuant to the employee stock purchase plan	58	420	—	—	—	—	478
Issuance of 2,292,270 common shares pursuant to the acquisition of Delta Bancshares, Co., net proceeds	9,169	83,003	—	—	—	—	92,172

Issuance costs pursuant to acquisition of Delta Bancshares Company	—	(29)	—	—	—	—	(29)
Purchase of 262 shares of treasury stock	—	—	—	—	—	(11)	(11)
Deferred compensation	—	—	—	(2,206)	—	(357)	(2,563)
Grant of restricted units pursuant to 2017 stock incentive plan	—	1,529	—	—	—	—	1,529
Release of restricted units pursuant to 2017 stock incentive plan	—	(1,216)	—	—	—	—	(1,216)
Vested restricted shares/units compensation expense	—	133	—	1,207	—	—	1,340
September 30, 2022	**$ 86,334**	**$ 426,767**	**$ 273,335**	**$ 1,518**	**$ (167,663)**	**$ (19,576)**	**$ 600,715**

(In thousands)	**Common Stock**	**Additional Paid-In-Capital**	**Retained Earnings**	**Deferred Compensation**	**Accumulated Other Comprehensive Loss**	**Treasury Stock**	**Total**
December 31, 2022	**$ 86,366**	**$ 427,001**	**$ 289,284**	**$ 2,064**	**$ (151,507)**	**$ (20,053)**	**$ 633,155**
Net income	—	—	19,180	—	—	—	19,180
Other comprehensive income, net tax	—	—	—	—	13,606	—	13,606
Cash dividends on common stock (.230/share)	—	—	(4,696)	—	—	—	(4,696)
Issuance of 55,198 restricted shares pursuant to 2017 stock incentive plan	221	1,423	—	—	—	—	1,644
Issuance of 4,350 common shares pursuant to 2017 stock incentive plan	17	103	—	—	—	—	120
Issuance of 7,963 common shares pursuant to the employee stock purchase plan	32	184	—	—	—	—	216
Purchase of 170 shares of treasury stock	—	—	—	—	—	(5)	(5)
Deferred compensation	—	—	—	(1,355)	—	174	(1,181)
Grant of restricted units pursuant to 2017 stock incentive plan	—	1,048	—	—	—	—	1,048
Release of restricted units pursuant to 2017 stock incentive plan	—	(1,529)	—	—	—	—	(1,529)
Vested restricted shares/units compensation expense	—	53	—	254	—	—	307
March 31, 2023	**$ 86,636**	**$ 428,283**	**$ 303,768**	**$ 963**	**$ (137,901)**	**$ (19,884)**	**$ 661,865**

See accompanying notes to unaudited condensed consolidated financial statements.

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First Mid Bancshares, Inc.

Condensed Consolidated Statements of Cash Flows (unaudited)

(In thousands)	Nine months ended September 30, 2023	Nine months ended September 30, 2022	Three months ended March 31, 2024	Three months ended March 31, 2023
Cash flows from operating activities:				
Net income	$ 50,864	$ 52,313	$ 20,503	$ 19,180
Adjustments to reconcile net income to net cash provided by operating activities:				
Provision for credit losses	5,552	4,001	(357)	(817)
Depreciation, amortization and accretion, net	9,971	11,502	5,338	3,485
Change in cash surrender value of bank owned life insurance	(2,878)	(2,634)	(1,121)	(926)
Gain on redemption of bank owned life insurance	(976)	—		
Change in bank owned life insurance			—	(715)
Stock-based compensation expense	1,213	1,342	606	307
Operating lease payments	(2,414)	(2,286)	(836)	(781)
Gain on investment securities, net	(3,337)	(81)		
Loss on sales and write downs of other real estate owned, net	1,227	103		
Loss on sale of other assets	69	76		
Loss on investment securities, net			—	46
(Gain) loss on sales and write downs of other real estate owned, net			(70)	71
Gain on sale of loans held for sale, net	(934)	(1,060)	(233)	(207)
Increase in accrued interest receivable	(4,090)	(4,335)	(2,585)	(372)
Increase in accrued interest payable	2,306	1,207	910	1,378
Origination of loans held for sale	(51,413)	(53,591)	(10,448)	(12,191)
Proceeds from sale of loans held for sale	46,452	56,932	10,844	11,737
Decrease in other investment	—	6		
Increase in other assets	(2,351)	(10,187)		
(Decrease) increase in other liabilities	(5,692)	952		

Decrease in other assets			10,537	1,867
Decrease in other liabilities			(4,040)	(1,757)
Net cash provided by operating activities	43,569	54,260	29,048	20,305
Cash flows from investing activities:				
Proceeds from maturities of certificates of deposit investments	690	1,225		
Purchases of certificates of deposit investments	(245)	(245)	(2,275)	(245)
Proceeds from sales of securities available-for-sale	265,145	27,396	—	6,483
Proceeds from maturities of securities available-for-sale	80,932	117,799	21,621	19,250
Proceeds from maturities of securities held-to-maturity	695	5,000		
Purchases of securities available-for-sale	(1,063)	(10,768)	(994)	(1,063)
Net decrease (increase) in loans	21,078	(309,664)		
Purchase of securities held-to-maturity			—	(25)
Income increasing amortized cost of HTM securities			(11)	—
Net decrease in loans			80,542	65,541
Purchases of premises and equipment	(3,021)	(3,874)	(1,480)	(941)
Proceeds from sales of other real property owned	1,754	821	—	734
Proceeds from bank owned life insurance death benefit	2,048	—		
Net cash provided by acquisition	44,621	67,323		
Net cash provided by (used in) investing activities	412,634	(104,987)		
Net cash provided by investing activities			97,403	89,734
Cash flows from financing activities:				
Net decrease in deposits	(105,649)	(33,665)		
Net increase (decrease) in deposits			119,277	(226,223)
(Decrease) increase in repurchase agreements	(6,436)	38,916	(3,002)	7,250
Proceeds from FHLB advances	150,000	365,000	—	170,000
Repayment of FHLB advances	(250,000)	(320,000)	(25,000)	(40,000)
Proceeds from issuance of common stock	787	1,008	382	336
Direct expenses related to capital transactions	—	(29)		
Purchase of treasury stock	(5)	(11)	—	(5)
Dividends paid on common stock	(14,096)	(13,140)	(5,471)	(4,696)
Net cash (used in) provided by financing activities	(225,399)	43,079		
Increase (decrease) in cash and cash equivalents	230,804	(7,648)		
Net cash provided by (used in) financing activities			86,186	(93,338)
Increase in cash and cash equivalents			212,637	16,701
Cash and cash equivalents at beginning of period	152,433	168,602	143,064	152,433
Cash and cash equivalents at end of period	$ 383,237	$ 160,954	$ 355,701	$ 169,134

See accompanying notes to unaudited condensed consolidated financial statements.

First Mid Bancshares, Inc.

Condensed Consolidated Statements of Cash Flows (unaudited)

(In thousands)	Nine months ended September 30, 2023	Nine months ended September 30, 2022	Three months ended March 31, 2024	Three months ended March 31, 2023
Supplemental disclosures of cash flow information				
Cash paid during the period for:				
Interest	$ 70,857	$ 14,916	$ 31,321	$ 19,094
Income taxes	16,627	22,463	(823)	(288)
Supplemental disclosures of noncash investing and financing activities				
Loans transferred to other real estate	$ 648	$ 383	$ 183	$ 648
Initial recognition of right-of-use assets	659	715	729	—
Initial recognition of lease liabilities	659	715	729	—
Supplemental disclosures of purchases of capital stock				
Fair value of assets acquired	$ 1,328,280	$ 750,063		
Consideration paid:				
Cash paid	10,172	15,150		
Common stock issued	93,508	92,172		
Total consideration paid	103,680	107,322		
Fair value of liabilities assumed	$ 1,224,600	$ 642,741		

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Notes to Condensed Consolidated Financial Statements (unaudited)

Note 1 -- Basis of Accounting and Consolidation

The unaudited condensed consolidated financial statements include the accounts of First Mid Bancshares, Inc. (“Company”) and its wholly owned subsidiaries: First Mid Bank & Trust, N.A. (“First Mid Bank”), Blackhawk Bank ("Blackhawk Bank"), First Mid Wealth Management Company, First Mid Insurance Group, Inc. (“First Mid Insurance”), and First Mid Captive, Inc. All significant intercompany balances and transactions have been eliminated in consolidation. The financial information reflects all adjustments which, in the opinion of management, are necessary for a fair presentation of the results of the interim periods ended September 30, 2023 March 31, 2024 and 2022, 2023, and all such adjustments are of a normal recurring nature. Certain amounts in the prior year's consolidated financial statements may have been reclassified to conform to the September 30, 2023 March 31, 2024 presentation and there was no impact on net income or stockholders' equity. The results of the interim period ended September 30, 2023 March 31, 2024 are not necessarily indicative of the results expected for the year ending December 31, 2023 December 31, 2024. The Company operates as a one-segment entity for financial reporting purposes. The 2022 2023 year-end consolidated balance sheet data was derived from audited financial statements but does not include all disclosures required by accounting principles generally accepted in the United States of America.

The unaudited condensed consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and Article 10 of Regulation S-X and do not include all the information required by U.S. generally accepted accounting principles ("GAAP") for complete financial statements and related footnote disclosures although the Company believes that the disclosures made are adequate to make the information not misleading. These consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's 2022 2023 Annual Report on Form 10-K.

Blackhawk Bancorp, Inc.

On March 20, 2023, First Mid Bancshares, Inc. ("First Mid") and Eagle Sub LLC, a newly formed Wisconsin limited liability company and wholly-owned subsidiary of First Mid ("Merger Sub"), entered into an Agreement and Plan of Merger (the "Merger Agreement") with Blackhawk Bancorp, Inc., a Wisconsin corporation ("Blackhawk"), pursuant to which, among other things, First Mid agreed to acquire 100% of the issued and outstanding shares of Blackhawk pursuant to a business combination whereby Blackhawk will merge with and into Merger Sub, whereupon the separate corporate existence of Blackhawk will cease and Merger Sub will continue as the surviving company and a wholly-owned subsidiary of First Mid (the "Merger").

Subject to the terms and conditions of the Merger Agreement, at the effective time of the Merger, each share of common stock, par value $0.01 per share, of Blackhawk issued and outstanding immediately prior to the effective time of the Merger (other than shares held in treasury by Blackhawk and dissenting shares) were converted into and become the right to receive 1.15 shares of common stock, par value $4.00 per share, of First Mid and cash in lieu of fractional shares, less any applicable taxes required to be withheld, and subject to certain potential adjustments. On an aggregate basis, the total consideration payable by First Mid at the closing of the Merger to Blackhawk's shareholders and equity award holders was 3,290,222 shares of First Mid common stock valued at $93.51 million and $1,928 of cash in lieu of fractional shares.

It is anticipated that The Blackhawk Merger closed August 15, 2023 and Blackhawk Bank will be was merged with and into First Mid Bank the first weekend of December 2023. At which time, Blackhawk Bank's banking offices will become branches of First Mid Bank.

Delta Bancshares Company

On July 28, 2021, the Company and Brock Sub LLC, a newly formed Delaware limited liability company and wholly-owned subsidiary of the Company ("Delta Merger Sub"), entered into an Agreement and Plan of Merger (the "Delta Merger Agreement") with Delta Bancshares Company, a Missouri corporation ("Delta"), pursuant to which, among other things, the Company agreed to acquire 100% of the issued and outstanding shares of Delta pursuant to a business combination whereby Delta merged with and into Merger Sub, whereupon the separate corporate existence of Delta ceased and Merger Sub continued as the surviving company and a wholly-owned subsidiary of First Mid (the "Delta Merger"). The Delta Merger was completed on February 14, 2022 December 1, 2023.

Subject to the terms and conditions of the Merger Agreement, at the effective time of the Delta Merger, each share of common stock, par value $10.00 per share, of Delta issued and outstanding immediately prior to the effective time of the Delta Merger (other than shares held in treasury by Delta) converted into and became the right to receive cash and shares of common stock, par value $4.00 per share, of the Company and cash in lieu of fractional shares, less any applicable taxes required to be withheld, and subject to certain potential adjustments. On an aggregate basis, the total consideration paid by the Company at the closing of the Delta Merger to Delta's shareholders and option holders was approximately $15.15 million in cash and 2,292,270 shares of Company common stock. Delta's outstanding stock options vested upon consummation of the Delta Merger, and all outstanding Delta options that were unexercised prior to the effective time of the Delta Merger were cashed out.

Delta's wholly owned bank subsidiary, Jefferson Bank, was merged with and into First Mid Bank during the second quarter of 2022. At the time of the bank merger, Jefferson Bank's banking offices became branches of First Mid Bank.

Website

The Company maintains a website at www.firstmid.com. All periodic and current reports of the Company and amendments to these reports filed with the Securities and Exchange Commission ("SEC") can be accessed, free of charge, through this website as soon as reasonably practicable after these materials are filed with the SEC.

General Litigation

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

Stock Plans

At the Annual Meeting of Stockholders held April 26, 2017, the stockholders approved the First Mid-Illinois Bancshares, Inc. 2017 Stock Incentive Plan ("SI Plan"). The SI Plan was implemented to succeed the Company's 2007 Stock Incentive Plan, which had a ten-year term. The SI Plan is intended to provide a means whereby directors, employees, consultants and advisors of the Company and its subsidiaries may sustain a sense of proprietorship and personal involvement in the continued development and financial success of the Company and its subsidiaries, thereby advancing the interests of the Company and its stockholders. Accordingly, directors and selected employees, consultants and advisors may be provided the opportunity to acquire shares of common stock of the Company on the terms and conditions established in the SI Plan.

Following the stockholders' approval at the 2021 annual meeting of the Company, a maximum of 399,983 shares of common stock may be issued under the SI Plan. There have been no stock options awarded under any Company plan since 2008. The Company has awarded 60,550 53,766 and 61,400 60,550 shares of restricted stock during the nine three months ended September 30, 2023 March 31, 2024 and 2022, 2023, respectively, and 37,900 39,150 and 37,150 37,900 restricted stock units during the nine three months ended September 30, 2023 March 31, 2024 and 2022, 2023, respectively.

Employee Stock Purchase Plan

At the Annual Meeting of Stockholders held April 25, 2018, the stockholders approved the First Mid-Illinois Bancshares, Inc. Employee Stock Purchase Plan ("ESPP"). The ESPP is intended to promote the interests of the Company by providing eligible employees with the opportunity to purchase shares of common stock of the Company at a 15% discount through payroll deductions. The ESPP is also intended to qualify as an employee stock purchase plan under Section 423 of the Internal Revenue Code.

A maximum of 600,000 shares of common stock may be issued under the ESPP. During the nine three months ended September 30, 2023 March 31, 2024 and 2022, 2023, 28,762 8,612 shares and 14,430 7,963 shares, respectively, were issued pursuant to the ESPP.

Captive Insurance Company

First Mid Captive, Inc. (the "Captive"), a wholly owned subsidiary of the Company which was formed and began operations in December 2019, is a Nevada-based captive insurance company. The Captive insures against certain risks unique to operations of the Company and its subsidiaries for which insurance may not be currently available or economically feasible in today's insurance marketplace. The Captive pools resources with several other similar insurance company subsidiaries of financial institutions to spread a limited amount of risk among themselves. The Captive is subject to regulations of the State of Nevada and undergoes periodic examinations by the Nevada Division of Insurance. It has elected to be taxed under Section 831(b) of the Internal Revenue Code. Pursuant to Section 831(b), if gross premiums do not exceed $2,650,000 2,800,000, then the Captive is taxable solely on its investment income. The Captive is included in the Company's consolidated financial statements and its federal income return.

Bank Owned Life Insurance

First Mid Bank has purchased life insurance policies on certain senior management. Bank owned life insurance is recorded at the amount that can be realized under the insurance contract at the balance sheet date, which is the cash surrender value adjusted for other charges or other amounts that are probable at settlement.

Revenue Recognition

Accounting Standards Codification 606, *Revenue from Contracts with Customers* ("ASC 606"), establishes a revenue recognition

model for reporting information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts to provide goods or services to customers. Most of the Company's revenue-generating transactions are not subject to ASC 606, including revenue generated from financial instruments, such as loans and investment securities, and revenue related to mortgage servicing activities, which are subject to other accounting standards. A description of the revenue-generating activities that are within the scope of ASC 606, and included in other income in the Company's condensed consolidated statements of income are as follows:

Trust revenues. The Company generates fee income from providing fiduciary services through its subsidiary, First Mid Wealth Management Company. Fees are billed in arrears based upon the preceding period account balance. Revenue from farm management services is recorded when the service is complete, for example when crops are sold.

Brokerage commissions. Revenue is recorded at the beginning of each quarter through billing to customers based on the account asset size on the last day of the previous quarter. If a withdrawal of funds takes place, a prorated refund may occur; this is reflected within the same quarter as the original billing occurred. All performance obligations are met within the same quarter that the revenue is recorded.

Insurance commissions. The Company's insurance agency subsidiary, First Mid Insurance, receives commissions on premiums of new and renewed business policies. First Mid Insurance records commission revenue on direct bill policies as the cash is received. For agency bill policies, First Mid Insurance retains its commission portion of the customer premium payment and remits the balance to the carrier. In both cases, the entire performance obligation is held by the carriers.

Service charges on deposits. The Company generates revenue from fees charged for deposit account maintenance, overdrafts, wire transfers, and check fees. The revenue related to deposit fees is recognized at the time the performance obligation is satisfied.

ATM/debit card revenue. The Company generates revenue through service charges on the use of its ATM machines and interchange income from the use of Company issued credit and debit cards. The revenue is recognized at the time the service is used and the performance obligation is satisfied.

Other income. Treasury management fees and lock box fees are received and recorded after the service performance obligation is completed. Merchant bank card fees are received from various vendors; however, the performance obligation is with the vendors. The Company records gains on the sale of loans and the sale of OREO properties after the transactions are complete and transfer of ownership has occurred.

As each of the Company's facilities is in markets with similar economies, no disaggregation of revenue is necessary.

Accumulated Other Comprehensive Loss

The components of accumulated other comprehensive loss included in stockholders' equity as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 are as follows (in thousands):

		Unrealized Losses on Securities
September 30, March 31, 2024		
Net unrealized losses on securities available-for-sale	$	(203,177)
Tax benefit		55,510
Balance at March 31, 2024	$	(147,667)
December 31, 2023		
Net unrealized losses on securities available-for-sale	$	(251,974 192,149)
Tax benefit		73,071 55,722
Balance at September 30, 2023 December 31, 2023	$	(178,903)
December 31, 2022		
Net unrealized losses on securities available-for-sale	$	(213,387)
Tax benefit		61,880
Balance at December 31, 2022	$	(151,507 136,427)

Amounts reclassified from accumulated other comprehensive loss and the affected line items in the statements of income during the three and nine months ended September 30, 2023 March 31, 2024 and 2022, 2023, were as follows (in thousands):

Amounts Reclassified from Other Comprehensive Income (Loss)					Amounts Reclassified from Other Comprehensive Income (Loss)		
Three months ended September 30,		Nine months ended September 30,			Three months ended March 31,		
2023	2022	2023	2022	Affected Line Item in the Statements of Income	2024	2023	Affected Line Item in the Statements of Income

Realized gain (loss) on available-for-sale securities	$ 3,389	$ 97	$ 3,337	$ 18	Securities (loss) gain, net	$	—	$	(46)	Securities (loss) gain, net
Tax effect	(983)	(23)	(968)	(24)	Income taxes		—		13	Income taxes
Total reclassifications out of accumulated other comprehensive income (loss)	$ 2,406	$ 65	$ 2,369	$ 57	Net reclassified amount	$	—	$	(33)	Net reclassified amount

See “Note 3 – Investment Securities” for more detailed information regarding unrealized losses on available-for-sale securities.

Adoption of New Accounting Guidance

Accounting Standards Update 2022-02, Financial Instruments-Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures (“ASU 2022-02”). In March 2022, FASB issued ASU 2022-02. The amendments in this update eliminate the accounting guidance and related disclosures for TDRs by creditors in Subtopic 310-40, *Receivables—Troubled Debt Restructurings by Creditors*, while enhancing disclosure requirements for certain loan refinancings and restructurings by creditors when a borrower is experiencing financial difficulty and requiring an entity to disclose current-period gross writeoffs by year of origination for financing receivables and net investments in leases within the scope of Subtopic 326-20, *Financial Instruments—Credit Losses—Measured at Amortized Cost*.
The amendments in this update were effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years and are applied prospectively, except with respect to the recognition and measurement of TDRs, where an entity has the option to apply a modified retrospective transition method. The adoption of this accounting guidance resulted in updated disclosures within the Company's consolidated financial statements.

Note 2 -- Earnings Per Share

Basic net income per common share available to common stockholders is calculated as net income less preferred stock dividends divided by the weighted average number of common shares outstanding. Diluted net income per common share available to common stockholders is computed using the weighted average number of common shares outstanding, increased by the Company’s stock options, unless anti-dilutive.

The components of basic and diluted net income per common share available to common stockholders for the three and nine months ended September 30, 2023 March 31, 2024 and 2022 2023 were as follows:

	Three months ended September 30,		Nine months ended September 30,		Three months ended March 31,	
	2023	2022	2023	2022	2024	2023
Basic net income per common share						
Available to common stockholders:						
Net income	$ 15,117,000	$ 17,939,000	$ 50,864,000	$ 52,313,000	$ 20,503,000	$ 19,180,000
Weighted average common shares outstanding	22,220,438	20,454,669	21,086,802	20,070,687	23,872,731	20,492,254
Basic earnings per common share	$ 0.68	$ 0.88	$ 2.41	$ 2.61	$ 0.86	$ 0.94
Diluted net income per common share						
Available to common stockholders:						
Net income applicable to diluted earnings per share	$ 15,117,000	$ 17,939,000	$ 50,864,000	$ 52,313,000	$ 20,503,000	$ 19,180,000
Weighted average common shares outstanding	22,220,438	20,454,669	21,086,802	20,070,687	23,872,731	20,492,254
Dilutive potential common shares: restricted stock awarded	98,896	80,546	90,144	74,748	87,604	71,718
Diluted weighted average common shares outstanding	22,319,334	20,535,215	21,176,946	20,145,435	23,960,335	20,563,972
Diluted earnings per common share	$ 0.68	$ 0.88	$ 2.40	$ 2.60	$ 0.86	$ 0.93

There were no shares excluded when computing diluted earnings per share for the three and nine months ended September 30, 2023 March 31, 2024 and 2022 2023 because they were anti-dilutive.

Note 3 -- Investment Securities

The amortized cost, gross unrealized gains and losses and estimated fair values for available-for-sale and held-to-maturity securities by major security type at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 were as follows (in thousands):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Fair Value	Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Fair Value
September 30, 2023								
March 31, 2024								
Available-for-sale:								
U.S. Treasury securities and obligations of U.S. government corporations and agencies	$ 245,648	$ —	$ (33,719)	$ 211,929	$ 234,540	$ —	$ (27,220)	$ 207,320
Obligations of states and political subdivisions	341,002	28	(74,557)	266,473	335,350	84	(52,864)	282,570
Mortgage-backed securities: GSE residential	810,113	2,036	(139,627)	672,522	699,921	854	(119,771)	581,004
Other securities	73,806	—	(6,135)	67,671	72,792	—	(4,259)	68,533
Total available-for-sale	$ 1,470,569	$ 2,064	$ (254,038)	$ 1,218,595	$ 1,342,603	$ 938	$ (204,114)	$ 1,139,427
Held-to-maturity:								
Other investments	$ 2,259	$ —	$ —	$ 2,259	$ 2,282	$ —	$ —	$ 2,282
Total held-to-maturity	$ 2,259	$ —	$ —	$ 2,259	$ 2,282	$ —	$ —	$ 2,282
December 31, 2022								
December 31, 2023								
Available-for-sale:								
U.S. Treasury securities and obligations of U.S. government corporations and agencies	$ 252,934	$ —	$ (32,407)	$ 220,527	$ 237,875	$ —	$ (26,219)	$ 211,656
Obligations of states and political subdivisions	347,409	134	(59,845)	287,698	337,835	152	(49,371)	288,616
Mortgage-backed securities: GSE residential	744,636	3	(116,759)	627,880	714,216	1,158	(113,074)	602,300
Other securities	87,393	6	(4,519)	82,880	73,795	—	(4,795)	69,000
Total available-for-sale	$ 1,432,372	$ 143	$ (213,530)	$ 1,218,985	$ 1,363,721	$ 1,310	$ (193,459)	$ 1,171,572
Held-to-maturity:								

Other investments	$ 2,954	$ —	$ —	$ 2,954	$ 2,286	$ —	$ —	$ 2,286
Total held-to-maturity	$ 2,954	$ —	$ —	$ 2,954	$ 2,286	$ —	$ —	$ 2,286

The Company also had $3,932,000 4,298,000 and $311,000 4,074,000 of equity securities, at fair value, as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively. The Company's held-to-maturity securities are annuities for which the risk of loss is minimal. As such, as of September 30, 2023 March 31, 2024, the Company did not record an allowance for credit losses on its held-to-maturity securities.

Realized gains and losses resulting from sales of securities were as follows during the three and nine months ended September 30, 2023 March 31, 2024 and 2022 2023 (in thousands):

	Three months September 30,		Nine months September 30,		Three months ended March 31,	
	2023	2022	2023	2022	2024	2023
Gross gains	$ 3,823	$ 191	$ 3,829	$ 193	$ —	$ 6
Gross losses	(434)	(112)	(492)	(112)	—	(52)

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The following table indicates the expected maturities of investment securities classified as available-for-sale presented at fair value, and held-to-maturity presented at amortized cost, at September 30, 2023 March 31, 2024 and the weighted average yield for each range of maturities (dollars in thousands):

	One year or less	After 1 through 5 years	After 5 through 10 years	After ten years	Total	One year or less	After 1 through 5 years	After 5 through 10 years	After ten years	Total
Available-for-sale:										
U.S. Treasury securities and obligations of U.S. government corporations and agencies	$ 170,295	$ 39,997	$ 1,637	$ —	$ 211,929	$ 181,730	$ 25,590	$ —	$ —	$ 207,320
Obligations of state and political subdivisions	20,023	82,929	162,387	1,134	266,473	21,240	102,416	157,672	1,242	282,570

Mortgage-backed securities: GSE residential	1,690	19,588	39,452	611,792	672,522	2,280	6,030	33,981	538,713	581,004
Other securities	18,929	48,121	621	—	67,671	27,942	39,838	753	—	68,533
Total available-for-sale investments	$ 210,937	$ 190,635	$ 204,097	$ 612,926	$ 1,218,595	$ 233,192	$ 173,874	$ 192,406	$ 539,955	$ 1,139,427
Weighted average yield	1.64 %	2.57 %	2.03 %	1.70 %	1.88 %	1.75 %	2.62 %	2.25 %	1.82 %	2.00 %
Full tax-equivalent yield	1.64 %	2.58 %	2.06 %	1.72 %	1.90 %	1.75 %	2.63 %	2.22 %	1.84 %	2.00 %
Held to maturity:										
Other investments	$ —	$ —	$ —	$ 2,259	$ 2,259	$ —	$ —	$ —	$ 2,282	$ 2,282
Total held-to-maturity	$ —	$ —	$ —	$ 2,259	$ 2,259	$ —	$ —	$ —	$ 2,282	$ 2,282
Weighted average yield	— %	— %	— %	— %	— %	— %	— %	— %	— %	— %
Full tax-equivalent yield	— %	— %	— %	— %	— %	— %	— %	— %	— %	— %

The weighted average yields are calculated based on the amortized cost and effective yields weighted for the scheduled maturity of each security. Tax-equivalent yields have been calculated using a 21% tax rate. With the exception of obligations of the U.S. Treasury and other U.S. government agencies and corporations, there were no investment securities of any single issuer, the book value of which exceeded 10% of stockholders' equity at September 30, 2023 March 31, 2024.

Investment securities carried at approximately $860 820 million and $770 831 million at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively, were pledged to secure public deposits and repurchase agreements and for other purposes as permitted or required by law.

The following table presents the aging of gross unrealized losses and fair value by investment category as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 (in thousands):

	Less than 12 months		12 months or more		Total		Less than 12 months		12 months or more		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
September 30, 2023												
March 31, 2024												
Available-for-sale:												

U.S. Treasury securities and obligations of U.S. government corporations and agencies	$ 3,204	$ (38)	$ 208,428	$ (33,681)	$ 211,632	$ (33,719)	$ 1,295	$ —	$ 206,025	$ (27,220)	$ 207,320	$ (27,220)
Obligations of states and political subdivisions	41,664	(2,467)	219,250	(72,090)	260,914	(74,557)	27,302	(324)	248,168	(52,540)	275,470	(52,864)
Mortgage-backed securities: GSE residential	16,495	(278)	555,338	(139,349)	571,833	(139,627)	5,773	(132)	545,899	(119,639)	551,672	(119,771)
Other securities	5,280	(470)	56,641	(5,665)	61,921	(6,135)	5,337	(413)	57,446	(3,846)	62,783	(4,259)
Total	$ 66,643	$ (3,253)	$ 1,039,657	$ (250,785)	$ 1,106,300	$ (254,038)	$ 39,707	$ (869)	$ 1,057,538	$ (203,245)	$ 1,097,245	$ (204,114)
December 31, 2022												
December 31, 2023												
Available-for-sale:												
U.S. Treasury securities and obligations of U.S. government corporations and agencies	$ 57,007	$ (3,493)	$ 163,520	$ (28,914)	$ 220,527	$ (32,407)	$ 1,288	$ (4)	$ 210,069	$ (26,215)	$ 211,357	$ (26,219)

Obligations of states and political subdivisions	220,102	(43,221)	45,419	(16,624)	265,521	(59,845)	22,281	(333)	241,630	(49,038)	263,911	(49,371)
Mortgage-backed securities: GSE residential	165,966	(19,859)	461,446	(96,900)	627,412	(116,759)	5,818	(67)	566,197	(113,007)	572,015	(113,074)
Other securities	64,676	(3,675)	6,698	(844)	71,374	(4,519)	5,311	(439)	57,939	(4,356)	63,250	(4,795)
Total	$ 507,751	$ (70,248)	$ 677,083	$ (143,282)	$ 1,184,834	$ (213,530)	$ 34,698	$ (843)	$ 1,075,835	$ (192,616)	$ 1,110,533	$ (193,459)

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U.S. Treasury Securities and Obligations of U.S. Government Corporations and Agencies. At September 30, 2023 March 31, 2024 there were forty six hundred twenty-five available-for-sale securities with a fair value of $208.4 206.0 million and unrealized losses of $33.7 27.2 million in a continuous unrealized loss position for twelve months or more. At December 31, 2022 December 31, 2023, there were sixteen thirty-six available-for-sale securities with a fair value of $163.5 210.1 million and unrealized losses of $28.9 26.2 million in a continuous unrealized loss position for twelve months or more. There were no held-to-maturity U.S. Treasury securities and obligations of U.S. government corporations and agencies in a continuous unrealized loss position for twelve months or more.

Obligations of states and political subdivisions. At September 30, 2023 March 31, 2024, there were two hundred thirty-five fifty-five obligations of states and political subdivisions with a fair value of $219.3 248.2 million and unrealized losses of $72.1 52.5 million in a continuous unrealized loss position for twelve months or more. At December 31, 2022 December 31, 2023 there were thirty-six two hundred thirty-seven obligations of states and political subdivisions with a fair value of $45.4 241.6 million and unrealized losses of $16.6 49.0 million in a continuous unrealized loss position for twelve months or more.

Mortgage-backed Securities: GSE Residential. At September 30, 2023 March 31, 2024, there were two hundred seventy-eight sixty-three mortgage-backed securities with a fair value of $555.3 545.9 million and unrealized losses of $139.3 119.6 million in a continuous unrealized loss position for twelve months or more. At December 31, 2022 December 31, 2023, there were ninety-one two hundred sixty-three mortgage-backed securities with a fair value of $461.4 566.2 million and unrealized losses of $96.9 113.0 million in a continuous unrealized loss position for twelve months or more.

Other securities. At September 30, 2023 March 31, 2024, there were forty-two other securities with a fair value of $57.4 million and unrealized losses of $3.8 million in a continuous unrealized loss position for twelve months or more. At December 31, 2023, there were forty-three other securities with a fair value of $56.6 57.9 million and unrealized losses of $5.7 million in a continuous unrealized loss position for twelve months or more. At December 31, 2022, there were five other securities with a fair value of $6.7 million and unrealized losses of $0.8 4.4 million in a continuous unrealized loss position for twelve months or more.

Note 4 – Loans and Allowance for Credit Losses

Loans are stated at amortized cost net of an allowance for credit losses. Amortized cost is the unpaid principal net of unearned premiums and discounts, and net deferred origination fees and costs. Deferred loan origination fees are reduced by loan origination costs and are amortized to interest income over the life of the related loan using methods that approximated the effective interest rate method. Interest on substantially all loans is credited to income based on the principal amount outstanding.

A summary of loans at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 follows (in thousands):

	September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023
Construction and land development	$ 191,344	$ 144,387	$ 188,662	$ 207,033
Agricultural real estate	401,115	410,790	389,691	392,265
1-4 family residential properties	539,492	440,018	525,532	549,843
Multifamily residential properties	329,684	295,073	315,024	321,537
Commercial real estate	2,427,494	2,036,243	2,424,919	2,416,294
Loans secured by real estate	3,889,129	3,326,511	3,843,828	3,886,972
Agricultural loans	179,360	166,695	213,171	196,202
Commercial and industrial loans	1,250,800	1,085,004	1,234,776	1,273,637
Consumer loans	100,854	97,730	80,514	92,142
All other loans	177,783	159,499	175,318	184,609
Total gross loans	5,597,926	4,835,439	5,547,607	5,633,562
Less: loans held for sale	6,233	338	4,817	4,980
	5,591,693	4,835,101	5,542,790	5,628,582
Less:				
Net deferred loan fees, premiums and discounts	57,861	9,227	48,312	52,997
Allowance for credit losses	68,241	59,093	67,936	68,675
Net loans	$ 5,465,591	$ 4,766,781	$ 5,426,542	$ 5,506,910

Loans expected to be sold are classified as held for sale in the consolidated financial statements and are recorded at fair value, taking into consideration future commitments to sell the loans. These loans are primarily for 1-4 family residential properties.

Accrued interest on loans, which is excluded from the amortized cost of the balances above, totaled $29.7 31.3 million and $23.0 29.9 million at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively.

Most of the Company’s business activities are with customers located near the Company's branch locations in Illinois, Missouri, Texas, and Wisconsin. At September 30, 2023 March 31, 2024, the Company’s loan portfolio included $580.5 602.9 million of loans to borrowers whose businesses are directly related to agriculture. Of this amount, $452.9 488.5 million was concentrated in corn and other grain farming. Total loans to borrowers whose businesses are directly related to agriculture increased $3.3 14.4 million from $577.2 588.5 million at December 31, 2022 December 31, 2023 due to seasonal timing of cash flow requirements. Loans concentrated in corn and other grain farming increased $7.6 16.0 million from $445.2 472.5 million at December 31, 2022 December 31, 2023. The Company's underwriting practices include collateralization of loans. Any extended period of low commodity prices, drought conditions, significantly reduced yields on crops and/or reduced levels of government assistance to the agricultural industry could result in an increase in the level of problem agriculture loans and potentially result in loan losses within the agricultural portfolio.

In addition, the Company has $227.2 million of loans to motels and hotels. The performance of these loans is dependent on borrower specific issues as well as the general level of business and personal travel within the region. While the Company adheres to sound underwriting standards, a prolonged period of reduced business or personal travel could result in an increase in nonperforming loans to this business segment and potentially in loan losses. The Company also has $1,077.5 1.06 million billion of loans to lessors of non-residential buildings, and $532.8 549.3 million of loans to lessors of residential buildings and dwellings.

The structure of the Company’s loan approval process is based on progressively larger lending authorities granted to individual loan officers, loan committees, and ultimately the board of directors. Outstanding balances to one borrower or affiliated borrowers are limited by federal regulation and most borrowers are below regulatory thresholds. The Company can occasionally have outstanding balances to one borrower up to but not exceeding the regulatory threshold should underwriting guidelines warrant. Most of the Company’s loans are to businesses located in the geographic market areas served by the Company’s branch bank system. Additionally, a significant portion of the collateral securing the loans in the portfolio is located within the Company’s primary geographic footprint. In general, the Company adheres to loan underwriting standards consistent with industry guidelines for all loan segments.

The Company’s lending can be summarized into the following primary areas:

Commercial Real Estate Loans. Commercial real estate loans are generally comprised of loans to small business entities to purchase or expand structures in which the business operations are housed, loans to owners of real estate who lease space to non-related commercial entities, loans for construction and land development, loans to hotel operators, and loans to owners of multi-family residential structures, such as apartment buildings. Commercial real estate loans are underwritten based on historical and projected cash flows of the borrower and secondarily on the underlying real estate pledged as collateral on the debt. For the various types of commercial real estate loans, minimum criteria have been established within the Company’s loan policy regarding debt service coverage while maximum limits on loan-to-value and amortization periods have been defined. Maximum loan-to-value ratios range from 65% to 80% depending upon the type of real estate collateral, while the desired minimum debt coverage ratio is 1.20x. Amortization periods for commercial real estate loans are generally limited to twenty or twenty five years, depending on the loan-to-value. The Company’s commercial real estate portfolio is below the thresholds that would designate a concentration in commercial real estate lending, as established by the federal banking regulators.

Commercial and Industrial Loans. Commercial and industrial loans are primarily comprised of working capital loans used to purchase inventory and fund accounts receivable that are secured by business assets other than real estate. These loans are generally written for one year or less. Also, equipment financing is provided to businesses with these loans generally limited to 80% of the value of the collateral and amortization periods limited to seven years. Commercial loans are often accompanied by a personal guaranty of the principal owners of a business. Like commercial real estate loans, the underlying cash flow of the business is the primary consideration in the underwriting process. The financial condition of commercial borrowers is monitored at least annually with the type of financial information required determined by the size of the relationship. Measures employed by the Company for businesses with higher risk profiles include the use of government- assisted lending programs through the Small Business Administration and U.S. Department of Agriculture.

Agricultural and Agricultural Real Estate Loans. Agricultural loans are generally comprised of seasonal operating lines to cash grain farmers to plant and harvest corn and soybeans and term loans to fund the purchase of equipment. Agricultural real estate loans are primarily comprised of loans for the purchase of farmland. Specific underwriting standards have been established for agricultural-related loans including the establishment of projections for each operating year based on industry developed estimates of farm input costs and expected commodity yields and prices. Operating lines are typically written for one year and secured by the crop. Loan-to-value ratios on loans secured by farmland generally do not exceed 65% and have amortization periods limited to twenty-five years. Federal government-assistance lending programs through the Farm Service Agency are used to mitigate the level of credit risk when deemed appropriate.

Residential Real Estate Loans. Residential real estate loans generally include loans for the purchase or refinance of residential real estate properties consisting of one-to-four units and home equity loans and lines of credit. The Company sells most of its long-term fixed rate residential real estate loans to secondary market investors. The Company also releases the servicing of these loans upon sale. Residential real estate loans are typically underwritten to conform to industry standards including criteria for maximum debt-to-income and loan-to-value ratios as well as minimum credit scores. Loans secured by first liens on residential real estate held in the portfolio typically do not exceed 80% of the value of the collateral and have amortization periods of twenty-five years or less. The Company does not originate subprime mortgage loans.

Consumer Loans. Consumer loans are primarily comprised of loans to individuals for personal and household purposes such as the purchase of an automobile or other living expenses. Minimum underwriting criteria have been established that consider credit score, debt-to-income ratio, employment history, and collateral coverage. Typically, consumer loans are set up on monthly payments with amortization periods based on the type and age of the collateral.

Other Loans. Other loans consist primarily of loans to municipalities to support community projects such as infrastructure improvements or equipment purchases. Underwriting guidelines for these loans are consistent with those established for commercial loans with the additional repayment source of the taxing authority of the municipality.

Allowance for Credit Losses

The allowance for credit losses represents the Company’s best estimate of the reserve necessary to adequately account for probable losses expected over the remaining contractual life of the assets. The provision for credit losses is the charge against current earnings that is determined by the Company as the amount needed to maintain an adequate allowance for credit losses. In determining the adequacy of the allowance for credit losses, and therefore the provision to be charged to current earnings, the Company relies predominantly on a disciplined credit review and approval process that extends to the full range of the Company’s credit exposure. The review process is directed by the overall lending policy and is intended to identify, at the earliest possible stage, borrowers who might be facing financial difficulty. Factors considered by the Company in evaluating the overall adequacy of the allowance include historical net loan losses, the level and composition of nonaccrual, past due and modified loans, trends in volumes and terms of loans, effects of changes in risk selection and underwriting standards or lending practices, lending staff changes, concentrations of credit, industry conditions and the current economic conditions in the region where the Company operates. The Company estimates the appropriate level of allowance for credit losses by evaluating large individually evaluated loans separately from non-individually evaluated loans.

Individually Evaluated Loans

The Company individually evaluates certain loans for impairment. In general, these loans have been internally identified via the Company's loan grading system as credits requiring management's attention due to underlying problems in the borrower's business or collateral concerns. This evaluation considers expected future cash flows, the value of collateral and other factors that may impact the borrower's ability to make payments when due. For loans greater than $250,000, impairment is individually measured each quarter using one of three alternatives: (1) the present value of expected future cash flows discounted at the loan's effective interest rate; (2) the loan's observable market price, if available; or (3) the fair value of the collateral less costs to sell for collateral dependent loans and loans for which foreclosure is deemed to be probable. A specific allowance is assigned when expected cash flows or collateral are less than the carrying amount of the loan. The carrying value of the loan reflects reductions from prior charge-offs.

Non-Individually Evaluated Loans

Non-individually evaluated loans comprise the vast majority of the Company's total loan portfolio and include loans in accrual status and those credits not identified as modified loans. A small portion of these loans are considered "criticized" due to the risk rating assigned reflecting elevated credit risk due to characteristics, such as a strained cash flow position, associated with the individual borrowers. Criticized loans are those assigned risk ratings of Special Mention, Substandard, or Doubtful.

To determine the allowance, the loan portfolio is segmented based on similar risk characteristics. The allowance for credit losses is estimated using a discounted cash flow (DCF) methodology. The DCF projects future cash flows over the life of the loan portfolio. Probability of default (PD) and loss given default (LGD) are key components in calculating expected losses in this model. The PD is forecasted using a regression model that determines the likelihood of default with a forward-looking forecast of unemployment rates. The LGD is the percentage of defaulted loans that is ultimately charged off. The allowance is calculated as the net present value of the expected cash flows less the amortized cost basis of the loans. Prior to 2022, the allowance for credit losses was measured on a collective (pool) basis for non-individually evaluated loans with similar risk characteristics. Historical credit loss experience provided the basis for the estimate of expected credit losses. Adjustments to expected losses are made using qualitative factors for relevant to each loan segment including merger & acquisition activity, economic conditions, changes in policies, procedures & underwriting,

and concentrations. In addition, a forecast, using reasonable and supportable future conditions, is prepared that is used to estimate expected changes to existing and historical conditions in the current period.

The Company also considers specific current economic events occurring globally, in the U.S. and in its local markets. Events considered include the status of trade agreements with China, scheduled increases in minimum wage and changes to the minimum salary threshold for overtime provisions, current and projected unemployment rates, current and projected grain and oil prices and economies of local markets where customers work and operate.

Within each pool, risk elements are evaluated that have specific impacts to the borrowers within the pool. These, along with the general risks and events, and the specific lending policies and procedures by loan type described above, are analyzed to estimate the qualitative factors used to adjust the historical loss rates.

During the current period, the following assumptions and factors were considered when determining the historical loss rate and any potential adjustments by loan pool.

Construction and Land Development Loans. Historical losses in this segment remain very low. While staffing shortages and supply chain disruptions cause risk in this segment, most projects are associated with financially strong borrowers. The qualitative factors for this segment were decreased increased due to the significant discount added higher levels of loans compared to the balance sheet on Blackhawk loans resulting in a change to the nature of the financial assets. Company's internal policy limits

Agricultural Real Estate Loans. Historical losses in the segment remain very low. Farmland values have increased over an extended period of time and there are no indications that this will change in remained stable over the next last year. There was no change to the qualitative factors for this segment.

1- 4 Family Residential Properties Loans. The loan segment has remained stable throughout the last several years. Both adversely classified and past dues have been consistent. There was no change to the qualitative factors for this segment.

Commercial Real Estate Loans. This segment includes the Company's largest balances and the largest allowance for credit losses. The qualitative factors on both non-owner occupied and owner-occupied loans for this segment were decreased increased due to the significant discount added economic uncertainty and rate repricing risks in today's market along with the level of balances compared to the balance sheet on Blackhawk loans resulting in a change to the nature of the financial assets. Company's internal policy limits.

Agricultural Loans. Losses in this segment are very low. Commodity prices have been volatile and yield expectations have been lowered due to the lack of rain. The qualitative factors of this segment were increased due to this higher level of risk.

Commercial and Industrial Loans. This segment includes the second largest balance of allowance for credit losses. The qualitative factors for this segment was decreased due to were not changed in the significant discount added to the balance sheet on Blackhawk loans resulting in a change to the nature periods . Most of the financial assets. repricing for higher rates in this loan segment has already occurred.

Consumer Loans. This segment is the smallest portion of the Company's loan portfolio. This segment is anticipated to be impacted by any recession that may appear. In addition, the risk has increased for cash flow challenges for any borrower who have student loans that have been or will soon be returned to payments. The qualitative factors for this segment were not changed on a net basis in the period. Higher risk due to macro-economic conditions were offset by a decline in the severity of past dues for the loan segment.

Acquired Loans. Prior to January 1, 2020 loans acquired with evidence of credit deterioration since origination and for which it was probable that all contractually required payments would not be collected were considered purchased credit impaired at the time of acquisition. Purchase credit-impaired ("PCI") loans were accounted for under ASC 310-30, *Receivables--Loans and Debt Securities Acquired with Deteriorated Credit Quality* ("ASC 310-30"), and were initially measured at fair value, which included the estimated future credit losses expected to be incurred over the life of the loan.

Accordingly, an allowance for credit losses related to these loans was not carried over and recorded at the acquisition date. The cash flows expected to be collected were estimated using current key assumptions, such as default rates, value of underlying collateral, severity and prepayment speeds.

Subsequent to January 1, 2020, loans acquired in a business combination that have experienced more-than-insignificant deterioration in credit quality since origination are considered purchased credit deteriorated (“PCD”) loans. At the acquisition date, an estimate of expected credit losses is made for groups of PCD loans with similar risk characteristics and individual PCD loans without similar risk characteristics. This initial allowance for credit losses is allocated to individual PCD loans and added to the purchase price or acquisition date fair values to establish the initial amortized cost basis of the PCD loans. As the initial allowance for credit losses is added to the purchase price, there is no credit loss expense recognized upon acquisition of a PCD loan. Any difference between the unpaid principal balance of PCD loans and the amortized cost basis is considered to relate to noncredit factors and results in a discount or premium. Discounts and premiums are recognized through interest income on a level-yield method over the life of the loans.

For acquired loans not deemed purchased credit deteriorated at acquisition, the differences between the initial fair value and the unpaid principal balance are recognized as interest income on a level-yield basis over the lives of the related loans. At the acquisition date, an initial allowance for expected credit losses is estimated and recorded as credit loss expense. The subsequent measurement of expected credit losses for all acquired loans is the same as the subsequent measurement of expected credit losses for originated loans.

The following table presents the activity in the allowance for credit losses based on portfolio segment for the three and nine months ended September 30, 2023 March 31, 2024 (in thousands):

	Construction and Land Development	Agricultural Real Estate	1-4 Family Residential Properties	Commercial Real Estate	Agricultural Loans	Commercial and Industrial	Consumer Loans	Total
Three months ended September 30, 2023								
Beginning balance	$ 2,208	$ 1,370	$ 3,247	$ 28,014	$ 524	$ 21,544	$ 1,812	$ 58,719
Initial allowance on loans purchased with credit deterioration	308	—	124	1,066	—	2,273	20	3,791
Provision for credit loss expense	219	27	629	2,727	245	1,697	367	5,911
Loans charged off	—	—	21	—	132	—	368	521
Recoveries collected	—	—	91	16	3	81	150	341
Ending balance	$ 2,735	$ 1,397	$ 4,070	$ 31,823	$ 640	$ 25,595	$ 1,981	$ 68,241
Nine months ended September 30, 2023								
Beginning balance	$ 2,250	$ 1,433	$ 3,742	$ 28,157	$ 585	$ 20,808	$ 2,118	$ 59,093
Initial allowance on loans purchased with credit deterioration	308	—	124	1,066	—	2,273	20	3,791
Provision for credit loss expense	191	(36)	88	2,278	450	2,202	379	5,552
Loans charged off	14	—	77	25	408	62	995	1,581
Recoveries collected	—	—	193	347	13	374	459	1,386
Ending balance	$ 2,735	$ 1,397	$ 4,070	$ 31,823	$ 640	$ 25,595	$ 1,981	$ 68,241

	Construction and Land Development	Agricultural Real Estate	1-4 Family Residential Properties	Commercial Real Estate	Agricultural Loans	Commercial and Industrial	Consumer Loans	Total
Three months ended March 31, 2024								
Beginning balance	$ 2,918	$ 1,366	$ 4,220	$ 31,758	$ 705	$ 25,450	$ 2,258	$ 68,675

Initial allowance on loans purchased with credit deterioration	—	—	—	—	—	—	—	—
Provision for credit loss expense	(217)	(8)	(424)	618	125	(609)	158	(357)
Loans charged off	—	—	67	—	52	274	426	819
Recoveries collected	—	—	49	161	—	64	163	437
Ending balance	$ 2,701	$ 1,358	$ 3,778	$ 32,537	$ 778	$ 24,631	$ 2,153	$ 67,936

The following tables present the activity in the allowance for credit losses based on portfolio segment for the three and nine months ended September 30, 2022 March 31, 2023 and for the year ended December 31, 2022 December 31, 2023 (in thousands):

	Construction and Land Development	Agricultural Real Estate	1-4 Family Residential Properties	Commercial Real Estate	Agricultural Loans	Commercial and Industrial	Consumer Loans	Total
Three months ended September 30, 2022								
Beginning balance	$ 2,042	$ 2,112	$ 3,523	$ 28,856	$ 886	$ 19,496	$ 2,160	$ 59,075
Provision for credit loss expense	1	(674)	269	(796)	(246)	1,271	317	142
Loans charged off	—	—	45	7	—	389	392	833
Recoveries collected	100	—	19	8	38	63	165	393

Ending balance	$ 2,143	$ 1,438	$ 3,766	$ 28,061	$ 678	$ 20,441	$ 2,250	$ 58,777								
Nine months ended September 30, 2022																
Three months ended March 31, 2023																
Beginning balance	$ 1,743	$ 1,257	$ 2,330	$ 26,246	$ 983	$ 19,241	$ 2,855	$ 54,655	$ 2,250	$ 1,433	$ 3,742	$ 28,157	$ 585	$ 20,808	$ 2,118	$ 59,093
Initial allowance on loans purchased with credit deterioration	272	—	3	478	—	94	16	863	—	—	—	—	—	—	—	—
Provision for credit loss expense	30	181	1,355	1,384	(250)	1,343	(42)	4,001	176	(29)	(306)	(834)	(8)	91	93	(817)
Loans charged off	2	—	186	414	93	424	1,059	2,178	—	—	40	—	—	13	427	480
Recoveries collected	100	—	264	367	38	187	480	1,436	—	—	24	4	3	256	140	427

Ending balance	$ 2,143	$ 1,438	$ 3,766	$ 28,061	$ 678	$ 20,441	$ 2,250	$ 58,777		$ 2,426	$ 1,404	$ 3,420	$ 27,327	$ 580	$ 21,142	$ 1,924	$ 58,223
Twelve months ended December 31, 2022																	
Beginning balance (prior to adoption of ASC 326)	$ 1,743	$ 1,257	$ 2,330	$ 26,246	$ 983	$ 19,241	$ 2,855	$ 54,655									
Impact of adopting ASC 326	272	—	3	478	—	94	16	863									
Twelve months ended December 31, 2023									**Twelve months ended December 31, 2023**								
Beginning Balance										$ 2,250	$ 1,433	$ 3,742	$ 28,157	$ 585	$ 20,808	$ 2,118	$ 59,093
Initial allowance on loans purchased with credit deterioration										308	—	124	1,066	—	2,273	20	3,791
Provision for credit loss expense	137	176	1,241	1,462	(359)	2,135	14	4,806		374	(67)	225	1,755	490	2,322	1,005	6,104
Loans charged off	2	—	191	414	93	870	1,380	2,950		14	—	87	25	408	529	1,568	2,631

Recoveries collected	100	—	359	385	54	208	613	1,719	—	—	216	805	38	576	683	2,318
Ending balance	$ 2,250	$ 1,433	$ 3,742	$ 28,157	$ 585	$ 20,808	$ 2,118	$ 59,093	$ 2,918	$ 1,366	$ 4,220	$ 31,758	$ 705	$ 25,450	$ 2,258	$ 68,675

Consistent with regulatory guidance, charge-offs on all loan segments are taken when specific loans, or portions thereof, are considered uncollectible. The Company's policy is to promptly charge these loans off in the period the uncollectible loss is reasonably determined.

For all loan portfolio segments except 1-4 family residential properties and consumer, the Company promptly charges-off loans, or portions thereof, when available information confirms that specific loans are uncollectible based on information that includes, but is not limited to, (1) the deteriorating financial condition of the borrower, (2) declining collateral values, and/or (3) legal action, including bankruptcy, that impairs the borrower's ability to adequately meet its obligations. For individually evaluated loans that are considered solely collateral dependent, a partial charge-off is recorded when a loss has been confirmed by an updated appraisal or other appropriate valuation of the collateral.

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The Company charges-off 1-4 family residential and consumer loans, or portions thereof, when the Company reasonably determines the amount of the loss. The Company adheres to time frames established by applicable regulatory guidance which provides for the charge-down of 1-4 family first and junior lien mortgages to the net realizable value less costs to sell when the loan is 180 days past due, charge-off of unsecured open-end loans when the loan is 180 days past due, and charge down to the net realizable value when other secured loans are 120 days past due. Loans at these respective delinquency thresholds for which the Company can clearly document that the loan is both well-secured and in the process of collection, such that collection will occur regardless of delinquency status, need not be charged off.

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The following table presents the amortized cost basis of collateral-dependent loans by class of loans that were individually evaluated to determine expected credit losses, and the related allowance for credit losses, as of September 30, 2023 March 31, 2024 (in thousands):

	Collateral				Allowance for Credit Losses	Collateral				Allowance
	Real Estate	Business Assets	Other	Total		Real Estate	Business Assets	Other	Total	for Credit Losses
Construction and land development	$ 421	$ —	$ —	$ 421	$ 192	$ 406	$ —	$ —	$ 406	$ 175

Agricultural real estate	—	—	16	16	—					
1-4 family residential properties	1,258	—	—	1,258	—	1,174	—	—	1,174	—
Multifamily residential properties	1,080	—	—	1,080	—	1,066	—	—	1,066	—
Commercial real estate	9,334	—	—	9,334	—	8,349	—	—	8,349	133
Loans secured by real estate	12,093	—	16	12,109	192	10,995	—	—	10,995	308
Agricultural loans	—	—	—	—	—	—	—	—	—	—
Commercial and industrial loans	82	1,159	—	1,241	183	—	506	—	506	—
Consumer loans	—	—	—	—	—	—	—	—	—	—
Total loans	$ 12,175	$ 1,159	$ 16	$ 13,350	$ 375	$ 10,995	$ 506	$ —	$ 11,501	$ 308

Credit Quality

The Company categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt such as: current financial information, historical payment experience, collateral support, credit documentation, public information, and current economic trends, among other factors. The Company analyzes loans individually by classifying the loans as to credit risk. This analysis is performed on a continuous basis. The Company uses the following definitions for risk ratings which are commensurate with a loan considered "criticized":

Special Mention. Loans classified as special mention have a potential weakness that deserves management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or of the institution's credit position at some future date.

Substandard. Loans classified as substandard are inadequately protected by the current sound-worthiness 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 institution will sustain some loss if the deficiencies are not corrected.

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

Loans not meeting the criteria above that are analyzed individually as part of the above described process are considered pass rated loans.

The following tables present the credit risk profile of the Company's loan portfolio on amortized cost basis based on risk rating category and year of origination as of September 30, 2023 March 31, 2024 (in thousands):

	Term Loans by Origination Year						Revolving	
Risk rating	**2023**	**2022**	**2021**	**2020**	**2019**	**Prior**	**Loans**	**Total**

September 30, 2023								
Construction and land development loans								
Pass	$ 49,485	$ 78,795	$ 29,330	$ 6,101	$ 10,218	$ 14,834	$ —	$ 188,763
Special mention	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	443	—	443
Total	$ 49,485	$ 78,795	$ 29,330	$ 6,101	$ 10,218	$ 15,277	$ —	$ 189,206
Current period gross writeoffs	$ —	$ —	$ —	$ —	$ 14	$ —	$ —	$ 14
Agricultural real estate loans								
Pass	$ 12,265	$ 172,028	$ 58,648	$ 56,006	$ 21,114	$ 74,179	$ —	$ 394,240
Special mention	209	—	694	—	1,170	1,945	—	4,018
Substandard	—	—	375	—	—	1,201	—	1,576
Total	$ 12,474	$ 172,028	$ 59,717	$ 56,006	$ 22,284	$ 77,325	$ —	$ 399,834
Current period gross writeoffs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
1-4 family residential property loans								
Pass	$ 40,228	$ 101,055	$ 101,609	$ 80,368	$ 27,477	$ 90,403	$ 71,412	$ 512,552
Special mention	—	849	3,234	—	—	3,825	10	7,918
Substandard	96	820	543	406	370	8,953	41	11,229
Total	$ 40,324	$ 102,724	$ 105,386	$ 80,774	$ 27,847	$ 103,181	$ 71,463	$ 531,699
Current period gross writeoffs	$ —	$ —	$ —	$ —	$ 14	$ 63	$ —	$ 77
Commercial real estate loans								
Pass	$ 157,527	$ 721,955	$ 578,816	$ 336,064	$ 245,896	$ 645,950	$ —	$ 2,686,208
Special mention	3,700	2,735	1,348	2,326	1,614	7,987	—	19,710
Substandard	—	4,231	537	31	792	8,392	—	13,983
Total	$ 161,227	$ 728,921	$ 580,701	$ 338,421	$ 248,302	$ 662,329	$ —	$ 2,719,901
Current period gross writeoffs	$ —	$ —	$ —	$ —	$ 25	$ —	$ —	$ 25
Agricultural loans								
Pass	$ 113,694	$ 40,523	$ 16,470	$ 4,355	$ 1,961	$ 2,399	$ —	$ 179,402
Special mention	6	18	—	—	15	—	—	39
Substandard	—	—	3	—	3	—	—	6
Total	$ 113,700	$ 40,541	$ 16,473	$ 4,355	$ 1,979	$ 2,399	$ —	$ 179,447
Current period gross writeoffs	$ —	$ 276	$ —	$ —	$ —	$ 132	$ —	$ 408
Commercial and industrial loans								
Pass	$ 243,700	$ 321,790	$ 241,780	$ 154,578	$ 86,721	$ 327,485	$ —	$ 1,376,054
Special mention	50	1,634	10,634	7,510	647	21,563	—	42,038
Substandard	—	521	876	71	34	842	—	2,344
Total	$ 243,750	$ 323,945	$ 253,290	$ 162,159	$ 87,402	$ 349,890	$ —	$ 1,420,436
Current period gross writeoffs	$ —	$ —	$ —	$ 49	$ —	$ 13	$ —	$ 62
Consumer loans								
Pass	$ 8,929	$ 44,835	$ 24,253	$ 12,165	$ 5,427	$ 2,930	$ —	$ 98,539
Special mention	—	9	—	—	—	—	—	9
Substandard	44	434	253	160	61	42	—	994

Total	$ 8,973	$ 45,278	$ 24,506	$ 12,325	$ 5,488	$ 2,972	$ —	$ 99,542
Current period gross writeoffs	$ —	$ 57	$ 83	$ 1	$ 9	$ 845	$ —	$ 995
Total loans								
Pass	$ 625,828	$ 1,480,981	$ 1,050,906	$ 649,637	$ 398,814	$ 1,158,180	$ 71,412	$ 5,435,758
Special mention	3,965	5,245	15,910	9,836	3,446	35,320	10	73,732
Substandard	140	6,006	2,587	668	1,260	19,873	41	30,575
Total	$ 629,933	$ 1,492,232	$ 1,069,403	$ 660,141	$ 403,520	$ 1,213,373	$ 71,463	$ 5,540,065
Current period gross writeoffs	$ —	$ 333	$ 83	$ 50	$ 62	$ 1,053	$ —	$ 1,581

	Term Loans by Origination Year						Revolving	
Risk rating	**2024**	**2023**	**2022**	**2021**	**2020**	**Prior**	**Loans**	**Total**
March 31, 2024								
Construction and land development loans								
Pass	$ 3,584	$ 81,753	$ 56,302	$ 16,509	$ 5,781	$ 22,499	$ —	$ 186,428
Special mention	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	423	—	423
Total	$ 3,584	$ 81,753	$ 56,302	$ 16,509	$ 5,781	$ 22,922	$ —	$ 186,851
Current period gross writeoffs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Agricultural real estate loans								
Pass	$ 8,930	$ 18,867	$ 162,999	$ 56,265	$ 52,598	$ 83,981	$ —	$ 383,640
Special mention	1,170	202	—	628	—	1,864	—	3,864
Substandard	—	—	—	367	—	1,070	—	1,437
Total	$ 10,100	$ 19,069	$ 162,999	$ 57,260	$ 52,598	$ 86,915	$ —	$ 388,941
Current period gross writeoffs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
1-4 family residential property loans								
Pass	$ 18,806	$ 58,463	$ 95,956	$ 94,556	$ 78,221	$ 83,227	$ 70,050	$ 499,279
Special mention	—	—	853	3,143	—	3,847	—	7,843
Substandard	26	113	920	514	553	8,817	576	11,519
Total	$ 18,832	$ 58,576	$ 97,729	$ 98,213	$ 78,774	$ 95,891	$ 70,626	$ 518,641
Current period gross writeoffs	$ —	$ 36	$ —	$ —	$ —	$ 31	$ —	$ 67
Commercial real estate loans								
Pass	$ 9,482	$ 206,109	$ 706,392	$ 570,053	$ 321,198	$ 865,221	$ —	$ 2,678,455
Special mention	10	3,634	2,854	1,716	824	8,647	—	17,685
Substandard	—	—	3,761	450	10	8,489	—	12,710
Total	$ 9,492	$ 209,743	$ 713,007	$ 572,219	$ 322,032	$ 882,357	$ —	$ 2,708,850
Current period gross writeoffs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Agricultural loans								
Pass	$ 38,758	$ 121,171	$ 30,478	$ 16,192	$ 3,396	$ 1,852	$ —	$ 211,847
Special mention	—	11	—	—	—	748	—	759
Substandard	—	221	368	—	6	16	—	611
Total	$ 38,758	$ 121,403	$ 30,846	$ 16,192	$ 3,402	$ 2,616	$ —	$ 213,217
Current period gross writeoffs	$ —	$ —	$ —	$ 52	$ —	$ —	$ —	$ 52

Commercial and industrial loans								
Pass	$ 33,234	$ 278,618	$ 305,634	$ 233,432	$ 139,860	$ 375,188	$ —	$ 1,365,966
Special mention	103	1,061	1,528	7,073	1,359	24,394	—	35,519
Substandard	—	—	597	351	44	749	—	1,741
Total	$ 33,337	$ 279,679	$ 307,759	$ 240,856	$ 141,263	$ 400,331	$ —	$ 1,403,226
Current period gross writeoffs	$ —	$ —	$ —	$ 273	$ —	$ 1	$ —	$ 274
Consumer loans								
Pass	$ 1,612	$ 8,161	$ 36,304	$ 17,758	$ 8,383	$ 6,473	$ —	$ 78,691
Special mention	—	—	23	—	—	—	—	23
Substandard	—	50	338	241	141	85	—	855
Total	$ 1,612	$ 8,211	$ 36,665	$ 17,999	$ 8,524	$ 6,558	$ —	$ 79,569
Current period gross writeoffs	$ —	$ 3	$ 51	$ 81	$ —	$ 291	$ —	$ 426
Total loans								
Pass	$ 114,406	$ 773,142	$ 1,394,065	$ 1,004,765	$ 609,437	$ 1,438,441	$ 70,050	$ 5,404,306
Special mention	1,283	4,908	5,258	12,560	2,183	39,500	—	65,693
Substandard	26	384	5,984	1,923	754	19,649	576	29,296
Total	$ 115,715	$ 778,434	$ 1,405,307	$ 1,019,248	$ 612,374	$ 1,497,590	$ 70,626	$ 5,499,295
Current period gross writeoffs	$ —	$ 39	$ 51	$ 406	$ —	$ 323	$ —	$ 819

The following tables present the credit risk profile of the Company's loan portfolio based on risk rating category as of December 31, 2022 December 31, 2023 (in thousands):

	Term Loans by Origination Year						Revolving	
Risk rating	**2022**	**2021**	**2020**	**2019**	**2018**	**Prior**	**Loans**	**Total**
December 31, 2022								
Construction and land development loans								
Pass	$ 63,846	$ 39,790	$ 12,558	$ 15,787	$ 1,210	$ 10,601	$ —	$ 143,792
Special mention	—	—	—	—	—	—	—	—
Substandard	—	—	—	14	—	458	—	472
Total	$ 63,846	$ 39,790	$ 12,558	$ 15,801	$ 1,210	$ 11,059	$ —	$ 144,264
Current period gross writeoffs	$ —	$ —	$ —	$ —	$ —	$ 2	$ —	$ 2
Agricultural real estate loans								
Pass	$ 171,833	$ 67,115	$ 58,283	$ 23,820	$ 27,573	$ 52,799	$ —	$ 401,423

Special mention	1,123	—	490	1,240	273	3,121	—	6,247
Substandard	—	—	—	—	1,383	1,274	—	2,657
Total	$ 172,956	$ 67,115	$ 58,773	$ 25,060	$ 29,229	$ 57,194	$ —	$ 410,327
Current period gross writeoffs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
1-4 family residential property loans								
Pass	$ 94,377	$ 86,717	$ 78,977	$ 27,580	$ 30,809	$ 63,050	$ 43,722	$ 425,232
Special mention	169	218	1	44	238	1,000	—	1,670
Substandard	1,060	566	529	295	2,749	8,079	—	13,278
Total	$ 95,606	$ 87,501	$ 79,507	$ 27,919	$ 33,796	$ 72,129	$ 43,722	$ 440,180
Current period gross writeoffs	$ —	$ —	$ 67	$ 13	$ —	$ 111	$ —	$ 191
Commercial real estate loans								
Pass	$ 558,921	$ 509,614	$ 319,049	$ 239,564	$ 211,505	$ 453,076	$ —	$ 2,291,729
Special mention	2,187	1,287	769	1,508	952	8,503	—	15,206
Substandard	3,783	478	794	873	5,394	6,100	—	17,422
Total	$ 564,891	$ 511,379	$ 320,612	$ 241,945	$ 217,851	$ 467,679	$ —	$ 2,324,357
Current period gross writeoffs	$ 250	$ 22	$ —	$ —	$ —	$ 142	$ —	$ 414
Agricultural loans								
Pass	$ 137,327	$ 18,783	$ 3,433	$ 3,918	$ 915	$ 254	$ —	$ 164,630
Special mention	1,178	—	—	756	66	109	—	2,109
Substandard	53	—	—	46	—	—	—	99
Total	$ 138,558	$ 18,783	$ 3,433	$ 4,720	$ 981	$ 363	$ —	$ 166,838
Current period gross writeoffs	$ —	$ 93	$ —	$ —	$ —	$ —	$ —	$ 93
Commercial and industrial loans								
Pass	$ 450,001	$ 226,038	$ 172,208	$ 63,906	$ 61,929	$ 247,404	$ —	$ 1,221,486
Special mention	469	640	10,095	570	7,280	158	—	19,212
Substandard	346	418	184	35	157	633	—	1,773
Total	$ 450,816	$ 227,096	$ 182,487	$ 64,511	$ 69,366	$ 248,195	$ —	$ 1,242,471
Current period gross writeoffs	$ 39	$ 311	$ 39	$ 439	$ 23	$ 19	$ —	$ 870
Consumer loans								
Pass	$ 48,600	$ 21,088	$ 12,101	$ 7,968	$ 1,945	$ 5,630	$ —	$ 97,332
Special mention	—	18	1	—	5	—	—	24
Substandard	69	246	3	43	52	6	—	419
Total	$ 48,669	$ 21,352	$ 12,105	$ 8,011	$ 2,002	$ 5,636	$ —	$ 97,775
Current period gross writeoffs	$ 22	$ 177	$ 89	$ 10	$ 7	$ 1,075	$ —	$ 1,380
Total loans								
Pass	$ 1,524,905	$ 969,145	$ 656,609	$ 382,543	$ 335,886	$ 832,814	$ 43,722	$ 4,745,624
Special mention	5,126	2,163	11,356	4,118	8,814	12,891	—	44,468
Substandard	5,311	1,708	1,510	1,306	9,735	16,550	—	36,120
Total	$ 1,535,342	$ 973,016	$ 669,475	$ 387,967	$ 354,435	$ 862,255	$ 43,722	$ 4,826,212
Current period gross writeoffs	$ 311	$ 603	$ 195	$ 462	$ 30	$ 1,349	$ —	$ 2,950
	Term Loans by Origination Year						**Revolving**	

Risk rating	2023	2022	2021	2020	2019	Prior	Loans	Total
December 31, 2023								
Construction and land development loans								
Pass	$ 68,086	$ 74,065	$ 27,392	$ 5,188	$ 10,795	$ 19,115	$ —	$ 204,641
Special mention	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	436	—	436
Total	$ 68,086	$ 74,065	$ 27,392	$ 5,188	$ 10,795	$ 19,551	$ —	$ 205,077
Current period gross writeoffs	$ —	$ —	$ —	$ —	$ 14	$ —	$ —	$ 14
Agricultural real estate loans								
Pass	$ 19,231	$ 164,812	$ 57,815	$ 53,249	$ 19,419	$ 71,189	$ —	$ 385,715
Special mention	206	—	627	—	1,170	1,868	—	3,871
Substandard	—	—	371	—	—	1,175	—	1,546
Total	$ 19,437	$ 164,812	$ 58,813	$ 53,249	$ 20,589	$ 74,232	$ —	$ 391,132
Current period gross writeoffs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
1-4 family residential property loans								
Pass	$ 66,119	$ 96,995	$ 79,085	$ 73,073	$ 26,854	$ 105,257	$ 75,700	$ 523,083
Special mention	—	967	3,184	—	—	3,804	10	7,965
Substandard	152	759	460	396	288	8,865	501	11,421
Total	$ 66,271	$ 98,721	$ 82,729	$ 73,469	$ 27,142	$ 117,926	$ 76,211	$ 542,469
Current period gross writeoffs	$ 10	$ —	$ —	$ —	$ 14	$ 63	$ —	$ 87
Commercial real estate loans								
Pass	$ 185,628	$ 680,099	$ 548,733	$ 317,075	$ 239,323	$ 701,464	$ —	$ 2,672,322
Special mention	3,666	2,706	1,317	2,159	1,563	7,778	—	19,189
Substandard	—	3,899	520	20	775	7,108	—	12,322
Total	$ 189,294	$ 686,704	$ 550,570	$ 319,254	$ 241,661	$ 716,350	$ —	$ 2,703,833
Current period gross writeoffs	$ —	$ —	$ —	$ —	$ 25	$ —	$ —	$ 25
Agricultural loans								
Pass	$ 147,993	$ 27,895	$ 10,044	$ 2,549	$ 1,883	$ 5,854	$ —	$ 196,218
Special mention	6	10	—	—	38	—	—	54
Substandard	—	—	—	—	—	—	—	—
Total	$ 147,999	$ 27,905	$ 10,044	$ 2,549	$ 1,921	$ 5,854	$ —	$ 196,272
Current period gross writeoffs	$ —	$ 276	$ —	$ —	$ —	$ 132	$ —	$ 408
Commercial and industrial loans								
Pass	$ 290,304	$ 306,794	$ 232,198	$ 154,499	$ 73,906	$ 347,957	$ —	$ 1,405,658
Special mention	1,047	1,857	9,982	562	597	28,900	—	42,945
Substandard	—	537	791	58	29	750	—	2,165
Total	$ 291,351	$ 309,188	$ 242,971	$ 155,119	$ 74,532	$ 377,607	$ —	$ 1,450,768
Current period gross writeoffs	$ —	$ 353	$ —	$ 49	$ 20	$ 107	$ —	$ 529
Consumer loans								
Pass	$ 9,547	$ 40,225	$ 21,264	$ 10,387	$ 4,475	$ 4,035	$ —	$ 89,933
Special mention	—	26	—	—	—	—	—	26

Substandard	86	405	325	139	59	41	—	1,055
Total	$ 9,633	$ 40,656	$ 21,589	$ 10,526	$ 4,534	$ 4,076	$ —	$ 91,014
Current period gross writeoffs	$ 22	$ 177	$ 89	$ 10	$ 7	$ 1,075	$ —	$ 1,380
Total loans								
Pass	$ 786,908	$ 1,390,885	$ 976,531	$ 616,020	$ 376,655	$ 1,254,871	$ 75,700	$ 5,477,570
Special mention	4,925	5,566	15,110	2,721	3,368	42,350	10	74,050
Substandard	238	5,600	2,467	613	1,151	18,375	501	28,945
Total	$ 792,071	$ 1,402,051	$ 994,108	$ 619,354	$ 381,174	$ 1,315,596	$ 76,211	$ 5,580,565
Current period gross writeoffs	$ 10	$ 761	$ 208	$ 51	$ 93	$ 1,508	$ —	$ 2,631

The following table presents the Company's loan portfolio aging analysis at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 (in thousands):

	30-59 Days Past Due	**60-89 Days Past Due**	**90 Days or More Past Due**	**Total Past Due**	**Current**	**Total Loans Receivable**	**Total Loans > 90 Days and Accruing**	**30-59 Days Past Due**	**60-89 Days Past Due**	**90 Days or More Past Due**	**Total Past Due**	**Current**	**Total Loans Receivable**	**Total Loans > 90 Days and Accruing**
September 30, 2023														
March 31, 2024														
Construction and land development	$ 130	$ —	$ 450	$ 580	$ 188,626	$ 189,206	$ —	$ —	$ —	$ 450	$ 450	$ 186,401	$ 186,851	$ —
Agricultural real estate	—	—	1	1	399,833	399,834	—	—	—	1	1	388,940	388,941	—

1-4 family residential properties	2,917	781	630	4,328	527,371	531,699	—	1,965	1,227	1,179	4,371	514,270	518,641	—
Multifamily residential properties	4	—	550	554	326,513	327,067	—	—	—	551	551	312,207	312,758	—
Commercial real estate	895	49	3,625	4,569	2,388,265	2,392,834	—	1,784	4,319	3,852	9,955	2,386,137	2,396,092	—
Loans secured by real estate	3,946	830	5,256	10,032	3,830,608	3,840,640	—	3,749	5,546	6,033	15,328	3,787,955	3,803,283	—
Agricultural loans	5	—	5	10	179,437	179,447	—	—	25	596	621	212,596	213,217	—
Commercial and industrial loans	697	231	626	1,554	1,241,099	1,242,653	—	228	261	889	1,378	1,226,528	1,227,906	—
Consumer loans	854	336	169	1,359	98,183	99,542	—	245	31	216	492	79,077	79,569	—
All other loans	—	—	—	—	177,783	177,783	—	—	—	—	—	175,320	175,320	—
Total loans	$ 5,502	$ 1,397	$ 6,055	$ 12,955	$ 5,527,110	$ 5,540,065	$ —	$ 4,222	$ 5,863	$ 7,734	$ 17,819	$ 5,481,476	$ 5,499,295	$ —
December 31, 2022														
December 31, 2023														
Construction and land development	$ 20	$ 14	$ 449	$ 483	$ 143,781	$ 144,264	$ —	$ —	$ 585	$ 450	$ 1,035	$ 204,042	$ 205,077	$ —
Agricultural real estate	20	6	1	27	410,300	410,327	—	—	—	1	1	391,131	391,132	—

1-4 family residential properties	1,706	1,092	896	3,694	436,486	440,180	—	3,054	530	1,018	4,602	537,867	542,469	—
Multifamily residential properties	—	—	548	548	293,798	294,346	—	150	—	551	701	318,428	319,129	—
Commercial real estate	494	205	3,654	4,353	2,025,658	2,030,011	—	819	74	3,765	4,658	23,800,446	2,384,704	—
Loans secured by real estate	2,240	1,317	5,548	9,105	3,310,023	3,319,128	—	4,023	1,189	5,785	10,997	3,831,514	3,842,511	—
Agricultural loans	—	53	29	82	166,756	166,838	—	—	—	—	—	196,272	196,272	—
Commercial and industrial loans	716	24	854	1,594	1,081,366	1,082,960	—	673	73	1,531	2,277	1,263,882	1,266,159	—
Consumer loans	326	195	278	799	96,976	97,775	—	983	162	330	1,475	89,539	91,014	—
All other loans	—	—	—	—	159,511	159,511	—	—	—	—	—	184,609	184,609	—
Total loans	$ 3,282	$ 1,589	$ 6,709	$ 11,580	$ 4,814,632	$ 4,826,212	$ —	$ 5,679	$ 1,424	$ 7,646	$ 14,749	$ 5,565,816	$ 5,580,565	$ —

Individually Evaluated Loans

Within all loan portfolio segments, loans are considered impaired when, based on current information and events, it is probable the Company will be unable to collect all amounts due from the borrower in accordance with the contractual terms of the loan. The entire balance of a loan is considered delinquent if the minimum payment contractually required to be made is not received by the specified due date. Impaired loans, excluding certain modified, are placed on nonaccrual status. Impaired loans include nonaccrual loans and loans modified in restructuring where concessions have been granted to borrowers experiencing financial difficulties. These concessions could include a reduction in the interest rate on the loan, payment extensions, forgiveness of principal, forbearance or other actions intended to maximize collection. It is the Company’s policy to have any restructured loans which are on nonaccrual status prior to being modified remain on nonaccrual status until, in the opinion of management, the financial position of the borrower indicates there is no longer any reasonable doubt as to the timely collection of interest or principal. If the restructured loan is on accrual status prior to being modified, the loan is reviewed to determine if the modified loan should remain on accrual status.

The Company's policy is to discontinue the accrual of interest income on all loans for which principal or interest is ninety days past due. The accrual of interest is discontinued earlier when, in the opinion of management, there is reasonable doubt as to the timely collection of interest or principal. Once interest accruals are discontinued, accrued but uncollected interest is charged against current year income. Subsequent receipts on non-accrual loans are recorded as a reduction of principal, and interest income is recorded only after principal recovery is reasonably assured. Interest on loans determined to be modified is recognized on an accrual basis in accordance with the restructured terms if the loan is in compliance with the modified terms. Nonaccrual loans are returned to accrual status when, in the opinion of management, the financial position of the borrower indicates there is no longer any reasonable doubt as to the timely collection of interest or principal. The Company requires a period of satisfactory performance of not less than six months before returning a nonaccrual loan to accrual status.

The amount of interest income recognized by the Company within the periods stated above was due to loans modified in restructuring that remain on accrual status.

Non-Accrual Loans

The following table presents the amortized cost basis of loans on nonaccrual status and of nonaccrual loans individually evaluated for which no allowance was recorded as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 (in thousands). There were no loans past due over eighty-nine days that were still accruing.

	September 30, 2023		December 31, 2022		March 31, 2024		December 31, 2023	
	Nonaccrual with no Allowance for Credit Loss	Total Nonaccrual	Nonaccrual with no Allowance for Credit Loss	Total Nonaccrual	Nonaccrual with no Allowance for Credit Loss	Total Nonaccrual	Nonaccrual with no Allowance for Credit Loss	Total Nonaccrual
Construction and land development	$ —	$ —	$ 14	$ 14	$ —	$ —	$ —	$ —
Agricultural real estate	1,227	1,227	1,258	1,258	1,135	1,135	1,146	1,146
1-4 family residential properties	4,763	5,037	4,532	4,943	4,705	4,964	4,679	4,940
Multifamily residential properties	—	—	672	672	—	—	—	—
Commercial real estate	10,679	11,131	7,640	7,640	9,463	10,105	10,237	10,237
Loans secured by real estate	16,669	17,395	14,116	14,527	15,303	16,204	16,062	16,323
Agricultural loans	5	5	57	57	596	596	—	—
Commercial and industrial loans	1,328	2,025	1,098	1,098	1,501	1,501	1,931	1,931

Consumer loans	428	434	274	274	492	492	578	578
All other loans	—	—	—	—	—	—	—	—
Total loans	$ 18,430	$ 19,859	$ 15,545	$ 15,956	$ 17,892	$ 18,793	$ 18,571	$ 18,832

Interest income that would have been recorded under the original terms of such nonaccrual loans totaled $173,000 267,000 and $168,000 79,000 for the nine three months ended September 30, 2023 March 31, 2024 and 2022, 2023, respectively.

Loan Modification Disclosures Pursuant to ASU 2022-02

The following table shows the amortized cost of loans at September 30, 2023 March 31, 2024 and 2023 that were both experiencing financial difficulty and modified segregated by portfolio segment and type of modification. The percentage of the amortized cost of loans that were modified to borrowers in financial distress as compared to outstanding loans is also presented below.

	Principal Forgiveness	Payment Delay Investment	Term Extension Modifications	Interest Rate Reduction	Total Class of Financing Receivable	Principal Forgiveness	Payment Delay Investment	Term Extension Modifications	Interest Rate Reduction	Total Class of Financing Receivable
September 30, 2023										
March 31, 2024										
Agricultural real estate	$ —	$ 333	$ —	$ —	0.01 %	$ —	$ 325	$ —	$ —	0.01 %
1-4 family residential properties	—	57	819	—	0.02 %	—	52	795	—	0.02 %
Commercial real estate	—	770	137	—	0.02 %	—	719	126	532	0.03 %
Loans secured by real estate	—	1,160	956	—	0.04 %	—	1,096	921	532	0.05 %
Commercial and industrial loans	—	218	279	—	0.01 %	—	185	196	—	0.01 %
Consumer loans	—	7	41	—	— %	—	6	12	—	— %
Total	$ —	$ 1,385	$ 1,276	$ —	0.05 %	$ —	$ 1,287	$ 1,129	$ 532	0.05 %
March 31, 2023										
Agricultural real estate						$ —	$ 347	$ —	$ —	0.09 %
1-4 family residential properties						—	62	880	—	0.22 %
Commercial real estate						—	826	91	—	0.05 %

Loans secured by real estate	—	1,235	971	—	0.07 %
Commercial and industrial loans	—	421	319	—	0.07 %
Consumer loans	—	8	45	—	0.06 %
Total	$ —	$ 1,664	$ 1,335	$ —	0.06 %

The Company closely monitors the performance of loans that have been modified to borrowers experiencing financial difficulty to understand the effectiveness of its modification efforts. The following table shows the performance of such loans that have been modified in the last twelve months ended September 30, 2023. March 31, 2024 and 2023.

	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	Total Past Due
September 30, 2023				
1-4 family residential properties	$ 28	$ —	$ —	$ 28
Loans secured by real estate	28	—	—	28
Commercial and industrial loans	11	—	—	11
Consumer loans	—	—	16	16
Total loans	$ 39	$ —	$ 16	$ 55

	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	Total Past Due
March 31, 2024				
Commercial real estate	$ —	$ —	$ —	$ —
Loans secured by real estate	—	—	—	—
Total loans	$ —	$ —	$ —	$ —
March 31, 2023				
Commercial real estate	$ —	$ 55	$ —	$ 55
Loans secured by real estate	—	55	—	55
Total loans	$ —	$ 55	$ —	$ 55

The following table shows the financial effect of loan modifications during the current quarter to borrowers experiencing financial difficulty for the three months ended September 30, 2023. March 31, 2024 and 2023.

Weighted Average	Weighted Average	Weighted Average	Weighted Average

	Interest Rate Reduction	Term Extension (in months)	Interest Rate Reduction	Term Extension (in months)
March 31, 2024				
Commercial and industrial loans	4.75 %	5.13	— %	6.59
Consumer loans	— %	3.00	— %	—
			— %	6.59
March 31, 2023				
Commercial and industrial loans			4.75 %	5.13
Consumer loans			— %	3.00
			4.75 %	4.93

A loan is considered to be in payment default once it is 90 days past due under the modified terms. There were no loans modified during the prior twelve months that experienced defaults for nine months ended September 30, 2023.

Troubled Debt Restructuring (TDR) Disclosures Prior to the Adoption of ASU 2022-02

There were three loan and lease modifications classified as TDRs during the three months ended September 30, 2022. The classification between nonperforming and performing is determined at the time of modification. Modification programs focus on extending maturity dates March 31, 2024 or modifying payment patterns with most TDRs experiencing a combination of concessions. Modifications do not result in the contractual forgiveness of principal or interest. There were no modifications during the three months ended September 30, 2022 that resulted in an interest rate below market rate.

There were three loans modified as trouble debt restructuring during the prior twelve months that experienced defaults for the three months ended September 30, 2022. Default occurs when a loan is 90 days or more past due under the modified terms.

The following table shows the recorded investment of loans classified as troubled debt restructurings as of December 31, 2022 March 31, 2023.

	December 31, 2022	
Performing TDRs	$	3,214
Nonperforming TDRs		1,850
Total TDRs	$	5,064

Purchased Credit Deteriorated (PCD) Loans

The Company has acquired loans, for which there was, at acquisition, evidence of more than insignificant deterioration of credit quality since origination. The carrying amount of those loans at acquisition date is as follows (in thousands):

	2023 Blackhawk Acquisition	
Purchase price of purchase credit deteriorated loans at acquisition	$	115,250
Allowance for credit losses at acquisition		(3,791)
Non-credit discount/(premium) at acquisition		(5,476)
Fair value of purchased credit deteriorated loans at acquisition	$	105,983

	2022 Delta Acquisition	
Purchase price of purchase credit deteriorated loans at acquisition	$	18,796
Allowance for credit losses at acquisition		(863)

Non-credit discount/(premium) at acquisition		(523)
Fair value of purchased credit deteriorated loans at acquisition	$	17,410

Note 5 -- Goodwill and Intangible Assets

The Company has goodwill from business combinations, intangible assets from branch acquisitions, identifiable intangible assets assigned to core deposit relationships and customer lists of First Mid Wealth Management Company and First Mid Insurance. The following table presents gross carrying value and accumulated amortization by major intangible asset class as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 (in thousands):

	September 30, 2023		December 31, 2022		March 31, 2024		December 31, 2023	
	Gross Carrying Value	Accumulated Amortization	Gross Carrying Value	Accumulated Amortization	Gross Carrying Value	Accumulated Amortization	Gross Carrying Value	Accumulated Amortization
Goodwill not subject to amortization	$ 200,221	$ 3,760	$ 144,172	$ 3,760	$ 200,221	$ 3,760	$ 200,221	$ 3,760
Intangibles from branch acquisition	3,015	3,015	3,015	3,015	3,015	3,015	3,015	3,015
Core deposit intangibles	79,945	32,348	45,355	28,432	79,945	37,520	79,945	34,966
Other intangibles	26,552	10,041	20,782	8,551	26,552	11,198	26,552	10,620
	$ 309,733	$ 49,164	$ 213,324	$ 43,758	$ 309,733	$ 55,493	$ 309,733	$ 52,361

Goodwill of $50.1 million was recorded for the acquisition and merger of Blackhawk Bancorp, Inc. during the third quarter of 2023. All of the goodwill was assigned to the banking segment division of the Company. The goodwill will not be deductible for tax purposes.

The following table provides a reconciliation of the purchase price paid for the acquisition of Blackhawk and the amount of goodwill recorded (in thousands):

Unallocated purchase price		$ 26,955
Less purchase accounting adjustments:		
Fair value of securities	$ (25,521)	
Fair value of loans, net	(43,477)	
Fair value of premises and equipment	(3,856)	
Fair value of time deposits	2,311	
Fair value of subordinated and jr subordinated debentures	3,707	
Increase in core deposit intangible	33,731	

Increase in mortgage servicing rights	3,344	
Other assets	6,619	
		(23,142)
		$ 50,097

During the quarter ended June 30, 2023, goodwill of $6 million was recorded for the acquisition of the stock of Purdum, Gray, Ingledue, Beck, Inc., in connection with its insurance business. First Mid Insurance was assigned all this goodwill. The following provides a reconciliation of the purchase price paid for Purdum, Gray, Ingledue, Beck, Inc. and the amount of goodwill recorded (in thousands):

Unallocated purchase price		$ 10,145
Less purchase accounting adjustments:		
Insurance Company intangible	$ 5,770	
Other liabilities	(1,576)	
		4,194
		$ 5,951

During the first quarter of 2022, goodwill of $28.6 million was provisionally recorded for the acquisition and merger of Delta Bancshares Company. This goodwill was subsequently adjusted to $28.2 million to reflect proper tax treatment of the Delta assets and liabilities. All this goodwill was assigned to the banking unit of the Company.

The following table provides a reconciliation of the purchase price paid for the acquisition of Delta and the amount of goodwill recorded (in thousands):

Unallocated purchase price		$ 29,791
Less purchase accounting adjustments:		
Fair value of securities	$ (2,836)	
Fair value of loans, net	(3,399)	
Fair value of premises and equipment	3,508	
Fair value of time deposits	(1,759)	
Fair value of FHLB advances	(75)	
Core deposit intangible	5,920	
Other assets	(570)	
Other liabilities	444	
		1,233
		$ 28,558

The Company has mortgage servicing rights acquired in previous acquisitions. The following table summarizes the activity pertaining to mortgage servicing rights included in intangible assets as of September 30, 2023 March 31, 2024, September 30, 2022 March 31, 2023 and December 31, 2022 December 31, 2023 (in thousands):

	September 30, 2023	September 30, 2022	December 31, 2022	March 31, 2024	March 31, 2023	December 31, 2023
Beginning balance	$ 331	$ 420	$ 420	$ 6,859	$ 331	$ 331
Mortgage servicing rights acquired during period	7,062	—	—	—	—	7,070

Adjustment to valuation reserve	—	108	108	(33)	—	(8)
Mortgage servicing rights amortized	(161)	(184)	(200)	(364)	(17)	(524)
Interest only strip	(8)	6	3	(3)	(2)	(10)
Ending balance	$ 7,224	$ 350	$ 331	$ 6,459	$ 312	$ 6,859

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Total amortization expense for three and nine months ended September 30, 2023 March 31, 2024 and 2022 2023 was as follows (in thousands):

	Three months ended September 30, 2023	Three months ended September 30, 2022	Nine months ended September 30, 2023	Nine months ended September 30, 2022	Three months ended March 31, 2024	Three months ended March 31, 2023
Core deposit intangibles	$ 1,857	$ 1,131	$ 3,916	$ 3,273	$ 2,554	$ 1,049
Customer list intangibles	578	432	1,490	1,296	579	456
Mortgage servicing rights	133	35	161	184	364	17
	$ 2,568	$ 1,598	$ 5,567	$ 4,753	$ 3,497	$ 1,522

Aggregate amortization expense for the current year and estimated amortization expense for each of the five succeeding years is shown in the table below (in thousands):

Aggregate amortization expense:	
For period 01/01/23 - 09/30/23	$ 5,567
Estimated amortization expense:	
For period 10/01/23 - 12/31/23	3,561
For year ended 12/31/24	13,477
For year ended 12/31/25	12,156
For year ended 12/31/26	10,569
For year ended 12/31/27	9,349

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Aggregate amortization expense:	
For period 01/01/24 - 03/31/24	$ 3,497
Estimated amortization expense:	
For period 04/01/24 - 12/31/24	9,982
For year ended 12/31/25	12,158
For year ended 12/31/26	10,570
For year ended 12/31/27	9,351
For year ended 12/31/28	8,183

In accordance with the provisions of SFAS No. 142, ***"Goodwill and Other Intangible Assets*,"** codified within ASC 350, the Company performed testing of goodwill for impairment as of May 31, 2023 and determined that, as of that date, goodwill was not impaired. Management also concluded that the remaining amounts and amortization periods were appropriate for all intangible assets.

Note 6 -- Repurchase Agreements and Other Borrowings

Securities sold under agreements to repurchase were $215.0 210.7 million at September 30, 2023 March 31, 2024, an decrease of $6.4 3.0 million from $221.4 213.7 million at December 31, 2022 December 31, 2023. All the transactions have overnight maturities with a weighted average rate of 2.93 3.13%.

The right of setoff for a repurchase agreement resembles a secured borrowing, whereby the collateral pledged by the Company would be used to settle the fair value of the repurchase agreement should the Company be in default (e.g., declare bankruptcy), the Company could cancel the repurchase agreement (i.e., cease payment of principal and interest), and attempt collection on the amount of collateral value in excess of the repurchase agreement fair value. The collateral is held by a third-party financial institution in the counterparty's custodial account. The counterparty has the right to sell or repledge the investment securities. For government entity repurchase agreements, the collateral is held by the Company in a segregated custodial account under a tri-party agreement. The Company is required by the counterparty to maintain adequate collateral levels. In the event the collateral fair value falls below stipulated levels, the Company will pledge additional securities. The Company closely monitors collateral levels to ensure adequate levels are maintained, while mitigating the potential of over-collateralization in the event of counterparty default.

Collateral pledged by class for repurchase agreements are as follows (in thousands):

	September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023
US Treasury securities and obligations of U.S. government corporations and agencies	$ 39,093	$ 47,775	$ 57,872	$ 46,544
Mortgage-backed securities: GSE: residential	175,885	173,639	152,847	167,177
Total	$ 214,978	$ 221,414	$ 210,719	$ 213,721

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Gross FHLB borrowings, were $364.7 238.6 million and $464.7 263.6 million at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively. At September 30, 2023 March 31, 2024 the advances were as follows:

Advance	Term (in years)	Interest Rate	Maturity Date
25,000,000	1.0	4.81%	November 10, 2023
25,000,000	1.5	4.69%	May 10, 2024
25,000,000	2.0	4.59%	November 8, 2024
10,000,000	5.0	1.45%	December 31, 2024
5,000,000	5.0	0.91%	March 10, 2025
4,746,475	10.0	2.64%	December 23, 2025
25,000,000	3.0	4.40%	June 15, 2026
50,000,000	4.0	3.49%	December 8, 2027

50,000,000	4.0	3.28%	December 8, 2027
25,000,000	5.0	3.47%	March 13, 2028
25,000,000	5.0	3.67%	June 15, 2028
25,000,000	5.0	3.71%	June 29, 2028
25,000,000	5.0	3.82%	June 29, 2028
25,000,000	5.0	3.95%	June 29, 2028
5,000,000	10.0	1.15%	October 3, 2029
5,000,000	10.0	1.12%	October 3, 2029
10,000,000	10.0	1.39%	December 31, 2029

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Advance	Term (in years)	Interest Rate	Maturity Date
25,000,000	1.5	4.69%	May 10, 2024
25,000,000	2.0	4.59%	November 8, 2024
10,000,000	5.0	1.45%	December 31, 2024
5,000,000	5.0	0.91%	March 10, 2025
3,605,826	10.0	2.64%	December 23, 2025
25,000,000	3.0	4.40%	June 15, 2026
50,000,000	4.0	3.49%	December 8, 2027
25,000,000	5.0	3.67%	June 15, 2028
25,000,000	5.0	3.82%	June 29, 2028
25,000,000	5.0	3.95%	June 29, 2028
5,000,000	10.0	1.15%	October 3, 2029
5,000,000	10.0	1.12%	October 3, 2029
10,000,000	10.0	1.39%	December 31, 2029

Note 7 -- Fair Value of Assets and Liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

Level 1 Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or comparable assets or liabilities which use observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in active markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

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

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

Available-for-Sale Securities. The fair value of available-for-sale securities is determined by various valuation methodologies. Where quoted market prices are available in an active market, securities are classified within Level 1. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independent sources of market parameters, including but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

Fair value determinations for Level 3 measurements of securities are the responsibility of the Treasury function of the Company. The Company contracts with a pricing specialist to generate fair value estimates on a monthly basis. The Treasury function of the Company challenges the reasonableness of the assumptions used and reviews the methodology to ensure the estimated fair value complies with accounting standards generally accepted in the United States, analyzes the changes in fair value and compares these changes to internally developed expectations and monitors these changes for appropriateness.

Loans Held for Sale. The fair value of loans held for sale is based on independent asset pricing services which use observable market data as of the measurement date and are therefore classified in Level 2 of the valuation hierarchy.

Derivatives. The fair value of derivatives is based on models using observable market data as of the measurement date and are therefore classified in Level 2 of the valuation hierarchy.

The following table presents the Company’s assets and liabilities that are measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 (in thousands):

	Fair Value Measurements Using			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
September 30, 2023				
Available-for-sale securities:				
U.S. Treasury securities and obligations of U.S. government corporations and agencies	$ 211,929	$ —	$ 211,929	$ —
Obligations of states and political subdivisions	266,473	—	266,473	—
Mortgage-backed securities	672,522	—	672,522	—
Other securities	67,671	—	61,911	5,760
Total available-for-sale securities	1,218,595	—	1,212,835	5,760
Equity securities	3,932	3,932	—	—

Loans held for sale	6,233	—	6,233	—
Derivative assets: interest rate swaps	4,349	—	4,349	—
Total assets	$ 1,233,109	$ 3,932	$ 1,223,417	$ 5,760
Derivative liabilities: interest rate swaps	$ 2,932	$ —	$ 2,932	$ —
December 31, 2022				
Available-for-sale securities:				
U.S. Treasury securities and obligations of U.S. government corporations and agencies	$ 220,527	$ —	$ 220,527	$ —
Obligations of states and political subdivisions	287,698	—	287,698	—
Mortgage-backed securities	627,880	—	627,880	—
Other securities	82,880	—	73,630	9,250
Total available-for-sale securities	1,218,985	—	1,209,735	9,250
Equity securities	311	311	—	—
Loans held for sale	338	—	338	—
Derivative assets: interest rate swaps	4,253	—	4,253	—
Total assets	$ 1,223,887	$ 311	$ 1,214,326	$ 9,250
Derivative liabilities: interest rate swaps	$ 3,100	$ —	$ 3,100	$ —

	Fair Value Measurements Using			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
March 31, 2024				
Available-for-sale securities:				
U.S. Treasury securities and obligations of U.S. government corporations and agencies	$ 207,320	$ —	$ 207,320	$ —
Obligations of states and political subdivisions	282,570	—	282,570	—
Mortgage-backed securities	581,004	—	581,004	—
Other securities	68,533	—	62,568	5,965
Total available-for-sale securities	1,139,427	—	1,133,462	5,965
Equity securities	4,298	4,298	—	—
Loans held for sale	4,817	—	4,817	—
Derivative assets: interest rate swaps	3,539	—	3,539	—
Total assets	$ 1,152,081	$ 4,298	$ 1,141,818	$ 5,965
Derivative liabilities: interest rate swaps	$ 2,435	$ —	$ 2,435	$ —
December 31, 2023				

Available-for-sale securities:				
U.S. Treasury securities and obligations of U.S. government corporations and agencies	$ 211,656	$ —	$ 211,656	$ —
Obligations of states and political subdivisions	288,616	—	288,616	—
Mortgage-backed securities	602,300	—	602,300	—
Other securities	69,000	—	62,837	6,163
Total available-for-sale securities	1,171,572	—	1,165,409	6,163
Equity securities	4,074	4,074	—	—
Loans held for sale	4,980	—	4,980	—
Derivative assets: interest rate swaps	3,166	—	3,166	—
Total assets	$ 1,183,792	$ 4,074	$ 1,173,555	$ 6,163
Derivative liabilities: interest swaps	$ 2,217	$ —	$ 2,217	$ —

The change in fair value of assets measured on a recurring basis using significant unobservable inputs (Level 3) for the three and nine months ended September 30, 2023 March 31, 2024 and 2022 2023 is summarized as follows (in thousands):

	Three months ended September 30, 2023			Nine months ended September 30, 2023		
	Obligation of State and Political Subdivisions	Other	Total	Obligation of State and Political Subdivisions	Other	Total
Beginning balance	$ —	$ 5,760	$ 5,760	$ —	$ 10,000	$ 10,000
Transfers into Level 3	—	—	—	—	10	10
Transfers out of Level 3	—	—	—	—	(4,250)	(4,250)
Total gains or losses:						
Included in net income	—	—	—	—	—	—
Included in other comprehensive income (loss)	—	—	—	—	—	—
Purchases, issuances, sales and settlements:						
Purchases	—	—	—	—	—	—
Issuances	—	—	—	—	—	—
Sales	—	—	—	—	—	—
Settlements	—	—	—	—	—	—
Ending balance	$ —	$ 5,760	$ 5,760	$ —	$ 5,760	$ 5,760
Total gains or losses for the period included in net income attributable to the change in unrealized gains or losses related to assets and liabilities still held at the reporting date	$ —	$ —	$ —	$ —	$ —	$ —

	Three months ended September 30, 2022			Nine months ended September 30, 2022		
	Obligation of State and Political Subdivisions	Other	Total	Obligation of State and Political Subdivisions	Other	Total
Beginning balance	$ —	$ —	$ —	$ 99	$ —	$ 99

Transfers into Level 3	—	—	—	—	—	—
Transfers out of Level 3	—	—	—	—	—	—
Total gains or losses:						
Included in net income	—	—	—	—	—	—
Included in other comprehensive income (loss)	—	—	—	—	—	—
Purchases, issuances, sales and settlements:						
Purchases	—	—	—	—	—	—
Issuances	—	—	—	—	—	—
Sales	—	—	—	—	—	—
Settlements	—	—	—	(99)	—	(99)
Ending balance	$ —	$ —	$ —	$ —	$ —	$ —
Total gains or losses for the period included in net income attributable to the change in unrealized gains or losses related to assets and liabilities still held at the reporting date	$ —	$ —	$ —	$ —	$ —	$ —

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	Three months ended March 31, 2024	
	Other	Total
Beginning balance	$ 6,163	$ 6,163
Transfers into Level 3	1	1
Maturities	(199)	(199)
Ending balance	$ 5,965	$ 5,965

	Three months ended March 31, 2023	
	Other	Total
Beginning balance	$ 10,000	$ 10,000
Transfers into Level 3	10	10
Ending balance	$ 10,010	$ 10,010

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

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Collateral Dependent Loans. Loans for which it is probable that the Company will not collect all principal and interest due according to contractual terms are measured for impairment. Allowable methods for determining the amount of impairment and estimating fair value include using the fair value of the collateral for collateral dependent loans.

If the impaired loan is identified as collateral dependent, then the fair value method of measuring the amount of impairment is utilized. This method requires obtaining a current independent appraisal of the collateral and applying a discount factor to the value, which includes selling costs. Individually evaluated loans that are collateral dependent are classified within Level 3 of the fair value hierarchy when impairment is determined using the fair value method.

Management establishes a specific allowance for individually evaluated loans that have an estimated fair value that is below the carrying value. The total carrying amount of loans for which a change in specific allowance has occurred as of September 30, 2023 March 31, 2024 was $2.1 1.3 million and a fair value of $1.7 1.0 million resulting in specific loss exposures of $0.4 324,000 million. .

When there is little prospect of collecting principal or interest, loans, or portions of loans, may be charged-off to the allowance for credit losses. Losses are recognized in the period an obligation becomes uncollectible. The recognition of a loss does not mean that the loan has absolutely no recovery or salvage value, but rather that it is not practical or desirable to defer writing off the loan even though partial recovery may be affected in the future.

Foreclosed Assets Held For Sale. Other real estate owned acquired through loan foreclosure are initially recorded at fair value less costs to sell when acquired, establishing a new cost basis. The adjustment at the time of foreclosure is recorded through the allowance for credit losses. Due to the subjective nature of establishing the fair value when the asset is acquired, the actual fair value of the other real estate owned, or foreclosed asset could differ from the original estimate. If it is determined that fair value declines subsequent to foreclosure, a valuation allowance is recorded through noninterest expense. Operating costs associated with the assets after acquisition are also recorded as noninterest expense. Gains and losses on the disposition of other real estate owned and foreclosed assets are netted and posted to other noninterest expense. The total carrying amount of other real estate owned as of September 30, 2023 March 31, 2024 was $2.3 1.3 million. Other real estate owned included in the total carrying amount and measured at fair value on a nonrecurring basis during the period amounted to $942,000 0.

The following table presents the fair value measurement of assets measured at fair value on a nonrecurring basis and the level within the fair value hierarchy in which the fair value measurements fall at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 (in thousands):

	Fair Value Measurements Using				Fair Value Measurements Using			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
September 30, 2023								
March 31, 2024								
Collateral dependent loans	$ 1,669	$ —	$ —	$ 1,669	$ 985	$ —	$ —	$ 985
Foreclosed assets held for sale	942	—	—	942	—	—	—	—

December 31, 2022								
December 31, 2023								
Collateral dependent loans	$ 2,548	$ —	$ —	$ 2,548	$ 1,028	$ —	$ —	$ 1,028
Foreclosed assets held for sale	—	—	—	—	24	—	—	24

Sensitivity of Significant Unobservable Inputs

The following table presents quantitative information about unobservable inputs used in Level 3 fair value measurements other than goodwill at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023.

September 30, 2023	Fair Value	Valuation Technique	Unobservable Inputs	Range	Weighted Average	Fair Value	Valuation Technique	Unobservable Inputs	Range	Weighted Average
March 31, 2024						Fair Value	Valuation Technique	Unobservable Inputs	Range	Weighted Average
Collateral dependent loans	$ 1,669	Third party valuations	Discount to reflect realizable value less estimated selling costs	0% - 40%	20%	$ 985	Third party valuations	Discount to reflect realizable value less estimated selling costs	0% - 40%	20%
Foreclosed assets held for sale	942	Third party valuations	Discount to reflect realizable value less estimated selling costs	0% - 40%	35%	—	Third party valuations	Discount to reflect realizable value less estimated selling costs	0% - 40%	35%

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December 31, 2022	Fair Value	Valuation Technique	Unobservable Inputs	Range	Weighted Average
Collateral dependent loans	$ 2,548	Third party valuations	Discount to reflect realizable value	0% - 40%	20%

December 31, 2023	Fair Value	Valuation Technique	Unobservable Inputs	Range	Weighted Average
Collateral dependent loans	$ 1,028	Third party valuations	Discount to reflect realizable value	0% - 40%	20%
Foreclosed assets held for sale	24	Third party valuations	Discount to reflect realizable value less estimated selling costs	0% - 40%	35%

The following tables present estimated fair values of the Company's financial instruments at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 in accordance with ASC 825 (in thousands):

	Carrying Amount	Fair Value	Level 1	Level 2	Level 3	Carrying Amount	Fair Value	Level 1	Level 2	Level 3
September 30, 2023										
March 31, 2024										
Financial assets										
Cash and due from banks	$ 374,783	$ 374,783	$ 374,783	$ —	$ —	$ 355,686	$ 355,686	$ 355,686	$ —	$ —
Federal funds sold	8,454	8,454	8,454	—	—	15	15	15	—	—
Certificates of deposit investments	1,960	1,960	—	1,960	—	3,745	3,745	—	3,745	—

Available-for-sale securities	1,218,595	1,218,595	—	1,212,835	5,760	1,139,427	1,139,427	—	1,133,462	5,965
Held-to-maturity securities	2,259	2,259	2,259	—	—	2,282	2,282	2,282	—	—
Equity securities	3,932	3,932	3,932	—	—	4,298	4,298	4,298	—	—
Loans held for sale	6,233	6,233	—	6,233	—	4,817	4,817	—	4,817	—
Loans net of allowance for credit losses	5,465,591	5,141,708	—	—	5,141,708	5,426,542	5,061,373	—	—	5,061,373
Interest receivable	36,476	36,476	—	36,476	—	37,667	37,667	—	37,667	—
Federal Reserve Bank stock	17,050	17,050	—	17,050	—	19,855	19,855	—	19,855	—
Federal Home Loan Bank stock	12,648	12,648	—	12,648	—	8,740	8,740	—	8,740	—
Financial liabilities										
Deposits	$ 6,346,324	$ 6,253,912	$ —	$ 5,225,518	$ 1,028,394	$ 6,242,936	$ 6,165,836	$ —	$ 5,235,110	$ 930,726
Securities sold under agreements to repurchase	214,978	214,984	—	214,984	—	210,719	210,719	—	210,719	—
Interest payable	6,727	6,727	—	6,727	—	6,318	6,318	—	6,318	—
Federal Home Loan Bank borrowings	364,953	358,031	—	358,031	—	238,761	234,678	—	234,678	—
Subordinated debt, net	106,648	99,498	—	99,498	—	106,862	102,398	—	102,398	—
Junior subordinated debentures, net	24,003	21,605	—	21,605	—	24,113	21,408	—	21,408	—
December 31, 2022										
December 31, 2023										
Financial assets										
Cash and due from banks	$ 144,806	$ 144,806	$ 144,806	$ —	$ —	$ 134,082	$ 134,082	$ 134,082	$ —	$ —
Federal funds sold	7,627	7,627	7,627	—	—	8,982	8,982	8,982	—	—
Certificates of deposit investments	1,470	1,470	—	1,470	—	1,470	1,470	—	1,470	—

Available-for-sale securities	1,218,986	1,218,986	—	1,209,736	9,250	1,171,572	1,171,572	—	1,165,409	6,163
Held-to-maturity securities	2,953	2,953	2,953	—	—	2,286	2,286	2,286	—	—
Equity securities	311	311	311	—	—	4,074	4,074	4,074	—	—
Loans held for sale	338	338	—	338	—	4,980	4,980	—	4,980	—
Loans net of allowance for credit losses	4,766,780	4,460,661	—	—	4,460,661	5,506,910	5,235,525	—	—	5,235,525
Interest receivable	28,357	28,357	—	28,357	—	35,082	35,082	—	35,082	—
Federal Reserve Bank stock	17,050	17,050	—	17,050	—	19,855	19,855	—	19,855	—
Federal Home Loan Bank stock	18,440	18,440	—	18,440	—	9,758	9,758	—	9,758	—
Financial liabilities										
Deposits	$ 5,257,001	$ 5,257,748	$ —	$ 4,550,222	$ 707,526	$ 6,123,659	$ 6,042,277	$ —	$ 5,076,066	$ 966,211
Federal funds purchased	—	—	—	—	—					
Securities sold under agreements to repurchase	221,414	221,260	—	221,260	—	213,721	213,714	—	213,714	—
Interest payable	3,346	3,346	—	3,346	—	5,437	5,437	—	5,437	—
Federal Home Loan Bank borrowings	465,071	459,327	—	459,327	—	263,787	261,206	—	261,206	—
Other borrowings	—	—	—	—	—					
Subordinated debt, net	94,553	87,977	—	87,977	—					
Junior subordinated debentures, net	19,364	17,164	—	17,164	—					
Subordinated debentures						106,755	102,018	—	102,018	—
Junior subordinated debentures						24,058	21,524	—	21,524	—

Note 8 – Business Combinations

Blackhawk Bankcorp, Bancorp, Inc.

On August 15, 2023, the Company completed its acquisition of Blackhawk Bancorp, Inc. (“Blackhawk”) pursuant to an Agreement and Plan of Merger Agreement, dated March 20, 2023 (the “Agreement”). Pursuant to the Agreement, Blackhawk was merged with and into the Company. Blackhawk shareholders received 1.15 shares of the Company's common stock for each share of Blackhawk common stock.

The Company accounted for the Blackhawk acquisition as a business combination using the acquisition method of accounting in accordance with ASC 805, Business Combinations (“ASC 805”). ASC 805 requires assets purchased and liabilities assumed to be recorded at their respective fair values at the date of acquisition. The Company determined the fair value of loans, core deposit intangibles, mortgage servicing rights, time deposits, real property, and subordinated debt with the assistance of third-party valuations and appraisals.

A preliminary summary of the fair value of assets received and liabilities assumed are as follows:

(In thousands)				
Assets				
Cash and due from banks	$	55,600	$	55,600
Loans held for sale		3,222		3,222
Loans, net		722,866		722,866
Investments-available for sale		377,969		377,969
Short-term investments		869		869
FHLB stock		1,737		1,737
Premises and equipment		12,366		12,366
Accrued interest receivable		4,029		4,029
Prepaid expenses		1,182		1,182
Other assets		20,742		20,742
Core deposit intangible		34,590		34,590
Income tax receivable		2,077		2,077
Deferred tax asset		22,152		22,152
Mortgage servicing rights		7,031		7,031
Total assets acquired	$	1,266,432	$	1,266,432
Liabilities				
Deposits	$	1,194,972	$	1,194,972
Subordinated and jr. subordinated debt		16,448		
Subordinated and Junior Subordinated debt				16,448
Accrued interest payable		1,091		1,091
Accrued and other liabilities		10,508		10,508
Total liabilities assumed		1,223,019		1,223,019
Net assets acquired	$	43,413	$	43,413
Total consideration	$	93,510	$	93,510
Goodwill	$	50,097	$	50,097

The following table presents a summary of consideration transferred:

(In thousands, except shares)

(in thousands, except shares)		
Common stock issued (3,290,222 shares)	$	93,508
Cash consideration		2
Purchase price	$	93,510

The Company recorded $50.1 million of goodwill in connection with the acquisition of Blackhawk, none of which is deductible for tax purposes. The amount of goodwill recorded reflects the synergies and operational efficiencies that are expected to result from the acquisition. The descriptions below describe the methods used to determine the fair value of significant assets acquired and liabilities assumed, as presented above:

Loans, net. The fair value of the loan portfolio was calculated on an individual loan basis using a discounted cash flow analysis, with results presented and assumptions applied on a summary basis. This analysis took into consideration the contractual terms of the loans and assumptions related to the cost of debt, cost of equity, servicing cost and other liquidity/risk premium considerations to estimate the projected cash flows. The inputs and assumptions used in the fair value estimate of the loan portfolio include credit mark, discount rate, prepayment speed, and foreclosure lag. Cash flows were adjusted by estimating future credit losses and the rate

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of prepayments. Projected monthly cash flows were then discounted to present value using a risk-adjusted market rate for similar loans.

Core deposit intangible. The Company identified customer relationships, in the form of core deposit intangibles, as an identified intangible asset. Core deposit intangibles derive value from the expected future benefits or earnings capacity attributable to the acquired core deposits. The fair value of the core deposit intangible was estimated by identifying the expected future benefits of the core deposits and discounting those benefits back to present value. The core deposit intangible will be amortized over its estimated useful life of approximately 10 years using the sum of the months digits accelerated method.

Mortgage servicing rights. The Company identified residential mortgage servicing rights intangible asset and determined the fair value using a discounted cash flow analysis. The key inputs and assumptions used in the fair value estimate include prepayment assumptions, servicing costs, delinquencies, foreclosure costs, ancillary income, income earned on float & escrow, interest on escrow, internal rate of return and inflation.

Deposits. The fair value of demand deposit and interest checking deposit accounts was assumed to approximate the carrying value as these accounts have no stated maturity and are payable on demand. The fair value of time deposits was estimated by discounting the contractual future cash flows using market rates offered for time deposits of similar remaining maturities.

Subordinated and jr. subordinated Junior Subordinated debt. The Subordinated and jr. subordinated Junior Subordinated debt was fair valued using an income approach. Cash flows were calculated using an annualized contractual rate adjusted for forward interest costs and discounted using a variable discount rate.

Accounting for acquired loans loans.

Loans acquired are recorded at fair value with no carryover of the related allowance for credit losses. Purchased-credit deteriorated loans ("PCD") are loans that have experienced more than insignificant credit deterioration since origination and are recorded at the purchase price. The allowance for credit losses is determined at the loan level. The sum of the loan's purchase price and the allowance for credit losses becomes its initial amortized cost basis. The difference between the initial amortized cost basis and the par value of the loan is a noncredit discount or premium, which is amortized into interest income over the life of the loan.

Non-PCD loans have not experienced a more than insignificant deterioration in credit quality since origination. The difference between the fair value and outstanding balance of the non-PCD loans is recognized as an adjustment to interest income over the lives of the loan.

In accordance with ASC 326, *Financial Instruments – Credit Losses*, immediately following the acquisition the Company established a $3.8 million allowance for credit losses on the $618.33 million of acquired non-PCD loans through provision for credit losses in the consolidated statement of operations.

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

(In thousands)		
Unpaid principal balance	$ 115,250	$ 115,250
PCD allowance for credit losses at acquisition	$ (3,791)	(3,791)
Non-credit discount on acquired loans	$ (5,476)	(5,476)
Fair value of PCD loans	$ 105,983	$ 105,983

The following unaudited pro forma condensed combined financial information presents the results of operations of the Company, including the effects of the purchase accounting adjustments and acquisition expenses, had the Blackhawk Merger taken place at the beginning of the period (dollars in thousands, except per share data):

	Three months ended September 30,		Nine months ended September 30,		Three months ended March 31,
	2023	2022	2023	2022	2023
Net interest income	$ 57,245	$ 52,141	$ 171,635	$ 179,040	$ 57,640
Provision for loan losses	6,246	1,742	6,768	2,601	
Provision for credit losses					(402)
Non-interest income	25,205	16,712	73,892	67,954	25,664
Non-interest expense	60,741	44,476	166,430	162,943	55,808
Income before taxes	15,463	22,635	72,329	81,450	27,898
Income tax expense	3,830	5,191	17,069	18,662	6,395
Net income	$ 11,633	$ 17,444	$ 55,260	$ 62,788	$ 21,503

Earnings per share					
Basic	$ 0.52	$ 0.73	$ 2.62	$ 2.69	$ 0.90
Diluted	0.52	0.73	2.61	2.68	$ 0.90
Basic weighted average shares o/s	22,220,438	23,744,891	21,086,802	23,360,909	23,782,476
Diluted weighted average shares o/s	22,319,334	23,825,437	21,176,946	23,435,657	23,854,194

Acquisition costs are expensed as incurred as a component of non-interest expense and primarily include, but are not limited to, severance costs, professional services, data processing fees, and marketing and advertising expenses. The Company incurred acquisition costs related to the Blackhawk acquisition, pre-tax, of $2.1 2.2 million and $2.6 93,000 million, , respectively, during the three months ended March 31, 2024 and nine-months ended September 30, 2023 and no related acquisition costs were incurred during the three and nine-months ended September 30, 2022 March 31, 2023.

Delta Bancshares Company

On July 28, 2021, the Company and Brock Sub LLC, a newly formed Delaware limited liability company and wholly-owned subsidiary of the Company ("Delta Merger Sub"), entered into an Agreement and Plan of Merger (the "Delta Merger Agreement") with Delta Bancshares Company, a Missouri corporation ("Delta"), pursuant to which, among other things, the Company agreed to acquire 100% of the issued and outstanding shares of Delta pursuant to a business combination whereby Delta merged with and into Delta Merger Sub, whereupon the separate corporate existence of Delta ceased and Delta Merger Sub continued as the surviving company and a wholly-owned subsidiary of First Mid (the "Delta Merger"). The Delta Merger was completed on February 14, 2022.

Subject to the terms and conditions of the Delta Merger Agreement, at the effective time of the Delta Merger, each share of common stock, par value $10.00 per share, of Delta issued and outstanding immediately prior to the effective time of the Delta Merger (other than shares held in treasury by Delta) converted into and became the right to receive cash and shares of common stock, par value $4.00 per share, of the Company and cash in lieu of fractional shares, less any applicable taxes required to be withheld, and subject to certain potential adjustments. On an aggregate basis, the total consideration paid by the Company at the closing of the Delta Merger to Delta's shareholders and option holders was approximately $15.15 million in cash and 2,292,270 shares of Company common stock. Delta's outstanding stock options vested upon consummation of the Delta Merger, and all outstanding Delta options that were unexercised prior to the effective time of the Delta Merger were cashed out.

The acquisition was accounted for under the acquisition method of accounting in accordance with ASC 805, *"Business Combinations ("ASC 805"),"* and accordingly the assets and liabilities were recorded at their estimated fair values as of the date of acquisition. Fair values are subject to refinement for up to one year after the closing date of February 14, 2022 as additional information regarding the closing date fair values become available. The total consideration paid was used to determine the amount of goodwill resulting from the transaction. As the total consideration paid exceeded the net assets acquired, goodwill of $28.2 million was recorded for the acquisition. Goodwill recorded in the transaction, which reflects the synergies and economies of scale expected from combining operations and the enhanced revenue opportunities from the Company's service capabilities, is not tax deductible, and was all assigned to the banking segment of the Company.

(In thousands)	Acquired Book Value	Fair Value Adjustments	As Recorded by Jefferson Bank
Assets			
Cash and due from banks	$ 82,473	$ —	$ 82,473
Investment securities	184,959	(2,836)	182,123
Loans	426,433	(7,924)	418,509
Allowance for credit losses	(5,388)	4,525	(863)

Premises and equipment	5,522	3,508	9,030
Goodwill	14	28,544	28,558
Core deposit intangible	—	5,920	5,920
Bank owned life insurance	15,822		15,822
Right of use asset	—	717	717
Other assets	9,061	(1,287)	7,774
Total assets acquired	**$ 718,896**	**$ 31,167**	**$ 750,063**
Liabilities			
Deposits	$ 558,619	$ 1,759	$ 560,378
Securities sold under agreements to repurchase	35,523	—	35,523
FHLB advances	45,000	75	45,075
Lease liability	—	717	717
Other liabilities	2,209	(1,161)	1,048
Total liabilities assumed	**641,351**	**1,390**	**642,741**
Net assets acquired	**$ 77,545**	**$ 29,777**	**$ 107,322**
Consideration paid			
Cash			$ 15,150
Common stock			92,172
			$ 107,322

The Company has recognized approximately $2.6 million, pre-tax, of acquisition costs for the Delta Merger. Of this amount, $2.1 million was recognized during 2022. These costs are included in salaries and benefits, legal and professional and other expense. Of the $7.9 million adjustment to loans, $8.2 million is being accreted to interest income over the remaining term of the loans. The remaining $300,000 was the elimination of deferred fees and unearned discounts previously recorded by Jefferson Bank. The Company also recorded approximately $863,000 directly to the allowance for credit losses for loans identified as PCD. Of the $426 million of loans acquired, approximately $18.8 million was identified as PCD.

The differences between fair value and acquired value of the assumed time deposits of $1.8 million and the assumed FHLB advances of $75,000, are being amortized to interest expense over the remaining life of the liabilities. The core deposit intangible asset, with a fair value of $5.9 million, is being amortized on an accelerated basis over its estimated life of 10 years.

The following unaudited pro forma condensed combined financial information presents the results of operations of the Company, including the effects of the purchase accounting adjustments and acquisition expenses, had the Delta Merger taken place at the beginning of the period (dollars in thousands, except per share data):

	Nine months ended September 30, 2022
Net interest income	$ 141,524
Provision for loan losses	4,001
Non-interest income	56,592
Non-interest expense	125,690

Income before taxes		68,425
Income tax expense		15,480
Net income	$	52,945
Earnings per share		
Basic	$	2.64
Diluted		2.63
Basic weighted average shares o/s		20,070,687
Diluted weighted average shares o/s		20,145,435

Note 9 -- Leases

Effective January 1, 2019, the Company adopted ASU 2016-02, Leases (Topic 842). As of September 30, 2023 March 31, 2024, substantially all the Company's leases are operating leases for real estate property for bank branches, ATM locations, and office space.

These leases are generally for periods of 1 to 25 years with various renewal options. The Company elected the optional transition method permitted by Topic 842. Under this method, the Company recognizes and measures leases that exist at the application date and prior comparative periods are not adjusted. In addition, the Company elected the package of practical expedients:

1. An entity need not reassess whether any expired or existing contracts contain leases.
2. An entity need not reassess the lease classification for any expired or existing leases.
3. An entity need not reassess initial direct costs for any existing leases.

The Company has also elected the practical expedient, which may be elected separately or in conjunction with the package noted above, to use hindsight in determining the lease term and in assessing the right-of-use assets. This expedient must be applied consistently to all leases. Lastly, the Company has elected to use the practical expedient to include both lease and non-lease components as a single component and account for it as a lease. In addition, the Company has elected to not include short-term leases (i.e. leases with terms of twelve months or less) or equipment leases (primarily copiers) deemed immaterial, on the consolidated balance sheets.

For leases in effect at January 1, 2019 and for leases commencing thereafter, the Company recognizes a lease liability and a right-of-use asset, based on the present value of lease payments over the lease term. The discount rate used in determining present value was the Company's incremental borrowing rate which is the FHLB fixed advance rate based on the remaining lease term as of January 1, 2019, or the commencement date for leases subsequently entered into.

The following table contains supplemental balance sheet information related to leases (dollars in thousands):

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

Operating lease right-of-use assets	$ 14,192	$ 15,194	$ 15,774	$ 14,318	$ 15,092	$ 14,306
Operating lease liabilities	14,503	15,425	16,035	14,624	15,353	14,615
Weighted-average remaining lease term (in years)	5.0	6.1	5.8	4.8	5.6	4.9
Weighted-average discount rate	2.75 %	2.68 %	2.67 %	3.22 %	2.68 %	3.21 %

Certain of the Company's leases contain options to renew the lease; however, not all renewal options are included in the calculation of lease liabilities as they are not reasonably certain to be exercised. The Company's leases do not contain residual value guarantees or material variable lease payments. The Company does not have any other material restrictions or covenants imposed by leases that would impact the Company's ability to pay dividends or cause the Company to incur additional financial obligations.

Maturities of lease liabilities are as follows (in thousands):

Year ending December 31,		
2023	$ 805	
2024	2,791	$ 2,444
2025	2,351	2,686
2026	2,191	2,509
2027	2,012	2,287
2028		1,693
Thereafter	6,318	4,818
Total lease payments	16,468	16,437
Less imputed interest	(1,965)	(1,813)
Total lease liability	$ 14,503	$ 14,624

The components of lease expense for the three and nine months ended September 30, 2023 March 31, 2024 and 2022 2023 were as follows (in thousands):

	Three months ended September 30,		**Nine months ended September 30,**		**Three months ended March 31,**	
	2023	**2022**	**2023**	**2022**	**2024**	**2023**
Operating lease cost	$ 870	$ 893	$ 2,448	$ 2,268	$ 846	$ 753
Short-term lease cost	24	21	51	63	35	30
Variable lease cost	163	43	577	502	138	223
Total lease cost	1,057	957	3,076	2,833	1,019	1,006
Income from subleases	(94)	(109)	(281)	(299)	(104)	(94)
Net lease cost	$ 963	$ 848	$ 2,795	$ 2,534	$ 915	$ 912

As the Company elected not to separate lease and non-lease components, the variable lease cost primarily represents variable payment such as common area maintenance and copier expense. The Company does not have any material sub-lease agreements. Cash paid for amounts included in the measurement of lease liabilities was (in thousands):

	September 30, 2023	**September 30, 2022**
Operating cash flows from operating leases	$ 2,414	$ 2,286

	March 31, 2024	March 31, 2023
Operating cash flows from operating leases	$ 836	$ 781

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Note 10 – Derivatives

The Company utilizes an interest rate swap, designated as a fair value hedge, to mitigate the risk of changing interest rates on the fair value of a fixed rate commercial real estate loan. For derivative instruments that are designed and qualify as a fair value hedge, the gain or loss on the derivative instrument, as well as the offsetting loss or gain in the hedged asset attributable to the hedged risk, is recognized in current earnings.

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Derivatives Designated as Hedging Instruments

The following table provides the outstanding notional balances and fair values of outstanding derivatives designated as hedging instruments as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 (in thousands):

	Balance Sheet Location	Weighted Average Remaining Maturity (Years)	Notional Amount	Estimated Value	Balance Sheet Location	Weighted Average Remaining Maturity (Years)	Notional Amount	Estimated Value
September 30, 2023								
March 31, 2024								
Fair value hedges:								
Interest rate swap agreements	Other liabilities	5.6	$ 13,145	$ (2,932)	Other liabilities	5.1	$ 12,910	$ (2,435)
December 31, 2022								
December 31, 2023								
Fair value hedges:								
Interest rate swap agreements	Other liabilities	6.3	$ 13,448	$ (3,100)	Other liabilities	5.3	$ 12,976	$ (2,217)

The effects of the fair value hedges on the Company's income statement during the three and nine months ended September 30, 2023 March 31, 2024 and 2022 2023 were as follows (in thousands):

	Three months ended	Nine months ended	Three months ended

Derivative	Location of Gain (Loss) on Derivatives	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022	Location of Gain (Loss) on Derivatives	March 31, 2024	March 31, 2023
Interest rate swap agreements	Interest income on loans	$ 226	$ 595	$ 264	$ 1,871	Interest income on loans	$ 155	$ (325)

Derivative	Location of Gain (Loss) on Hedged Items	Three months ended September 30, 2023	Three months ended September 30, 2022	Nine months ended September 30, 2023	Nine months ended September 30, 2022	Location of Gain (Loss) on Hedged Items	Three months ended March 31, 2024	Three months ended March 31, 2023
Interest rate swap agreements	Interest income on loans	$ (226)	$ (595)	$ (264)	$ (1,871)	Interest income on loans	$ (155)	$ 325

As of September 30, 2023 March 31, 2024, the following amounts were recorded on the consolidated balance sheet related to cumulative basis adjustment for fair value hedges (in thousands):

Line Item in the Balance Sheet in Which the Hedge Item is Included	Carrying Amount of the Hedged Asset	Cumulative Amount of Fair Value Hedging Adjustment Included in the Carrying Amount of the Hedged Asset	Carrying Amount of the Hedged Asset	Cumulative Amount of Fair Value Hedging Adjustment Included in the Carrying Amount of the Hedged Asset
Loans	$ 11,729	$ (1,417)	$ 11,807	$ (1,104)

Derivatives Not Designated as Hedging Instruments

The following amounts represent the notional amounts and gross fair value of derivative contracts not designated as hedging instruments outstanding during the nine three months ended September 30, 2023 March 31, 2024 (dollars in thousands):

September 30, 2023	Balance Sheet Location	Weighted Average Remaining Maturity (Years)	Notional Amount	Estimated Value				
March 31, 2024					Balance Sheet Location	Weighted Average Remaining Maturity (Years)	Notional Amount	Estimated Value
Interest rate swap agreements	Other assets	5.3	$ 31,093	$ 4,349	Other assets	4.8	$ 30,280	$ 3,539
Interest rate swap agreements	Other liabilities	5.3	31,093	(4,349)	Other liabilities	4.8	30,280	(3,539)

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

The following discussion and analysis is intended to provide a better understanding of the consolidated financial condition and results of operations of the Company and its subsidiaries as of, and for the three and nine months ended September 30, 2023 March 31, 2024 and 2022. 2023. This discussion and analysis should be read in conjunction with the consolidated financial statements, related notes and selected financial data appearing elsewhere in this report.

Forward-Looking Statements

This document may contain certain forward-looking statements about First Mid, such as discussions of First Mid's pricing and fee

trends, credit quality and outlook, liquidity, new business results, expansion plans, anticipated expenses and planned schedules. First Mid intends such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995. Forward-looking statements, which are based on certain assumptions and describe future plans, strategies and expectations of First Mid, are identified by use of the words "believe," "expect," "intend," "anticipate," "estimate," "project," or similar expressions. Actual results could differ materially from the results indicated by these statements because the realization of those results is subject to many risks and uncertainties, including, among other things, the possibility that any of the anticipated benefits of the proposed transactions merger between First Mid and Blackhawk will not be realized or will not be realized within the expected time period; the risk that integration of the operations of Blackhawk with First Mid will be materially delayed or will be more costly or difficult than expected; the inability to complete the proposed transactions due to the failure to satisfy conditions to completion of the proposed transactions, including failure to obtain the required regulatory, shareholder and other approvals; the failure of the proposed transactions to close for any other reason; the effect of the announcement of the proposed transactions on customer relationships and operating results; the possibility that the proposed transactions may be more expensive to complete than anticipated, including as a result of unexpected factors or events; changes in interest rates; general economic conditions and those in the market areas of First Mid; legislative and/or regulatory changes; monetary and fiscal policies of the U.S. Government, including policies of the U.S. Treasury and the Federal Reserve Board; the quality or composition of First Mid's loan or investment portfolios and the valuation of those investment portfolios; demand for loan products; deposit flows; competition, demand for financial services in the market areas of First Mid; accounting principles, policies and guidelines; and the impact of the global COVID-19 pandemic on First Mid's businesses, the ability to complete the proposed transactions or any of the other foregoing risks. guidelines. Additional information concerning First Mid, including additional factors and risks that could materially affect First Mid's financial results, are included in First Mid's filings with the SEC, including its Annual Reports on Form 10-K and Quarterly Reports on Form 10-Q. Forward-looking statements speak only as of the date they are made. Except as required under the federal securities laws or the rules and regulations of the SEC, we do not undertake any obligation to update or review any forward-looking information, whether as a result of new information, future events or otherwise.

Overview

This overview of management's discussion and analysis highlights selected information in this document and may not contain all the information that is important to you. For a more complete understanding of trends, events, commitments, uncertainties, liquidity, capital resources, and critical accounting estimates which have an impact on the Company's financial condition and results of operations you should carefully read this entire document.

Net income was $50.9 million $20.5 million and $52.3 million $19.2 million for the nine three months ended September 30, 2023 March 31, 2024 and 2022, 2023, respectively. Diluted net income per common share was $2.40 $0.86 and $2.60 $0.93 for the nine three months ended September 30, 2023 March 31, 2024 and 2022, 2023, respectively.

The following table shows the Company's annualized performance ratios for nine three months ended September 30, 2023 March 31, 2024 and 2022, 2023, compared to the performance ratios for the year ended December 31, 2022 December 31, 2023:

	Nine months ended		Year ended	Three months ended		Year ended
	September 30, 2023	September 30, 2022	December 31, 2022	March 31, 2024	March 31, 2023	December 31, 2023
Return on average assets	0.99 %	1.07 %	1.11 %	1.07 %	1.15 %	0.97 %
Return on average common equity	10.23 %	10.71 %	11.38 %	10.37 %	12.11 %	10.10 %
Average equity to average assets	9.62 %	9.98 %	9.77 %	10.35 %	9.47 %	9.61 %

Total assets were $7.9 billion $7.7 billion at September 30, 2023 March 31, 2024, compared to $6.7 billion $7.6 billion as of December 31, 2022 December 31, 2023. From December 31, 2022 December 31, 2023 to September 30, 2023 March 31, 2024, cash and cash equivalents increased $230.8 million $212.6 million, net loan balances increased $698.8 million decreased $80.4 million and investment securities increased $2.5 million decreased $31.9 million. Net loan balances were $5.47 billion $5.43 billion at September 30, 2023 March 31, 2024 compared to $4.77 billion $5.51 billion at December 31, 2022 December 31, 2023.

Net interest margin, on a tax equivalent basis, defined as net interest income divided by average interest-earning assets, was 2.95% 3.25% for the nine three months ended September 30, 2023 March 31, 2024, down up from 3.16% 2.94% for the same period in 2022. 2023. This decrease increase was primarily due to an increase in earning asset yields partially offset by increased rates on interest-bearing deposits and borrowings partially offset by an increase in earning asset yields. borrowings. Net interest income before the provision for loan losses was $136.0 million $55.5 million compared to net interest income of $138.6 million $43.2 million for the same period in 2022. 2023. The decrease increase in net interest income was primarily due to higher funding costs, offset by organic growth and the acquisition of Blackhawk Bank during the third quarter of 2023. 2023 and increased net interest margin as mentioned above.

Total non-interest income of $65.0 million $24.5 million increased $8.5 million $2.0 million or 15.1% 8.9% from $56.5 million $22.5 million for the same period last year. The increase in non-interest income resulted primarily from an increase in insurance commissions and income from Blackhawk Bank. Bank partially offset by a decrease in wealth management revenues and bank owned life insurance income.

Total non-interest expense of $128.7 million increased $5.2 million $53.4 million increase $11.8 million or 4.2% 28.3% from $123.5 million $41.6 million for the same period last year. The increased increase was primarily due to the Company's ongoing efficiency improvement efforts. acquisition of Blackhawk Bank and the related amortization of intangibles and increased size of the bank.

Following is a summary of the factors that contributed to the changes in net income (in thousands):

	Change in Net Income 2023 versus 2022		Change in Net Income 2024 versus 2023
	Three months ended September 30, 2023	Nine months ended September 30, 2023	Three months ended March 31, 2024
Net interest income	$ 2,186	$ (2,604)	$ 12,279
Provision for credit losses	(5,769)	(1,551)	(460)
Other income, including securities transactions	6,262	8,543	1,999
Other expenses	(5,547)	(5,226)	(11,785)
Income taxes	46	(611)	(710)
Increase (decrease) in net income	$ (2,822)	$ (1,449)	$ 1,323

Credit quality is an area of importance to the Company. Total nonperforming loans were $21.3 million $20.1 million at September 30, 2023 March 31, 2024, compared to $20.8 million $15.2 million at September 30, 2022 March 31, 2023 and $19.2 million $20.1 million at December 31, 2022 December 31, 2023. See the discussion under the heading “Loan Quality and Allowance for Loan Losses” for a detailed explanation of these balances. Repossessed asset balances totaled $2.3 million $1.4 million at September 30, 2023 March 31, 2024 compared to $4.3 million $4.1 million at September 30, 2022 March 31, 2023 and $4.4 million $1.2 million at December 31, 2022 December 31, 2023.

The Company's provision for credit losses for the nine three months ended September 30, 2023 March 31, 2024 and 2022 2023 was $5.6 million ($357,000) and $4.0 million ($817,000), respectively. The provision expense during the first nine months of 2023 included recording an initial provision for credit losses for Blackhawk Bank of $3.8 million. The provision expense during the first nine months of 2022 included recording an initial provision for credit losses for Jefferson Bank of $2.0 million. Total loans past due 30 days or more were 0.23% 0.32% of loans at September 30, 2023 March 31, 2024 compared to 0.34% 0.21% at September 30, 2022 March 31, 2023, and 0.24% 0.26% of loans at December 31, 2022 December 31, 2023. Loans secured by both commercial and residential real estate comprised approximately 69.4% 69.3% of the loan portfolio as of September 30, 2023 March 31, 2024 and 68.8% 68.9% as of December 31, 2022 December 31, 2023.

The Company's capital position remains strong, and the Company has consistently maintained regulatory capital ratios above the “well-capitalized” standards. The Company's Tier 1 capital to risk weighted assets ratio calculated under the regulatory risk-based capital requirements at September 30, 2023 March 31, 2024 and 2022 2023 and December 31, 2022 December 31, 2023 was 10.19% 12.46%, 12.28% 12.88% and 12.40% 12.02%, respectively. The Company's total capital to risk weighted assets ratio calculated under the regulatory risk-based capital requirements at September 30, 2023 March 31, 2024 and 2022, 2023, and December 31, 2022 December 31, 2023 was 12.60% 15.35%, 15.11% 15.74% and 15.20% 14.84%, respectively. The decrease increase in Tier 1 capital and total to risk weighted assets ratio from December 31, 2022 December 31, 2023 was primarily due to net income for the acquisition of Blackhawk Bank.

period increasing equity and a decrease in risk weighted assets related to loans and other assets.

On March 27, 2020, the federal banking regulatory agencies, issued an interim final rule which provided an option to delay the estimated impact on regulatory capital of ASU 2016-13, which was effective January 1, 2020. The initial impact of adoption of ASU 2016-13, as well as 25% of the quarterly increases in the allowance for credit losses subsequent to adoption of ASU 2016-13 ("CECL adjustments"), was be delayed for two years. The cumulative amount of these adjustments is being phased out of the regulatory capital calculation over a three-year period, with 75% of the adjustments included in 2022, 50% of the adjustments included in 2023 and 25% of the adjustments included in 2024. After five years, the temporary delay of ASU 2016-13 adoption will be fully reversed. The Company has elected this option.

The Company's liquidity position remains sufficient to fund operations and meet the requirements of borrowers, depositors, and creditors. The Company maintains various sources of liquidity to fund its cash needs. See the discussion under the heading "Liquidity" for a full listing of sources and anticipated significant contractual obligations.

The Company enters into financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include lines of credit, letters of credit and other commitments to extend credit. The total outstanding commitments at September 30, 2023 March 31, 2024 and 2022, 2023, were $1.1 billion $1.3 billion and $1.2 billion, respectively.

Federal Deposit Insurance Corporation Insurance Coverage. As FDIC-insured institutions, First Mid Bank and Blackhawk Bank are is required to pay deposit insurance premium assessments to the FDIC. Several requirements with respect to the FDIC insurance system have affected results, including insurance assessment rates.

The Company expensed $2.3 million $869,000 and $1.3 million $463,000 for the assessment during the first nine three months of 2023 2024 and 2022, 2023, respectively.

Critical Accounting Policies and Use of Significant Estimates

The Company has established various accounting policies that govern the application of U.S. generally accepted accounting principles in the preparation of the Company's consolidated financial statements. The significant accounting policies of the Company are described in the footnotes to the consolidated financial statements included in the Company's 2022 2023 Annual Report on Form 10-K. Certain accounting policies involve significant judgments and assumptions by management that have a material impact on the carrying value of certain assets and liabilities; management considers such accounting policies to be critical accounting policies. The

judgments and assumptions used by management are based on historical experience and other factors, which are believed to be reasonable under the circumstances. Because of the nature of the judgments and assumptions made by management, actual results could differ from these judgments and assumptions, which could have a material impact on the carrying values of assets and liabilities and the results of operations of the Company.

Investment in Debt and Equity Securities. The Company classifies its investments in debt and equity securities as either held-to-maturity or available-for-sale in accordance with Statement of Financial Accounting Standards (SFAS) No. 115, *"Accounting for Certain Investments in Debt and Equity Securities,"* which was codified into ASC 320. Securities classified as held-to-maturity are recorded at amortized cost. Available-for-sale securities are carried at fair value. Fair value calculations are based on quoted market prices when such prices are available. If quoted market prices are not available, estimates of fair value are computed using a variety of techniques, including extrapolation from the quoted prices of similar instruments or recent trades for thinly traded securities, fundamental analysis, or through obtaining purchase quotes. Due to the subjective nature of the valuation process, it is possible that the actual fair values of these investments could differ from the estimated amounts, thereby affecting the financial position, results of operations and cash flows of the Company.

If the estimated value of investments is less than the cost or amortized cost, the Company evaluates whether an event or change in circumstances has occurred that may have a significant adverse effect on the fair value of the investment. If such an event or change has occurred and the Company determines that the impairment is other-than-temporary, a further determination is made as to the portion of impairment that is related to credit loss. The impairment of the investment that is related to the credit loss is expensed in the period in which the event or change occurred. The remainder of the impairment is recorded in other comprehensive income (loss).

Loans. Loans are reported at amortized cost. Amortized cost is the principal balance outstanding, net of purchase discounts and premiums, fair value hedge accounting adjustments and deferred loan fees and costs. Accrued interest is reported separately and is included in interest receivable in the consolidated balance sheets.

Allowance for Credit Losses - Loans. The Company believes the allowance for credit losses for loans is the critical accounting policy that requires the most significant judgments and assumptions used in the preparation of its consolidated financial statements. The allowance for credit losses for loans represents the best estimate of losses inherent in the existing loan portfolio. An estimate of potential losses inherent in the loan portfolio are determined and an allowance for those losses is established by considering factors including historical loss rates, expected cash flows and estimated collateral values. In assessing these factors, the Company uses relevant available information, from internal and external sources, relating to past events, current conditions and reasonable and

supportable forecasts.

To determine the allowance, the loan portfolio is segmented based on similar risk characteristics. The allowance for credit losses is estimated using a discounted cash flow (DCF) methodology. The DCF projects future cash flows over the life of the loan portfolio. Probability of default (PD) and loss given default (LGD) are key components in calculating expected losses in this model. The PD is forecasted using a regression model that determines the likelihood of default with a forward-looking forecast of unemployment rates. The LGD is the percentage of defaulted loans that is ultimately charged off. The allowance is calculated as the net present value of the expected cash flows less the amortized cost basis of the loans. Prior to 2022, the allowance for credit losses was measured on a collective (pool) basis for non-individually evaluated loans with similar risk characteristics. Historical credit loss experience provided the basis for the estimate of expected credit losses. Adjustments to expected losses are made using qualitative factors for relevant to each loan segment including merger & acquisition activity, economic conditions, changes in policies, procedures & underwriting, and concentrations. In addition, a forecast, using reasonable and supportable future conditions, is prepared that is used to estimate expected changes to existing and historical conditions in the current period.

The Company estimates the appropriate level of allowance for credit losses for individually evaluated loans by evaluating them separately. A specific allowance is assigned to an impaired loan when expected cash flows or collateral are less than the carrying amount of the loan.

Allowance for Credit Losses - Off-Balance Sheet Credit Exposures. The Company estimates expected credit losses over the contractual period that the Company is exposed to credit risk via a contractual obligation to extend credit, unless the obligation is unconditionally cancellable by the Company. The allowance for credit losses on off-balance sheet credit exposures is included in other liabilities in the consolidated balance sheets.

Other Real Estate Owned. Other real estate owned acquired through loan foreclosure is initially recorded at fair value less costs to sell when acquired, establishing a new cost basis. The adjustment at the time of foreclosure is recorded through the allowance for loan losses. Due to the subjective nature of establishing the fair value when the asset is acquired, the actual fair value of the other real estate owned or foreclosed asset could differ from the original estimate. If it is determined that fair value temporarily declines subsequent to foreclosure, a valuation allowance is recorded through noninterest expense.

Operating costs associated with the assets after acquisition are also recorded as noninterest expense. Gains and losses on the disposition of other real estate owned and foreclosed assets are netted and posted to other noninterest expense.

Mortgage Servicing Rights. The Company has elected to record mortgage servicing rights under the amortization method. Using this method, servicing rights are amortized in proportion to and over the period of estimated net servicing income. The amortized assets are assessed for impairment based on fair value at each reporting date. Impairment is determined by stratifying rights into tranches based on predominant characteristics, such as interest rate, loan type and investor type.

Impairment is recognized through a valuation reserve, to the extent that fair value is less than the carrying amount of the servicing assets. Fair value in excess of the carrying amount of servicing assets is not recognized.

Deferred Income Tax Assets/Liabilities. The Company's net deferred income tax asset arises from differences in the dates that items of income and expense enter our reported income and taxable income. Deferred tax assets and liabilities are established for these items as they arise. From an accounting standpoint, deferred tax assets are reviewed to determine if they are realizable based on the historical level of taxable income, estimates of future taxable income and the reversals of deferred tax liabilities. In most cases, the realization of the deferred tax asset is based on future profitability. If the Company were to experience net operating losses for tax purposes in a future period, the realization of deferred tax assets would be evaluated for a potential valuation reserve.

Additionally, the Company reviews its uncertain tax positions annually under FASB Interpretation No. 48 (FIN No. 48), "*Accounting for Uncertainty in Income Taxes*," codified within ASC 740. An uncertain tax position is recognized as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely to be recognized on examination. For tax positions not meeting the "more likely than not" test, no tax benefit is recorded. A significant amount of judgment is applied to determine both whether the tax position meets the "more likely than not" test as well as to determine the largest amount of tax benefit that is greater than 50% likely to be recognized. Differences between the position taken by management and that of taxing authorities could result in a reduction of a tax benefit or increase to tax liability, which could adversely affect future income tax expense.

Impairment of Goodwill and Intangible Assets. Core deposit and customer relationships, which are intangible assets with a finite life, are recorded on the Company's consolidated balance sheets. These intangible assets were capitalized as a result of past acquisitions and are being amortized over their estimated useful lives of up to 15 years. Core deposit intangible assets, with finite lives will be tested for impairment when changes in events or circumstances indicate that its carrying amount may not be recoverable.

Core deposit intangible assets were tested for impairment as of May 31, 2023 as part of the goodwill impairment test and no impairment was identified.

As a result of the Company's acquisition activity, goodwill, an intangible asset with an indefinite life, is reflected on the consolidated balance sheets. Goodwill is evaluated for impairment annually, unless there are factors present that indicate a potential impairment, in which case, the goodwill impairment test is performed more frequently than annually.

Fair Value Measurements. The fair value of a financial instrument is defined as the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The Company estimates the fair value of a financial instrument using a variety of valuation methods. Where financial instruments are actively traded and have quoted market prices, quoted market prices are used for fair value. When the financial instruments are not actively traded, other observable market inputs, such as quoted prices of securities with similar characteristics, may be used, if available, to determine fair value. When observable market prices do not exist, the Company estimates fair value. The

Company's valuation methods consider factors such as liquidity and concentration concerns. Other factors such as model assumptions, market dislocations, and unexpected correlations can affect estimates of fair value. Imprecision in estimating these factors can impact the amount of revenue or loss recorded.

SFAS No. 157, "*Fair Value Measurements*", which was codified into ASC 820, establishes a framework for measuring the fair value of financial instruments that considers the attributes specific to particular assets or liabilities and establishes a three-level hierarchy for determining fair value based on the transparency of inputs to each valuation as of the fair value measurement date.

The three levels are defined as follows:

- Level 1 — quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 — inputs include quoted prices for similar assets and liabilities in active markets, quoted prices of identical or similar assets or liabilities in markets that are not active, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3 — inputs that are unobservable and significant to the fair value measurement.

At the end of each quarter, the Company assesses the valuation hierarchy for each asset or liability measured. From time to time, assets or liabilities may be transferred within hierarchy levels due to changes in availability of observable market inputs to measure fair value at the measurement date. Transfers into or out of hierarchy levels are based upon the fair value at the beginning of the reporting period. A more detailed description of the fair values measured at each level of the fair value hierarchy can be found in Note 7 – Fair Value of Assets and Liabilities.

Results of Consolidated Operations

Net Interest Income

The largest source of revenue for the Company is net interest income. Net interest income represents the difference between total interest income earned on earning assets and total interest expense paid on interest-bearing liabilities. The amount of interest income is dependent upon many factors, including the volume and mix of earning assets, the general level of interest rates and the dynamics of changes in interest rates. The cost of funds necessary to support earning assets varies with the volume and mix of interest-bearing liabilities and the rates paid to attract and retain such funds.

Net interest income is the excess of interest received from earning assets over interest paid on interest-bearing liabilities. For analytical purposes, net interest income is presented on a full tax equivalent ("TE") basis in the table that follows. The federal statutory rate in effect of 21% for 2023 2024 and 2022 2023 was used. The TE analysis portrays the income tax benefits associated with the tax-exempt assets. The year-to-date net yield on interest-earning assets excluding the TE adjustments of $2,268,000 $616,000 and $2,373,000 $755,000 for 2023 2024 and 2022, 2023, respectively were 2.90% 3.20% and 3.11% 2.89% at September 30, 2023 March 31, 2024 and 2022, 2023, respectively.

The Company's average balances, fully tax equivalent interest income and interest expense, and rates earned or paid for major balance sheet categories are set forth for the three and nine months ended September 30, 2023 March 31, 2024 and 2022 2023 in the following table (dollars in thousands):

	Three months ended September 30, 2023			Three months ended September 30, 2022		
	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate
Assets						
Interest-bearing deposits with other financial institutions	$ 90,957	$ 1,882	8.21 %	$ 22,130	$ 128	2.29 %
Federal funds sold	8,561	114	5.28 %	7,152	38	2.11 %
Certificates of deposit	2,152	16	2.95 %	1,417	8	2.24 %
Investment securities:						
Taxable	1,004,994	7,352	2.93 %	1,047,335	5,106	1.95 %
Tax-exempt (1)	287,232	2,445	3.40 %	318,870	2,780	3.49 %
Loans net of unearned income (TE) (2)	5,199,885	69,397	5.29 %	4,666,157	49,498	4.21 %
Total earning assets	6,593,781	81,206	4.89 %	6,063,061	57,558	3.77 %
Cash and due from banks	125,014			122,616		
Premises and equipment	97,474			90,715		
Other assets	524,478			458,854		
Allowance for loan losses	(64,636)			(59,319)		
Total assets	$ 7,276,111			$ 6,675,927		
Liabilities and stockholders' equity						
Interest-bearing deposits						
Demand deposits	$ 2,646,134	$ 12,740	1.91 %	$ 2,545,619	$ 3,570	0.56 %
Savings deposits	669,930	190	0.11 %	674,524	149	0.09 %
Time deposits	1,081,978	9,117	3.34 %	672,187	1,197	0.71 %
Total interest-bearing deposits	4,398,042	22,047	1.99 %	3,892,330	4,916	0.50 %
Securities sold under agreements to repurchase	212,644	1,625	3.03 %	207,079	428	0.82 %
FHLB advances	486,738	4,761	3.88 %	355,554	1,926	2.15 %
Federal funds purchased	—	—	— %	272	1	1.46 %
Subordinated Debt	105,332	1,028	3.87 %	94,491	986	4.14 %
Junior subordinated debt	19,258	545	11.23 %	19,294	241	4.96 %
Other debt	—	(12)	— %	—	—	— %
Total borrowings	823,972	7,947	3.83 %	676,690	3,582	2.10 %
Total interest-bearing liabilities	5,222,014	29,994	2.28 %	4,569,020	8,498	0.74 %
Non interest-bearing demand deposits	1,293,422		1.83 %	1,418,028		0.56 %
Other liabilities	65,265			47,131		
Stockholders' equity	695,410			641,748		
Total liabilities and equity	$ 7,276,111			$ 6,675,927		
Net interest income		$ 51,212			$ 49,060	
Net interest spread			2.61 %			3.03 %

Impact of non interest-bearing funds	0.45 %	0.18 %
TE net yield on interest-bearing assets	3.06 %	3.21 %

	Nine months ended September 30, 2023			Nine months ended September 30, 2022			Three months ended March 31, 2024			Three months ended March 31, 2023		
	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate
Assets												
Interest-bearing deposits with other financial institutions	$ 47,522	$ 2,547	7.17 %	$ 69,356	$ 272	0.52 %	$ 173,365	$ 2,407	5.58 %	$ 15,688	$ 209	5.40 %
Federal funds sold	8,116	297	4.90 %	5,188	45	1.17 %	1,094	17	6.18 %	7,753	85	4.44 %
Certificates of deposit	1,886	44	3.13 %	1,852	29	2.06 %	1,545	20	5.15 %	1,789	14	3.09 %
Investment securities:												
Taxable	972,346	17,785	2.44 %	1,085,604	15,357	1.89 %	904,451	5,470	2.42 %	957,951	5,163	2.16 %
Tax-exempt (1)	280,675	7,365	3.50 %	345,886	8,529	3.29 %	280,215	2,450	3.50 %	280,828	2,486	3.54 %
Loans net of unearned income (TE) (2)	4,923,327	184,468	5.01 %	4,445,223	133,323	4.01 %	5,524,185	77,924	5.67 %	4,788,255	56,469	4.78 %
Total earning assets	6,233,872	212,506	4.56 %	5,953,109	157,555	3.54 %	6,884,855	88,288	5.16 %	6,052,264	64,426	4.32 %
Cash and due from banks	131,876			117,109			102,922			135,145		

Premises and equipment	92,624			88,093			101,530			90,345		
Other assets	488,314			423,585			624,205			475,022		
Allowance for loan losses	(60,956)			(58,845)								
Allowance for credit losses							(69,059)			(59,558)		
Total assets	$ 6,885,730			$ 6,523,051			$ 7,644,453			$ 6,693,218		
Liabilities and stockholders' equity												
Interest-bearing deposits												
Demand deposits	$ 2,489,962	$ 31,862	1.71%	$ 2,603,995	$ 6,695	0.34%	$ 3,036,837	$ 16,612	2.20%	$ 2,504,073	$ 9,655	1.56%
Savings deposits	643,343	549	0.11%	672,484	392	0.08%	707,849	178	0.10%	640,347	191	0.12%
Time deposits	922,944	18,983	2.75%	644,840	2,500	0.52%	1,028,045	9,306	3.64%	699,328	2,921	1.69%
Total interest-bearing deposits	4,056,249	51,394	1.69%	3,921,319	9,587	0.33%	4,772,731	26,096	2.20%	3,843,748	12,767	1.35%
Securities sold under agreements to repurchase	223,396	4,811	2.88%	186,524	632	0.45%	264,587	2,056	3.13%	231,012	1,463	2.57%
FHLB advances	504,409	13,719	3.64%	234,892	2,842	1.62%	258,554	2,314	3.60%	540,156	4,874	3.66%
Federal funds purchased	256	9	4.70%	553	6	1.45%	—	—	—%	778	9	4.69%

Subordinated debt	98,208	3,003	4.09%	94,452	2,958	4.19%	106,791	1,194	4.50%	94,567	987	4.23%
Junior subordinated debentures	19,356	1,314	9.08%	19,252	553	3.84%	24,084	542	9.05%	19,385	379	7.93%
Other debt	—	(12)	—%	18	—	—%						
Total borrowings	845,625	22,844	3.61%	535,691	6,991	1.74%	654,016	6,106	3.75%	885,898	7,712	3.53%
Total interest-bearing liabilities	4,901,874	74,238	2.02%	4,457,010	16,578	0.50%	5,426,747	32,202	2.39%	4,729,646	20,479	1.76%
Non interest-bearing demand deposits	1,265,188		1.61%	1,370,701		0.38%	1,367,798		1.91%	1,273,527		1.38%
Other liabilities	55,994			44,170			59,056			56,456		
Stockholders' equity	662,674			651,170			790,852			633,589		
Total liabilities and equity	$ 6,885,730			$ 6,523,051			$ 7,644,453			$ 6,693,218		
Net interest income		$ 138,268			$ 140,977			$ 56,086			$ 43,947	
Net interest spread			2.54%			3.04%			2.77%			2.56%
Impact of non interest-bearing funds			0.41%			0.12%			0.48%			0.38%
TE net yield on interest-earning assets			2.95%			3.16%			3.25%			2.94%

1. The tax-exempt income is shown on a tax equivalent basis.
2. Nonaccrual loans and loans held for sale are included in the average balances. Balances are net of unaccreted discount related to loans acquired.

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Changes in net interest income may also be analyzed by segregating the volume and rate components of interest income and interest expense. The following table summarizes the approximate relative contribution of changes in average volume and interest rates to changes in net interest income for the three and nine months ended September 30, 2023 March 31, 2024, compared to the same period in 2022 2023 (in thousands):

	Three months ended September 30, 2023 compared to 2022 Increase / (Decrease)			Nine months ended September 30, 2023 Compared to 2022 Increase / (Decrease)			Three months ended March 31, 2024 compared to 2023 Increase / (Decrease)		
	Total Change	Volume (1)	Rate (1)	Total Change	Volume (1)	Rate (1)	Total Change	Volume (1)	Rate (1)
Earning assets:									
Interest-bearing deposits	$ 1,754	$ 958	$ 796	$ 2,275	$ (168)	$ 2,443	$ 2,198	$ 2,191	$ 7
Federal funds sold	76	9	67	252	38	214	(68)	(232)	164
Certificates of deposit investments	8	5	3	15	1	14	6	(12)	18
Investment securities:									
Taxable	2,246	(1,362)	3,608	2,428	(2,511)	4,939	307	(1,482)	1,789
Tax-exempt (2)	(335)	(270)	(65)	(1,164)	(1,685)	521	(36)	(5)	(31)
Loans (2) (3)	19,899	6,137	13,762	51,145	15,412	35,733	21,455	9,702	11,753
Total interest income	$ 23,648	$ 5,477	$ 18,171	$ 54,951	$ 11,087	$ 43,864	$ 23,862	$ 10,162	$ 13,700
Interest-bearing liabilities:									
Interest-bearing deposits									

Demand deposits	$ 9,170	$ 148	$ 9,022	$ 25,167	$ (497)	$ 664	$ 6,957	$ 2,376	$ 4,581
Savings deposits	41	(7)	48	157	(25)	182	(13)	94	(107)
Time deposits	7,920	1,119	6,801	16,483	1,506	14,977	6,385	1,848	4,537
Securities sold under agreements to repurchase	1,197	12	1,185	4,179	148	4,031	593	237	356
FHLB advances	2,835	891	1,944	10,877	5,212	5,665	(2,560)	(2,482)	(78)
Federal funds purchased	(1)	(1)	1	3	(6)	9	(9)	(5)	(4)
Subordinated debt	42	352	(310)	45	146	(101)	207	139	68
Junior subordinated debentures	304	(3)	307	761	3	758	163	103	60
Short term debt	(12)	—	—	(12)	—	(12)			
Total interest expense	21,496	2,511	18,998	57,660	6,487	51,173	11,723	2,310	9,413
Net interest income	$ 2,152	$ 2,966	$ (827)	$ (2,709)	$ 4,600	$ (7,309)	$ 12,139	$ 7,852	$ 4,287

1. Changes attributable to the combined impact of volume and rate have been allocated proportionately to the change due to volume and the change due to rate.
2. The tax-exempt income is shown on a tax-equivalent basis.
3. Nonaccrual loans have been included in the average balances.

Tax equivalent net interest income decreased $2.7 million increased $12.1 million, or 1.9% 27.6%, to $138.3 million $56.1 million for the nine three months ended September 30, 2023 March 31, 2024, from $141.0 million $43.9 million for the same period in 2022. 2023. Net interest income and net interest margin decreased increased primarily due to an increase in earning asset yields partially offset by the increase in deposit and borrowing rates more than offsetting the increase in earning asset yields. rates.

For the nine three months ended September 30, 2023 March 31, 2024, average earning assets increased $280.8 million $832.6 million, or 4.7% 13.8%, and average interest-bearing liabilities increased $444.9 million $697.1 million or 10.0% 14.7% compared with average balances for the same period in 2022. 2023.

The changes in average balances for these periods are shown below:

- Average interest-bearing deposits with other financial institutions decreased $21.8 million increased $157.7 million or 31.5% 1005.1%.
- Average federal funds sold increased $2.9 million decreased $6.7 million or 56.4% 85.9%.
- Average certificates of deposits investments increased $0.0 million decreased $244,000 or 1.8% 13.6%.
- Average loans increased by $478.1 million $735.9 million or 10.8% 15.4%.

- Average securities decreased by $178.5 million $54.1 million or 12.5% 4.4%.
- Average interest-bearing customer deposits increased by $134.9 million $929.0 million or 3.4% 24.2%.
- Average securities sold under agreements to repurchase increased by $36.9 million $33.6 million or 19.8% 14.5%.
- Average borrowings and other debt increased decreased by $273.1 million $265.5 million or 78.2% 40.5%.

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- Net interest margin decreased increased to 2.95% 3.25% for the first nine three months of 2023 2024 from 3.16% 2.94% for the first nine three months 2022. 2023.

Provision for Loan Losses

The provision for credit losses for the nine three months ended September 30, 2023 March 31, 2024 and 2022 2023 was $5.6 million ($357,000) and $4.0 million ($817,000), respectively. The provision expense in the nine months ended September 30, 2023 included recording an initial provision for credit losses for Blackhawk Bank of $3.8 million. The provision expense during the nine months of 2022 included recording an initial provision for credit losses for Jefferson Bank of $2.0 million. Net charge offs were $195,000 $382,000 for the nine three months ended September 30, 2023 March 31, 2024, compared to net charge offs of $742,000 $53,000 for September 30, 2022 March 31, 2023. Nonperforming loans were $21.3 million $20.1 million and $20.8 million $15.2 million as of September 30, 2023 March 31, 2024 and 2022, 2023, respectively. For information on loan loss experience and nonperforming loans, see discussion under the “Nonperforming Loans” and “Loan Quality and Allowance for Loan Losses” sections below.

Other Income

An important source of the Company’s revenue is other income. The following table sets forth the major components of other income for the three and nine months ended September 30, 2023 March 31, 2024 and 2022 2023 (in thousands):

	Three months ended September 30,				Nine months September 30,				Three months ended March 31,			
	2023	2022	$ Change	% Change	2023	2022	$ Change	% Change	2024	2023	$ Change	% Change
Wealth management revenues	$ 4,940	$ 4,843	$ 97	2.0%	$ 15,795	$ 16,291	$ (496)	-3.0%	$ 5,322	$ 5,514	$ (192)	-3.5%
Insurance commissions	5,199	4,158	1,041	25.0%	19,416	16,903	2,513	14.9%	9,213	8,480	733	8.6%
Service charges	2,994	2,445	549	22.5%	7,583	6,737	846	12.6%	2,956	2,203	753	34.2%

Security gains (losses), net	3, 38 9	79	3, 31 0	41 89 .9%	3, 33 7	81	3, 25 6	40 19 .8%	—	(46)	46	-100.0%
Mortgage banking revenue, net	84 6	35 5	49 1	13 8. 3%	1, 32 8	1, 12 5	20 3	18 .0%	706	150	556	370.7%
ATM / debit card revenue	3, 76 6	3, 10 1	66 5	21 .4%	10 ,1 14	9, 21 3	90 1	9. 8%	4,055	3,083	972	31.5%
Bank owned life insurance	1, 02 4	91 3	11 1	12 .2%	3, 85 4	2, 63 4	1, 22 0	46 .3%	1,121	1,641	(520)	-31.7%
Other	89 5	89 7	(2)	-0. 2%	3, 59 1	3, 49 1	10 0	2. 9%	1,105	1,454	(349)	-24.0%
Total other income	23 ,0 $ 53	16 ,7 $ 91	6, 26 $ 2	37 .3%	65 ,0 $ 18	56 ,4 $ 75	8, 54 $ 3	15 .1%	$ 24,478	$ 22,479	$ 1,999	8.9%

Following are explanations of the changes in these other income categories for the three and nine months ended September 30, 2023 March 31, 2024 compared to the same period in 2022: 2023:

- Wealth management revenues decreased for the nine three month period due to lower market prices reducing fee based income less agricultural serv fees partially offset by increased brokerage and due to less farm real estate sales. trust fees.

- Insurance commissions increased primarily due to an increase in commission income and partially offset by a decrease in contingency income during 2023 2024 compared to the same period last year.

- Fees from service charges increased during the first nine three months of 2023 2024 primarily due to the acquisition of Blackhawk Bank.

- Net gains losses from the sale of securities during 2024 were $0 and net losses in 2023 were $3,337,000 and net gains in 2022 were $81,000. $46,00 The increase was primarily due to a balance sheet restructuring of Blackhawk Bank after acquisition. Company did not sell any securities during the quarter ended March 31, 2024.

- The increase in mortgage banking income was due to an increase in mortgage refinancing activity and fees from loans sold in the secondary market a the acquisition of Blackhawk Bank.

  - $45.5 10.6 million (representing 318 77 loans) for the nine three months ended September 30, 2023 March 31, 2024.

  - $55.9 11.5 million (representing 372 75 loans) for the nine three months ended September 30, 2022 March 31, 2023.

  First Mid Bank generally releases the servicing rights on loans sold into the secondary market.

- Revenue from ATMs and debit cards increased due to an increase in activity during the period and the acquisition of Blackhawk Bank.

- Bank owned life insurance income increased decreased approximately $1.2 million $520,000 during the first nine three months of 2023 2024 compare the same period in 2022 2023 primarily due to a claim payout higher rates, and insurance added through the acquisition of Blackhawk Bank. in 2023.

- Other income increased decreased primarily due to an increase late charges on loans being presented as interest income starting in various fees and other miscellaneous income. 2024.

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Other Expense

The following table sets forth the major components of other expense for the three and nine months ended September 30, 2023 March 31, 2024 and 2022 2023 (dollars in thousands):

	Three months ended September 30,				Nine months ended September 30,				Three months ended March 31,			
	2023	2022	$ Change	% Change	2023	2022	$ Change	% Change	2024	2023	$ Change	% Change
Salaries and employee benefits	2 5, 4 2 $ 2	2 4, 8 7 $ 7	5 4 $ 5	2. 2 %	75 ,0 $ 37	74 ,9 $ 84	5 $ 3	0. 1 %	$ 30,448	$ 26,071	$ 4,377	16.8 %
Net occupancy and equipment expense	6, 9 2 9	5, 9 0 3	1, 0 2 6	17 .4 %	18 ,9 69	18 ,1 31	8 3 8	4. 6 %	7,560	6,005	1,555	25.9 %
Net other real estate owned expense	9 0 2	5 8	8 4 4	14 55 .2 %	1, 06 2	24 3	8 1 9	33 7. 0 %	(21)	133	(154)	-115.8 %
FDIC insurance	7 8 5	4 7 9	3 0 6	63 .9 %	2, 32 4	1, 34 1	9 8 3	73 .3 %	869	463	406	87.7 %
Amortization of intangible assets	2, 5 6 8	1, 5 9 8	9 7 0	60 .7 %	5, 56 7	4, 75 3	8 1 4	17 .1 %	3,497	1,522	1,975	129.8 %
Stationery and supplies	3 3 5	3 6 1	(2 6)	-7. 2 %	94 2	99 7	(5 5)	-5. 5 %	391	292	99	33.9 %
Legal and professional	1, 8 4 4	1, 7 7 0	7 4	4. 2 %	5, 31 4	5, 38 9	(7 5)	-1. 4 %	2,449	1,690	759	44.9 %
Marketing and donations	7 6 4	7 3 9	2 5	3. 4 %	2, 32 6	2, 31 8	8	0. 3 %	862	654	208	31.8 %
ATM/debit card expense	1, 7 5 1	1, 2 4 3	5 0 8	40 .9 %	3, 99 0	2, 99 1	9 9 9	33 .4 %	1,191	1,223	(32)	-2.6 %

Other operating expenses	5,796	4,521	1,275	28.2 %	13,184	12,342	842	6.8 %	6,116	3,524	2,592	73.6 %
Total other expense	$ 47,096	$ 41,549	$ 5,547	13.4 %	$ 128,715	$ 123,489	$ 5,226	4.2 %	$ 53,362	$ 41,577	$ 11,785	28.3 %

Following are explanations for the changes in these other expense categories for the three and nine months ended September 30, 2023 March 31, 2024 compared to the same period in 2022: 2023:

- The increase in salaries and employee benefits, the largest component of other expense, is primarily due to the acquisition of Blackhawk Bank partial offset by the Company's efficiency improvement efforts and lower bonus accrual expense during the first nine months of 2023. efforts. There were 1,224 1,188 and 1,051 988 full-time equivalent employees at September 30, 2023 March 31, 2024 and 2022, 2023, respectively.
- The increase in occupancy and equipment expense was primarily due to the acquisition of Blackhawk Bank.
- The increase decrease in net other real estate owned expense was primarily due to properties sold during 2023 that no longer have ongoing expense during 2023 2024 and no write downs of other real estate owned during the write down of a closed branch that is for sale. period.
- Expense for amortization of intangible assets increased for the nine three months ended September 30, 2023 March 31, 2024 compared to 2022. 202 Core deposit intangibles and mortgage servicing rights increased due to the acquisition of Blackhawk Bank.
- The increase in other operating expenses during the first nine three months of 2023 2024 was primarily due to nonrecurring costs in 2023 from the acquisition of Blackhawk Bank. Bank during the period.
- On a net basis, all other categories of operating expenses increased during the period compared to last year primarily due to the the acquisition of Blackhawk Bank.

Income Taxes

Total income tax expense amounted to $15.9 million (23.7% $6.4 million (23.9% effective tax rate) for the nine three months ended September 30, 2023 March 31, 2024, compared to $15.3 million (22.8% $5.7 million (23.0% effective tax rate) for the same period in 2022. 2023. The increase in effective rate is related to an increase a decrease in various nondeductible expenses investment tax credits while pre-tax net income slightly decreased. increased.

The Company files U.S. federal and state of Florida, Illinois, Indiana, Missouri, Texas, and Wisconsin income tax returns. The Company is no longer subject to U.S. federal or state income tax examinations by tax authorities for years before 2020.

Analysis of Consolidated Balance Sheets

Securities

The Company's overall investment objectives are to insulate the investment portfolio from undue credit risk, maintain adequate liquidity, insulate capital against changes in market value and control excessive changes in earnings while optimizing investment performance. The types and maturities of securities purchased are primarily based on the Company's current and projected liquidity and interest rate sensitivity positions. The following table sets forth the amortized cost of the available-for-sale and held-to-maturity securities as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 (dollars in thousands)

	September 30, 2023		December 31, 2022		March 31, 2024		December 31, 2023	
	Amortized Cost	Weighted Average Yield	Amortized Cost	Weighted Average Yield	Amortized Cost	Weighted Average Yield	Amortized Cost	Weighted Average Yield
U.S. Treasury securities and obligations of U.S. government corporations and agencies	$ 245,648	1.31 %	$ 252,934	1.28 %	$ 234,540	1.88 %	$ 237,875	1.28 %
Obligations of states and political subdivisions	341,002	2.33 %	347,409	2.31 %	335,350	2.31 %	337,835	2.31 %
Mortgage-backed securities: GSE residential	810,113	2.39 %	744,636	1.69 %	699,921	1.91 %	714,216	1.91 %
Other securities	76,065	3.58 %	90,347	3.41 %	75,074	3.67 %	76,081	3.65 %
Total securities	$ 1,472,828	2.26 %	$ 1,435,326	1.87 %	$ 1,344,885	1.99 %	$ 1,366,007	2.00 %

At September 30, 2023 March 31, 2024, the Company's investment portfolio increased decreased by $37.5 million $21.1 million from December 31, 2022 December 31, 2023 primarily due to the acquisition paydowns, calls and maturities of Blackhawk Bank. various securities. When purchasing investment securities, the Company considers its overall liquidity and interest rate risk profile, as well as the adequacy of expected returns relative to the risks assumed. The table below presents the credit ratings as of September 30, 2023 March 31, 2024 for investment securities (in thousands):

			Average Credit Rating of Fair Value at September 30, 2023 (1)								Average Credit Rating of Fair Value at March 31, 2024 (1)					
	Amortized Cost	Estimated Fair Value	AAA	AA +/-	A +/-	BBB +/-	< BBB -	Not rated	Amortized Cost	Estimated Fair Value	AAA	AA +/-	A +/-	BBB +/-	< BBB -	Not rated
Available-for-sale:																

U.S. Treasury securities and obligations of U.S. government corporations and agencies	$ 245,648	$ 211,929	$ 25,145	$ 186,486	$—	$—	$—	$ 298	$ 234,540	$ 207,320	$ 202,190	$ 1,295	$ 1,891	$ —	$ 1,944	$ —
Obligations of state and political subdivisions	341,002	266,473	34,923	185,870	42,889	—	—	2,791	335,350	282,570	51,208	180,940	47,726	—	—	2,696
Mortgage-backed securities (2)	810,113	672,522	2,048	—	—	—	—	670,474	699,921	581,004	—	—	—	—	—	581,004
Other securities	73,806	67,671	—	7,826	21,995	6,270	—	31,580	72,792	68,533	3,351	8,029	20,731	3,896	—	32,526
Total available-for-sale	$ 1,470,569	$ 1,218,595	$ 62,116	$ 380,182	$ 64,884	$ 6,270	$—	$ 705,143	$ 1,342,603	$ 1,139,427	$ 256,749	$ 190,264	$ 70,348	$ 3,896	$ 1,944	$ 616,226
Held-to-maturity:																
Other securities	2,259	2,259	—	—	—	—	—	2,259	2,282	2,282	—	—	—	—	—	2,282

Total held-to-maturity	$ 2,259	$ 2,259	$—	$—	$—	$—	$—	$ 2,259	$ 2,282	$ 2,282	$ —	$ —	$ —	$ —	$ —	$ 2,282
Equity securities:																
Federal Agricultural Mtg Corp	$ 3,587	$ 3,932	$—	$—	$—	$—	$—	$ 3,932	85	528	—	—	—	—	—	528
Midwest Independent BankersBank									150	202	—	—	—	—	—	202
Equalize Community Development Fund									3,568	3,568	—	—	—	—	—	3,568
Total equity securities									$ 3,803	$ 4,298	$ —	$ —	$ —	$ —	$ —	$ 4,298

1. Credit ratings reflect the lowest current rating assigned by a nationally recognized credit rating agency.
2. Mortgage-backed securities include mortgage-backed securities (MBS) and collateralized mortgage obligation (CMO) issues from the following government sponsore enterprises: FHLMC, FNMA, GNMA and FHLB. While MBS and CMOs are no longer explicitly rated by credit rating agencies, the industry recognizes that they are backed by agencies which have an implied government guarantee.

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Loans

The loan portfolio is the largest category of the Company's earning assets. The following table summarizes the composition of the loan portfolio at amortized cost, including loans held for sale, as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 (in thousands):

	September 30, 2023		December 31, 2022		March 31, 2024		December 31, 2023	
	Amortized Cost	% Outstanding Loans	Amortized Cost	% Outstanding Loans	Amortized Cost	% Outstanding Loans	Amortized Cost	% Outstanding Loans

Construction and land development	$ 189,206	3.4 %	$ 144,264	3.0 %	$ 186,851	3.4 %	$ 205,077	3.7 %
Agricultural real estate	399,834	7.2 %	410,327	8.5 %	388,941	7.1 %	391,132	7.0 %
1-4 family residential properties	531,699	9.6 %	440,180	9.1 %	518,641	9.4 %	542,469	9.7 %
Multifamily residential properties	327,067	5.9 %	294,346	6.1 %	312,758	5.7 %	319,129	5.7 %
Commercial real estate	2,392,834	43.3 %	2,030,011	42.1 %	2,396,092	43.7 %	2,384,704	42.8 %
Loans secured by real estate	3,840,640	69.4 %	3,319,128	68.8 %	3,803,283	69.3 %	3,842,511	68.9 %
Agricultural loans	179,447	3.2 %	166,838	3.5 %	213,217	3.9 %	196,272	3.5 %
Commercial and industrial loans	1,242,653	22.4 %	1,082,960	22.4 %	1,227,906	22.3 %	1,266,159	22.7 %
Consumer loans	99,542	1.8 %	97,775	2.0 %	79,569	1.4 %	91,014	1.6 %
All other loans	177,783	3.2 %	159,511	3.3 %	175,320	3.1 %	184,609	3.3 %
Total loans	$ 5,540,065	100.0 %	$ 4,826,212	100.0 %	$ 5,499,295	100.0 %	$ 5,580,565	100.0 %

Loan balances increased $713.9 million decreased $81.3 million, or 14.8% (1.5%). The increase decrease was primarily due to the acquisition of Blackhawk Bank, seasonal pay downs in commercial and industrial loans as well as loan demand partially offset by less loan demand and lower line of credit draws. an increase in agricultural loans due to seasonal demands. The balance of real estate loans held for sale, included in the balances shown above, amounted to $6.2 million $4.8 million and $0.3 million $5.0 million as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively.

Commercial and commercial real estate loans generally involve higher credit risks than residential real estate and consumer loans. Because payments on loans secured by commercial real estate or equipment are often dependent upon the successful operation and management of the underlying assets, repayment of such loans may be influenced to a great extent by conditions in the market or the economy. The Company does not have any sub-prime mortgages or credit card loans outstanding which are also generally considered to be higher credit risk.

Loans are geographically dispersed throughout Illinois, the St. Louis Metro area, central Missouri, Texas, and southern Wisconsin. While these regions have experienced some economic stress during 2023 2024 and 2022, 2023, the Company does not consider these locations high risk areas since these regions have not experienced the significant changes in real estate values seen in some other areas in the United States.

The Company does not have a concentration, as defined by the regulatory agencies, in construction and land development loans or commercial real estate loans as a percentage of total risk-based capital for the periods shown above. At September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, the Company did have industry loan concentrations that exceeded 25% of total risk-based capital in the following industries (dollars in thousands):

	September 30, 2023		December 31, 2022		March 31, 2024		December 31, 2023	
	Principal balance	% Outstanding Loans	Principal balance	% Outstanding Loans	Principal balance	% Outstanding Loans	Principal balance	% Outstanding Loans

Other grain farming	$ 452,868	8.17 %	$ 445,241	9.23 %	$ 488,462	8.88 %	$ 472,456	8.47 %
Lessors of non-residential buildings	1,077,520	19.45 %	956,120	19.81 %	1,055,105	19.19 %	1,086,152	19.46 %
Lessors of residential buildings and dwellings	532,844	9.62 %	453,219	9.39 %	549,284	9.99 %	541,858	9.71 %
Hotels and motels	227,167	4.10 %	209,837	4.35 %				

The Company had no further industry loan concentrations in excess of 25% of total risk-based capital.

The following table presents the balance of loans outstanding as of September 30, 2023 March 31, 2024, by contractual maturities (in thousands):

	Maturity (1)				Maturity (1)			
	One year or less (2)	Over 1 through 5 years	Over 5 years	Total	One year or less (2)	Over 1 through 5 years	Over 5 years	Total
Construction and land development	$ 28,640	$ 95,061	$ 65,505	$ 189,206	$ 37,240	$ 58,910	$ 90,701	$ 186,851
Agricultural real estate	22,044	123,378	254,412	399,834	12,284	141,735	234,922	388,941
1-4 family residential properties	24,967	123,419	383,313	531,699	23,462	115,959	379,220	518,641
Multifamily residential properties	10,252	248,308	68,507	327,067	35,947	221,099	55,712	312,758
Commercial real estate	152,560	1,264,001	976,273	2,392,834	197,756	1,362,879	835,457	2,396,092
Loans secured by real estate	238,463	1,854,167	1,748,010	3,840,640	306,689	1,900,582	1,596,012	3,803,283
Agricultural loans	147,876	26,801	4,770	179,447	158,945	49,677	4,595	213,217
Commercial and industrial loans	348,241	626,944	267,468	1,242,653	338,442	617,239	272,225	1,227,906
Consumer loans	4,806	84,008	10,728	99,542	3,109	71,781	4,679	79,569
All other loans	22,762	26,332	128,689	177,783	25,512	21,234	128,574	175,320

Total loans	$ 762,148	$ 2,618,252	$ 2,159,665	$ 5,540,065	$ 832,697	$ 2,660,513	$ 2,006,085	$ 5,499,295

1. Based upon remaining contractual maturity.
2. Includes demand loans, past due loans and overdrafts.

As of September 30, 2023 March 31, 2024, loans with maturities over one year consisted of approximately $3.1 billion $3.0 billion in fixed rate loans and approximately $1.6 billion $1.7 billion in variable rate loans. The loan maturities noted above are based on the contractual provisions of the individual loans. The Company has no general policy regarding renewals and borrower requests, which are handled on a case-by-case basis.

Nonperforming Loans and Nonperforming Other Assets

Nonperforming loans include: (a) loans accounted for on a nonaccrual basis; (b) accruing loans contractually past due ninety days or more as to interest or principal payments; and (c) loans not included in (a) and (b) above which are defined as “modified”. Repossessed assets include primarily repossessed real estate and automobiles.

The Company’s policy is to discontinue the accrual of interest income on any loan for which principal or interest is ninety days past due. The accrual of interest is discontinued earlier when, in the opinion of management, there is reasonable doubt as to the timely collection of interest or principal. Once interest accruals are discontinued, accrued but uncollected interest is charged against current year income. Subsequent receipts on non-accrual loans are recorded as a reduction of principal, and interest income is recorded only after principal recovery is reasonably assured. Nonaccrual loans are returned to accrual status when, in the opinion of management, the financial position of the borrower indicates there is no longer any reasonable doubt as to the timely collection of interest or principal.

Restructured loans are loans on which, due to deterioration in the borrower’s financial condition, the original terms have been modified in favor of the borrower or either principal or interest has been forgiven. Repossessed assets represent property acquired as the result of borrower defaults on loans. These assets are recorded at estimated fair value, less estimated selling costs, at the time of foreclosure or repossession. Write-downs occurring at foreclosure are charged against the allowance for loan losses. On an ongoing basis, properties are appraised as required by market indications and applicable regulations. Write-downs for subsequent declines in value are recorded in non-interest expense in other real estate owned along with other expenses related to maintaining the properties.

The following table presents information concerning the aggregate amount of nonperforming loans and repossessed assets at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 (dollars in thousands):

	September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023
Nonaccrual loans	$ 19,859	$ 15,956	$ 18,793	$ 18,832
Modified loans which are performing in accordance with revised terms	1,410	3,214	1,271	1,296
Total nonperforming loans	21,269	19,170	20,064	20,128
Repossessed assets	2,296	4,369	1,407	1,164
Total nonperforming loans and repossessed assets	$ 23,565	$ 23,539	$ 21,471	$ 21,292
Nonperforming loans to loans, before allowance for loan losses	0.38 %	0.40 %		
Nonperforming loans and repossessed assets to loans, before allowance for loan losses	0.43 %	0.49 %		
Nonperforming loans to loans, before allowance for credit losses			0.36 %	0.36 %
Nonperforming loans and repossessed assets to loans, before allowance for credit losses			0.39 %	0.38 %

The $3.9 million increase $39,000 decrease in nonaccrual loans during 2023 2024 resulted from the net of $9.4 million $2.2 million of loans put on nonaccrual status offset by $4.6 million $1.7 million of loans becoming current or paid-off, $0.6 million $183,000 of loans transferred to other real estate and $0.2 million $402,000 of loans charged off. The following table summarizes the composition of nonaccrual loans (dollars in thousands):

	September 30, 2023		December 31, 2022		March 31, 2024		December 31, 2023	
	Balance	% of Total	Balance	% of Total	Balance	% of Total	Balance	% of Total
Construction and land development	$ —	—%	$ 14	0.1%				
Agricultural real estate	1,227	6.2%	1,258	7.9%	$ 1,135	6.0%	$ 1,146	6.1%
1-4 family residential properties	5,037	25.4%	4,943	31.0%	4,964	26.4%	4,940	26.2%
Multifamily residential properties	—	—%	672	4.2%				
Commercial real estate	11,131	56.0%	7,640	47.9%	10,105	53.8%	10,237	54.3%
Loans secured by real estate	17,395	87.6%	14,527	91.0%	16,204	86.2%	16,323	86.6%
Agricultural loans	5	—%	57	0.4%	596	3.2%	—	—%
Commercial and industrial loans	2,025	10.2%	1,098	6.9%	1,501	8.0%	1,931	10.3%
Consumer loans	434	2.2%	274	1.7%	492	2.6%	578	3.1%
Total loans	$ 19,859	100.0%	$ 15,956	100.0%	$ 18,793	100.0%	$ 18,832	100.0%

Interest income that would have been reported if nonaccrual and restructured loans had been performing totaled $0.2 million $267,000 and $0.2 million $79,000 for the nine three months ended September 30, 2023 March 31, 2024 and 2022, 2023, respectively.

The $2.3 million $243,000 increase in repossessed assets during the first nine months of 2023 2024 resulted from $0.7 million $243,000 of additional assets repossessed and $1.9 million of no repossessed assets sold, $1.1 million of no writedowns, and approximately $247,000 of no change in fair value premiums and discounts. The following table summarizes the composition of repossessed assets (dollars in thousands):

	September 30, 2023		December 31, 2022		March 31, 2024		December 31, 2023	
	Balance	% of Total	Balance	% of Total	Balance	% of Total	Balance	% of Total
Construction and land development	$ 1,720	74.9%	$ 2,763	63.2%	$ 1,296	92.1%	$ 1,130	97.1%

1-4 family residential properties	—	—%	108	2.5%	50	3.6%	33	2.8%
Commercial real estate	576	25.1%	1,390	31.8%				
Total real estate	2,296	100.0%	4,261	97.5%	1,346	95.7%	1,163	99.9%
Consumer loans	—	—%	108	2.5%	61	4.3%	1	0.1%
Total repossessed collateral	$ 2,296	100.0%	$ 4,369	100.0%	$ 1,407	100.0%	$ 1,164	100.0%

Repossessed assets sold during the first nine three months of 2023 2024 resulted in no net gains gain or loss of $0.1 million related to real estate asset sales and net losses gains of $21,000 $70,000 related to other asset sales. The Company also recognized no deferred losses and recorded $1.1 million of no writedowns on seven real estate properties owned. Repossessed assets sold during the same period in 2022 2023 resulted in net losses gains of $29,000 $97,000 related to real estate asset sales and net losses of $0.1 million $17,000 related to other asset sales. The Company also recognized $0.1 million of no deferred losses and recorded $0.2 million $151,000 of writedowns on real estate properties owned.

Loan Quality and Allowance for Credit Losses

The allowance for credit losses represents management's estimate of the reserve necessary to adequately account for probable losses existing in the current portfolio. The provision for loan losses is the charge against current earnings that is determined by management as the amount needed to maintain an adequate allowance for loan losses. In determining the adequacy of the allowance for loan losses, and therefore the provision to be charged to current earnings, management relies predominantly on a disciplined credit review and approval process that extends to the full range of the Company's credit exposure. The review process is directed by overall lending policy and is intended to identify, at the earliest possible stage, borrowers who might be facing financial difficulty. Factors considered by management in evaluating the overall adequacy of the allowance include a migration analysis of the historical net loan losses by loan segment, the level and composition of nonaccrual, past due and renegotiated loans, trends in volumes and terms of loans, effects of changes in risk selection and underwriting standards or lending practices, lending staff changes, concentrations of credit, industry conditions and the current economic conditions in the region where the Company operates.

Management reviews economic factors including the potential for reduced cash flow for commercial operating loans from reduction in sales or increased operating costs, decreased occupancy rates for commercial buildings, reduced levels of home sales for commercial land developments, the uncertainty regarding grain prices, increased operating costs for farmers, and increased levels of unemployment and bankruptcy impacting consumer's ability to pay. Each of these economic uncertainties was taken into consideration in developing the level of the reserve. Management considers the allowance for loan losses a critical accounting policy.

Management recognizes there are risk factors that are inherent in the Company's loan portfolio. All financial institutions face risk

factors in their loan portfolios because risk exposure is a function of the business. The Company's operations (and therefore its loans) are concentrated in east central Illinois, an area where agriculture is the dominant industry. Accordingly, lending and other business relationships with agriculture-based businesses are critical to the Company's success. At September 30, 2023 March 31, 2024, the Company's loan portfolio included $580.5 million $602.9 million of loans to borrowers whose businesses are directly related to agriculture. Of this amount, $452.9 million $488.5 million was concentrated in other grain farming. Total loans to borrowers whose businesses are directly related to agriculture increased $3.3 million $14.4 million from $577.2 million $588.5 million at December 31, 2022 December 31, 2023 while loans concentrated in other grain farming increased $7.6 million $16.0 million from $445.2 million $472.5 million at December 31, 2022 December 31, 2023. While the Company adheres to sound underwriting practices, including collateralization of loans, any extended period of low commodity prices, drought conditions, significantly reduced yields on crops and/or reduced levels of government assistance to the agricultural industry could result in an increase in the level of problem agriculture loans and potentially result in loan losses within the agricultural portfolio. In addition, the Company has $227.2 million of loans to motels and hotels. The performance of these loans is dependent on borrower specific issues as well as the general level of business and personal travel within the region. While the Company adheres to sound underwriting standards, a prolonged period of reduced business or personal travel could result in an increase in nonperforming loans to this business segment and potentially in loan losses. The Company also has $1,077.5 million $1.06 billion of loans to lessors of non-residential buildings, and $532.8 million $549.3 million of loans to lessors of residential buildings and dwellings.

The structure of the Company's loan approval process is based on progressively larger lending authorities granted to individual loan officers, loan committees, and ultimately the Board of Directors. Outstanding balances to one borrower or affiliated borrowers are limited by federal regulation; however, limits well below the regulatory thresholds are generally observed. Most of the Company's loans are to businesses located in the geographic market areas served by the Company's branch bank system. Additionally, a significant portion of the collateral securing the loans in the portfolio is located within the Company's primary geographic footprint. In general, the Company adheres to loan underwriting standards consistent with industry guidelines for all loan segments.

The Company minimizes credit risk by adhering to sound underwriting and credit review policies. Management and the board of directors of the Company review these policies at least annually. Senior management is actively involved in business development efforts and the maintenance and monitoring of credit underwriting and approval. The loan review system and controls are designed to identify, monitor and address asset quality problems in an accurate and timely manner. The board of directors and management review the status of problem loans each month and formally determine a best estimate of the allowance for loan losses on a quarterly basis. In addition to internal policies and controls, regulatory authorities periodically review asset quality and the overall adequacy of the allowance for loan losses.

Analysis of the allowance for credit losses as of September 30, 2023 March 31, 2024 and 2022, 2023, and of changes in the allowance for the three and nine months ended September 30, 2023 March 31, 2024 and 2022, 2023, is as follows (dollars in thousands):

	Three months ended September 30,		Nine months ended September 30,		Three months ended March 31,	
	2023	2022	2023	2022	2024	2023
Average loans outstanding, net of unearned income	5,19 9,88 $ 5	4,48 1,59 $ 3	4,92 3,32 $ 7	4,33 2,92 $ 5	$ 5,524,185	$ 4,728,697
Allowance-prior year end of period	58,7 19	59,0 75	59,0 93	54,6 55	68,675	59,093
Allowance - beginning of period	58,7 19	59,0 75	59,0 93	54,6 55	68,675	59,093
Initial allowance on loans purchased with credit deterioration	3,79 1	—	3,79 1	863		
Charge-offs:						
Construction and land development	—	—	14	2		

1-4 family residential	21	45	77	186	67	40
Commercial real estate	—	7	25	414		
Agricultural	132	—	408	93	52	—
Commercial and industrial	—	389	62	424	274	13
Consumer	368	392	995	1,059	426	427
Total charge-offs	521	833	1,581	2,178	819	480
Recoveries:						
Construction and land development	—	100	—	100		
1-4 family residential	91	19	193	264	49	24
Commercial real estate	16	8	347	367	161	4
Agricultural	3	38	13	38	—	3
Commercial and industrial	81	63	374	187	64	256
Consumer	150	165	459	480	163	140
Total recoveries	341	393	1,386	1,436	437	427
Net charge-offs (recoveries)	180	440	195	742	382	53
Provision for loan losses	5,911	142	5,552	4,001		
Provision for credit losses					(357)	(817)
Allowance-end of period	$ 68,241	$ 58,777	$ 68,241	$ 58,777	$ 67,936	$ 58,223
Ratio of annualized net charge-offs to average loans	0.01 %	0.04 %	0.01 %	0.02 %	0.03 %	0.00 %
Ratio of allowance for credit losses to loans outstanding (at amortized cost)	1.23 %	1.25 %	1.23 %	1.25 %	1.24 %	1.22 %
Ratio of allowance for credit losses to nonperforming loans	321 %	282 %	321 %	282 %	339 %	384 %

The increase decrease in the allowance for credit losses to nonperforming loans ratio is primarily due to a decline an increase in nonperforming loans the allowance for credit losses due to acquiring Blackhawk Bank at September 30, 2023 March 31, 2024 compared to September 30, 2022 March 31, 2023.

During the first nine three months of 2023, 2024, the Company had net charge offs of $0.2 million $382,000 compared to net charge offs of $0.7 million $53,000 in 2022. 2023. During the first nine three months of 2023, 2024, there were one agricultural loan to one borrower totaling $0.2 million. During the first nine months of 2022, there were significant charge-offs of two commercial real estate loan to one borrower totaling $0.3 million and one commercial operating loan to one borrow borrower totaling $0.3 million. $273,000. During the first three months of 2023, there were no significant charge-offs.

Deposits

Funding of the Company’s earning assets is substantially provided by a combination of consumer, commercial and public fund deposits. The Company continues to focus its strategies and emphasis on retail core deposits, the major component of funding sources. The following table sets forth the average deposits and weighted average rates for the nine three months ended September 30, 2023 March 31, 2024 and 2022 2023 and for the year ended December 31, 2022 December 31, 2023 (dollars in thousands):

	Nine months ended September 30, 2023		Nine months ended September 30, 2022		Year ended December 31, 2022		Three months ended March 31, 2024		Three months ended March 31, 2023		Year ended December 31, 2023	
	Average Balance	Weighted Average Rate	Average Balance	Weighted Average Rate	Average Balance	Weighted Average Rate	Average Balance	Weighted Average Rate	Average Balance	Weighted Average Rate	Average Balance	Weighted Average Rate
Demand deposits:												
Non-interest-bearing	$ 1,265,188	—%	$ 1,370,701	—%	$ 1,356,912	—%	$ 1,367,798	—%	$ 1,273,527	—%	$ 1,312,023	—%
Interest-bearing	2,489,962	1.71%	2,603,995	0.34%	2,598,480	0.53%	3,036,837	2.20%	2,504,073	1.56%	2,618,452	1.83%
Savings	643,343	0.11%	672,484	0.08%	666,334	0.09%	707,849	0.10%	640,347	0.12%	663,760	0.11%
Time deposits	922,944	2.75%	644,840	0.52%	655,240	0.69%	1,028,045	3.64%	699,328	1.69%	961,162	2.98%

Total average deposits	$ 5,321,437	1.29%	$ 5,292,020	0.24%	$ 5,276,966	0.36%	$ 6,140,529	1.71%	$ 5,117,275	1.01%	$ 5,555,397	1.40%

During the first nine three months of 2023, 2024, the average balance of deposits increased by $44.5 million $585.1 million from the average balance for the year ended December 31, 2022 December 31, 2023. Average non-interest-bearing deposits decreased increased by $91.7 million $55.8 million, average interest-bearing balances decreased increased by $108.5 million $418.4 million, savings account balances decreased $23.0 million increased $44.1 million and balances of time deposits increased $267.7 million $66.9 million. Approximately 99% of the Company's deposit accounts are less than $250,000. The average account balance for all deposit customers is approximately $25,000.

The following table sets forth the high and low month-end balances for the nine three months ended September 30, 2023 March 31, 2024 and 2022 2023 and for the year ended December 31, 2022 December 31, 2023 (in thousands):

	Nine months ended September 30, 2023	Nine months ended September 30, 2022	Year ended December 31, 2022	Three months ended March 31, 2024	Three months ended March 31, 2023	Year ended December 31, 2023
High month-end balances of total deposits	$ 6,346,324	$ 5,487,305	$ 5,487,305	$ 6,242,937	$ 5,165,594	$ 6,346,324
Low month-end balances of total deposits	5,030,778	4,904,973	4,904,973	6,112,051	5,030,778	5,030,778

Balances of time deposits, including brokered time deposits of $100,000 or more include time deposits maintained for public fund entities and consumer time deposits. The following table sets forth the maturity of time deposits, including brokered time deposits of $100,000 or more at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 (in thousands):

	September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023
3 months or less	$ 196,589	$ 80,856	$ 183,002	$ 183,619
Over 3 through 6 months	156,938	31,771	195,934	231,187
Over 6 through 12 months	270,623	127,405	207,190	170,641
Over 12 months	141,218	183,597	88,487	117,657
Total	$ 765,368	$ 423,629	$ 674,613	$ 703,104

Repurchase Agreements and Other Borrowings

Securities sold under agreements to repurchase are short-term obligations of First Mid Bank and Blackhawk Bank. These obligations are collateralized with certain government securities that are direct obligations of the United States or one of its agencies. These retail repurchase agreements are offered as a cash management service to its corporate customers. Other borrowings consist of Federal Home Loan Bank ("FHLB") advances, federal funds purchased, loans (short-term or long-term debt) that the Company has outstanding and junior subordinated debentures. Information relating to securities sold under agreements to repurchase and other borrowings as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 is presented below (dollars in thousands):

	September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023
Securities sold under agreements to repurchase	$ 214,978	$ 221,414	$ 210,719	$ 213,721
Federal Home Loan Bank advances:				
FHLB – overnite	—	65,000		
Fixed term – due in one year or less	50,000	110,040	60,000	60,000
Fixed term – due after one year	314,953	290,031	178,761	203,787
Other borrowings:				
Subordinated debt	106,648	94,553	106,862	106,755
Junior subordinated debentures	24,003	19,364	24,113	24,058
Total	$ 710,582	$ 800,402	$ 580,455	$ 608,321
Average interest rate at end of period	4.58 %	2.52 %	4.09 %	4.41 %
Maximum outstanding at any month-end:				
Securities sold under agreements to repurchase	$ 231,650	$ 257,061	$ 282,285	$ 231,650
Federal Home Loan Bank advances:				
FHLB – overnite	150,000	310,000		
FHLB – overnight			—	150,000
Fixed term – due in one year or less			60,000	105,024
Fixed term – due after one year			203,778	415,005
Other borrowings:				
Subordinated debt			106,862	106,755
Junior subordinated debentures			24,113	24,058
Averages for the period (YTD):				
Securities sold under agreements to repurchase			$ 264,587	$ 225,307
Federal Home Loan Bank advances:				
FHLB – overnight			—	55,104
Fixed term – due in one year or less	105,024	160,048	60,000	95,669
Fixed term – due after one year	415,005	290,031	198,554	311,424
Other borrowings:				
Federal funds purchased	—	10,000	—	192
Subordinated debt	114,814	94,553	106,791	99,638
Junior subordinated debentures	24,003	19,364	24,084	21,337
Averages for the period (YTD):				
Securities sold under agreements to repurchase	$ 223,396	$ 202,242		
Federal Home Loan Bank advances:				

FHLB – overnite	73,674	100,084		
Fixed term – due in one year or less	83,777	94,247		
Fixed term – due after one year	346,958	82,070		
Other borrowings:				
Federal funds purchased	256	481		
Loans due in one year or less	—	14		
Subordinated debt	98,208	94,471		
Junior subordinated debentures	19,356	19,275		
Total	$ 845,625	$ 592,884	$ 654,016	$ 808,671
Average interest rate during the period	3.61 %	2.16 %	3.75 %	2.16 %

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Securities sold under agreements to repurchase decreased $6.4 million $3.0 million during the first nine three months of 2023 2024 primarily due to the cash flow needs of various customers. FHLB advances represent borrowings by First Mid Bank and Blackhawk Bank to economically fund loan demand. At September 30, 2023 March 31, 2024 the fixed term advances, consisted of $364.7 million $238.6 million as follows:

Advance	Term (in years)	Interest Rate	Maturity Date
25,000,000	1.0	4.81%	November 10, 2023
25,000,000	1.5	4.69%	May 10, 2024
25,000,000	2.0	4.59%	November 8, 2024
10,000,000	5.0	1.45%	December 31, 2024
5,000,000	5.0	0.91%	March 10, 2025
4,746,475	10.0	2.64%	December 23, 2025
25,000,000	3.0	4.40%	June 15, 2026
50,000,000	4.0	3.49%	December 8, 2027
50,000,000	4.0	3.28%	December 8, 2027
25,000,000	5.0	3.47%	March 13, 2028
25,000,000	5.0	3.67%	June 15, 2028
25,000,000	5.0	3.71%	June 29, 2028
25,000,000	5.0	3.82%	June 29, 2028
25,000,000	5.0	3.95%	June 29, 2028
5,000,000	10.0	1.15%	October 3, 2029
5,000,000	10.0	1.12%	October 3, 2029
10,000,000	10.0	1.39%	December 31, 2029

Advance	Term (in years)	Interest Rate	Maturity Date

25,000,000	1.5	4.69%	May 10, 2024
25,000,000	2.0	4.59%	November 8, 2024
10,000,000	5.0	1.45%	December 31, 2024
5,000,000	5.0	0.91%	March 10, 2025
3,605,826	10.0	2.64%	December 23, 2025
25,000,000	3.0	4.40%	June 15, 2026
50,000,000	4.0	3.49%	December 8, 2027
25,000,000	5.0	3.67%	June 15, 2028
25,000,000	5.0	3.82%	June 29, 2028
25,000,000	5.0	3.95%	June 29, 2028
5,000,000	10.0	1.15%	October 3, 2029
5,000,000	10.0	1.12%	October 3, 2029
10,000,000	10.0	1.39%	December 31, 2029

The Company is party to a revolving credit agreement with The Northern Trust Company in the amount of $15 million. There was no balance on this line of credit as of September 30, 2023 March 31, 2024. This loan was renewed on April 7, 2023 April 5, 2024 for one year as a revolving credit agreement. The interest rate is floating at 2.25% over the federal funds rate. The Company and First Mid Bank and Blackhawk Bank, as applicable, were in compliance with the existing covenants at September 30, 2023 March 31, 2024 and 2022, 2023, and December 31, 2022 December 31, 2023.

On October 6, 2020, the Company issued and sold $96.0 million in aggregate principal amount of its 3.95% Fixed-to-Floating Rate Subordinated Notes due 2030 (the “Notes”). The Notes were issued pursuant to the Indenture, dated as of October 6, 2020 (the “Base Indenture”), between the Company and U.S. Bank National Association, as trustee (the “Trustee”), as supplemented by the First Supplemental Indenture, dated as of October 6, 2020 (the “Supplemental Indenture”), between the Company and the Trustee. The Base Indenture, as amended and supplemented by the Supplemental Indenture, governs the terms of the Notes and provides that the Notes are unsecured, subordinated debt obligations of the Company and will mature on October 15, 2030. From and including the date of issuance to, but excluding October 15, 2025, the Notes will bear interest at an initial rate of 3.95% per annum. From and including October 15, 2025 to, but excluding the maturity date or earlier redemption, the Notes will bear interest at a floating rate equal to three-month Term SOFR plus a spread of 383 basis points, or such other rate as determined pursuant to the Supplemental Indenture, provided that in no event shall the applicable floating interest rate be less than zero per annum.

The Company may, beginning with the interest payment date of October 15, 2025, and on any interest payment date thereafter, redeem the Notes, in whole or in part, at a redemption price equal to 100% of the principal amount of the Notes to be redeemed plus accrued and unpaid interest to but excluding the date of redemption. The Company may also redeem the Notes at any time, including prior to October 15, 2025, at the Company’s option, in whole but not in part, if: (i) a change or prospective change in law occurs that could prevent the Company from deducting interest payable on the Notes for U.S. federal income tax purposes; (ii) a subsequent event occurs that could preclude the Notes from being recognized as Tier 2 capital for regulatory capital purposes; or (iii) the Company is required to register as an investment company under the Investment Company Act of 1940, as amended; in each case, at a redemption price equal to 100% of the principal amount of the Notes plus any accrued and unpaid interest to but excluding the redemption date.

On August 15, 2023, the Company assumed, as part of the Blackhawk Bancorp, Inc. acquisition, $7.5 million principal amount of 3.5% Fixed-to-Floating Rate Subordinated Notes due 2031 (“Blackhawk Subordinated Debt I”). Blackhawk Subordinated Debt I was issued pursuant to Indenture between the Company and UMB Bank, as trustee (the “Trustee”). The Indenture governs the terms of the Notes and provides that the Notes are unsecured, subordinated debt obligations of the Company and will mature on May 14, 2031. From and including the date of issuance to, but excluding May 14, 2026, the Notes will bear interest at an initial rate of 3.5% per annum. From and including May 14, 2026 to, but excluding the maturity date, the Notes will bear interest at a floating rate equal to three-month Term SOFR plus a spread of 285 basis points.

On August 15, 2023, the Company assumed, as part of the Blackhawk Bancorp, Inc. acquisition, $7.5 million principal amount of 3.875% Fixed-to-Floating Rate Subordinated Notes due 2036 ("Blackhawk Subordinated Debt II"). Blackhawk Subordinated Debt II

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was issued pursuant to Indenture between the Company and UMB Bank, as trustee (the "Trustee"). The Indenture governs the terms of the Notes and provides that the Notes are unsecured, subordinated debt obligations of the Company and will mature on May 14, 2036. From and including the date of issuance to, but excluding May 14, 2031, the Notes will bear interest at an initial rate of 3.875%

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per annum. From and including May 14, 2031 to, but excluding the maturity date, the Notes will bear interest at a floating rate equal to three-month Term SOFR plus a spread of 255 basis points.

On April 26, 2006, the Company completed the issuance and sale of $10 million of fixed/floating rate trust preferred securities through First Mid-Illinois Statutory Trust II ("Trust II"), a statutory business trust and wholly owned unconsolidated subsidiary of the Company, as part of a pooled offering. The Company established Trust II for the purpose of issuing the trust preferred securities. The $10 million in proceeds from the trust preferred issuance and an additional $310,000 for the Company's investment in common equity of Trust II, a total of $10,310 000, was invested in junior subordinated debentures of the Company. The underlying junior subordinated debentures issued by the Company to Trust II mature in 2036, bore interest at a fixed rate of 6.98% paid quarterly until June 15, 2011 and then converted to floating rate (LIBOR plus 160 basis points, 7.27% 7.19% and 6.37% 7.25% at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively).

On September 8, 2016, the Company assumed the trust preferred securities of Clover Leaf Statutory Trust I ("CLST I"), a statutory business trust that was a wholly owned unconsolidated subsidiary of First Clover Financial. The $4,000,000 of trust preferred securities and an additional $124,000 investment in common equity of CLST I, is invested in junior subordinated debentures issued to CLST I. The subordinated debentures mature in 2025, bear interest at three-month LIBOR plus 185 basis points (7.52% (7.44% and 6.47% 7.50% at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively) and resets quarterly.

On May 1, 2018, the Company assumed the trust preferred securities of FBTC Statutory Trust I ("FBTCST I"), a statutory business trust that was a wholly owned unconsolidated subsidiary of First BancTrust Corporation. The $6,000,000 of trust preferred securities and an additional $186,000 investment in common equity of FBTCST I is invested in junior subordinated debentures issued to FBTCST I. The subordinated debentures mature in 2035, bear interest at three-month LIBOR plus 170 basis points (7.37% (7.29% and 6.62% 7.35% at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively) and resets quarterly.

On August 15, 2023, the Company assumed the trust preferred securities of Blackhawk Statutory Trust I ("BHST I"), a statutory business trust that was a wholly owned unconsolidated subsidiary of Blackhawk Bancorp, Inc. The $1,000,000 of trust preferred securities and an additional $31,000 investment in common equity of BHST I is invested in junior subordinated debentures issued to BHST I. The subordinated debentures mature in 2032, bear interest at three-month LIBOR plus 325 basis points (8.91% (8.82% and 8.87% at September 30, 2023) March 31, 2024 and December 31, 2023, respectively) and resets quarterly.

On August 15, 2023, the Company assumed the trust preferred securities of Blackhawk Statutory Trust II ("BHST II"), a statutory business trust that was a wholly owned unconsolidated subsidiary of Blackhawk Bancorp, Inc. The $4,000,000 of trust preferred securities and an additional $124,000 investment in common equity of BHST II is invested in junior subordinated debentures issued to BHST II. The subordinated debentures mature in 2035, bear interest at three-month LIBOR plus 205 basis points (7.72% (7.64% and 7.69% at September 30, 2023) March 31, 2024 and December 31, 2023, respectively) and resets quarterly.

The trust preferred securities issued by Trust II, CLST I, FBTCST I, BHST I, and BHST II are included as Tier 1 capital of the Company for regulatory capital purposes. On March 1, 2005, the Federal Reserve Board adopted a final rule that allows the continued limited inclusion of trust preferred securities in the calculation of Tier 1 capital for regulatory purposes. The final rule provided a five-year transition period, ending September 30, 2010, for application of the revised quantitative limits. On March 17, 2009, the Federal Reserve Board adopted an additional final rule that delayed the effective date of the new limits on inclusion of trust preferred securities in the calculation of Tier 1 capital until March 31, 2012. The application of the revised quantitative limits did not and is not expected to have a significant impact on its calculation of Tier 1 capital for regulatory purposes or its classification as well-capitalized. The Dodd-Frank Act, signed into law July 21, 2010, removes trust preferred securities as a permitted component of a holding company's Tier 1 capital after a three-year phase-in period beginning January 1, 2013 for larger holding companies. For holding companies with less than $15 billion in consolidated assets, existing issues of trust preferred securities are grandfathered and not subject to this new restriction.

Similarly, the final rule implementing the Basel III reforms allows holding companies with less than $15 billion in consolidated assets as of December 31, 2009 to continue to count toward Tier 1 capital any trust preferred securities issued before May 19, 2010. New issuances of trust preferred securities, however, would not count as Tier 1 regulatory capital.

In addition to requirements of the Dodd-Frank Act discussed above, the act also required the federal banking agencies to adopt certain rules that prohibit banks and their affiliates from engaging in proprietary trading and investing in and sponsoring certain unregistered investment companies (defined as hedge funds and private equity funds). This rule is generally referred to as the "Volcker Rule." The rules permit the retention of an interest in or sponsorship of covered funds by banking entities under $15 billion in assets (such as the Company) if (1) the collateralized debt obligation was established and issued prior to May 19, 2010, (2) the

banking entity reasonably believes that the offering proceeds received by the collateralized debt obligation were invested primarily in qualifying trust preferred collateral, and (3) the banking entity's interests in the collateralized debt obligation was acquired on or prior to December 10, 2013. The Company does not currently anticipate that the Volcker Rule will have a material effect on the

operations of the Company or First Mid Bank or Blackhawk Bank.

Interest Rate Sensitivity

The Company seeks to maximize its net interest margin while maintaining an acceptable level of interest rate risk. Interest rate risk can be defined as the amount of forecasted net interest income that may be gained or lost due to changes in the interest rate environment, a variable over which management has no control. Interest rate risk, or sensitivity, arises when the maturity or repricing characteristics of interest-bearing assets differ significantly from the maturity or repricing characteristics of interest- bearing liabilities. The Company monitors its interest rate sensitivity position to maintain a balance between rate sensitive assets and rate sensitive liabilities. This balance serves to limit the adverse effects of changes in interest rates. The Company's asset liability management committee (ALCO) oversees the interest rate sensitivity position and directs the overall allocation of funds.

In the banking industry, a traditional way to measure potential net interest income exposure to changes in interest rates is through a technique known as "static GAP" analysis which measures the cumulative differences between the amounts of assets and liabilities maturing or repricing at various intervals. By comparing the volumes of interest-bearing assets and liabilities that have contractual maturities and repricing points at various times in the future, management can gain insight into the amount of interest rate risk embedded in the balance sheet. The following table sets forth the Company's interest rate repricing GAP for selected maturity periods at September 30, 2023 March 31, 2024 (dollars in thousands):

	Rate Sensitive Within								Rate Sensitive Within							
	1 years	1-2 years	2-3 years	3-4 years	4-5 years	Thereafter	Total	Fair Value	1 years	1-2 years	2-3 years	3-4 years	4-5 years	Thereafter	Total	Fair Value
Interest-earning assets:																
Federal funds sold and other interest-bearing deposits	$ 240,471	$ —	$ —	$ —	$ —	$ —	$ 240,471	$ 240,471	$ 274,695	$ —	$ —	$ —	$ —	$ —	$ 274,695	$ 274,695
Certificates of deposit investments	735	490	735	—	—	—	1,960	1,960	1,715	2,030	—	—	—	—	3,745	3,745
Taxable investment securities	157,559	103,089	81,852	104,784	123,937	392,371	963,592	963,592	36,924	34,001	13,268	63,542	104,572	620,024	872,331	872,331
Nontaxable investment securities	4,113	4,683	1,502	5,104	5,135	240,657	261,194	261,194	2,885	895	1,900	4,125	5,354	258,517	273,676	273,676

Loans	1,916,493	824,813	898,290	1,047,320	301,152	551,997	5,540,065	5,216,182	1,600,363	1,003,508	1,168,997	615,630	410,860	699,937	5,499,295	5,134,126
Total	$ 2,319,371	$ 933,075	$ 982,379	$ 1,157,208	$ 430,224	$ 1,185,025	$ 7,007,282	$ 6,683,399	$ 1,916,582	$ 1,040,434	$ 1,184,165	$ 683,297	$ 520,786	$ 1,578,478	$ 6,923,742	$ 6,558,573
Interest-bearing liabilities:																
Savings and NOW accounts	$ 803,780	$ 246,575	$ 246,575	$ 246,575	$ 246,575	$ 884,459	$ 2,674,539	$ 2,674,539	$ 355,200	$ 377,202	$ 314,546	$ 262,538	$ 219,329	$ 1,150,819	$ 2,679,634	$ 2,679,634
Money market accounts	644,325	73,352	73,352	73,352	73,352	224,224	1,161,957	1,161,957	292,878	187,045	143,819	110,624	85,127	287,684	1,107,177	1,107,177

Other time deposits	909,812	119,302	30,443	17,091	42,623	1,535	1,120,806	1,028,394	867,420	60,412	22,962	48,006	8,401	625	1,007,826	930,726
Short-term borrowings/debt	214,978	—	—	—	—	—	214,978	214,984	210,719	—	—	—	—	—	210,719	210,719
Long-term borrowings/debt	74,003	40,015	136,586	—	225,000	20,000	495,604	479,134	189,119	28,755	119,754	6,457	—	25,651	369,736	358,484
Total	$ 2,646,898	$ 479,244	$ 486,956	$ 337,018	$ 587,550	$ 1,130,218	$ 5,667,884	$ 5,559,008	$ 1,915,336	$ 653,414	$ 601,081	$ 427,625	$ 312,857	$ 1,464,779	$ 5,375,092	$ 5,286,740
Rate sensitive assets – rate sensitive liabilities	$ (327,527)	$ 453,831	$ 495,423	$ 820,190	$ (157,326)	$ 54,807	$ 1,339,398		$ 1,246	$ 387,020	$ 583,084	$ 255,672	$ 207,929	$ 113,699	$ 1,548,650	

Cumulative GAP	(327,527)	126,304	621,727	1,441,917	1,284,591	1,339,398	1,246	388,266	971,350	1,227,022	1,434,951	1,548,650
Cumulative amounts as % of total Rate sensitive assets	-4.7%	6.5%	7.1%	11.7%	-2.2%	0.8%	0.0%	5.6%	8.4%	3.7%	3.0%	1.6%
Cumulative Ratio	-4.7%	1.8%	8.9%	20.6%	18.3%	19.1%	0.0%	5.6%	14.0%	17.7%	20.7%	22.4%

The static GAP analysis shows that at September 30, 2023 March 31, 2024, the Company was liability sensitive, on a cumulative basis, through the twelve-month time horizon. This indicates that future increases in interest rates could have an adverse effect on net interest income. There are several ways the Company measures and manages the exposure to interest rate sensitivity, including static GAP analysis. The Company's ALCO also uses other financial models to project interest income under various rate scenarios and prepayment/extension assumptions consistent with First Mid Bank's and Blackhawk Bank's historical experience and with known industry trends. ALCO meets at least monthly to review the Company's exposure to interest rate changes as indicated by the various techniques and to make necessary changes in the composition terms and/or rates of the assets and liabilities.

Capital Resources

At September 30, 2023 March 31, 2024, the Company's stockholders' equity increased $104.8 million $4.7 million or 16.6% 0.6%, to $737.9 million $798.0 million from $633.2 million $793.2 million as of December 31, 2022 December 31, 2023. During the first nine three months of 2023, 2024, net income contributed $50.9 million $20.5 million to equity before the payment of dividends to stockholders. The change in market value of available-for-sale investment securities decreased stockholders' equity by $27.4 million $11.2 million, net of tax. Dividends of $14.1 million $5.5 million were paid during the first nine three months of 2023. 2024.

The Company is subject to various regulatory capital requirements administered by the federal banking agencies. Bank holding companies follow minimum regulatory requirements established by the Board of Governors of the Federal Reserve System ("Federal Reserve System"), each of First Mid Bank and Blackhawk Bank follows similar minimum regulatory requirements established for

banks by the Office of the Comptroller of the Currency ("OCC") and the Federal Deposit Insurance Corporation, as applicable. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary action by regulators that, if undertaken, could have a direct material effect on the Company's financial statements. Quantitative measures established by regulatory capital standards to ensure capital adequacy require the Company and its subsidiary bank to maintain minimum capital amounts and ratios (set forth in the table below). Management believes that, as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, the Company and First Mid Bank and Blackhawk Bank, as applicable, met all capital adequacy requirements.

As permitted by the interim final rule issued on March 27, 2020 by the federal banking regulatory agencies, the Company elected the option to delay the estimated impact on regulatory capital of adopting ASU 2016-13, which was effective January 1, 2020. The initial impact of adoption of ASU 2016-13, as well as 25% of the quarterly increases in allowance for credit losses subsequent to adoption of ASU 2016-13 was delayed for two years. After two years, the cumulative amount of these adjustments is being phased out of the regulatory capital calculation over a three-year period, with 75% of the adjustments included in 2022, 50% of the adjustments included in 2023 and 25% of the adjustments included in 2024. After five years, the temporary delay of ASU 2016-13 adoption will be fully reversed.

To be categorized as well-capitalized, total risk-based capital, Tier 1 risk-based capital, common equity Tier 1 risk-based capital and Tier 1 leverage ratios must be maintained as set forth in the following table (dollars in thousands):

	Actual		Required Minimum For Capital Adequacy Purposes		To Be Well-Capitalized Under Prompt Corrective Action Provisions	
	Amount	**Ratio**	**Amount**	**Ratio**	**Amount**	**Ratio**
September 30, 2023						
Total capital (to risk-weighted assets)						
Company	$ 876,544	12.60 %	$ 730,434	> 10.50%	N/A	N/A
First Mid Bank	754,477	14.44 %	548,779	> 10.50%	$ 522,646	> 10.00%
Blackhawk Bank	85,675	10.04 %	89,629	> 10.50%	85,361	> 10.00%
Tier 1 capital (to risk-weighted assets)						
Company	708,961	10.19 %	591,304	> 8.50%	N/A	N/A
First Mid Bank	699,623	13.39 %	444,249	> 8.50%	418,117	> 8.00%
Blackhawk Bank	79,594	9.32 %	72,556	> 8.50%	68,288	> 8.00%
Common equity tier 1 capital (to risk-weighted assets)						
Company	684,958	9.85 %	486,956	> 7.00%	N/A	N/A
First Mid Bank	699,623	13.39 %	365,852	> 7.00%	339,720	> 6.50%
Blackhawk Bank	79,594	9.32 %	59,752	> 7.00%	55,484	> 6.50%
Tier 1 capital (to average assets)						
Company	708,961	9.74 %	291,120	> 4.00%	N/A	N/A
First Mid Bank	699,623	10.57 %	264,785	> 4.00%	330,981	> 5.00%
Blackhawk Bank	79,594	5.70 %	55,864	> 4.00%	69,830	> 5.00%

	Actual Amount	Actual Ratio	Required Minimum For Capital Adequacy Purposes Amount	Required Minimum For Capital Adequacy Purposes Ratio	To Be Well-Capitalized Under Prompt Corrective Action Provisions Amount	To Be Well-Capitalized Under Prompt Corrective Action Provisions Ratio
December 31, 2022						
Total capital (to risk-weighted assets)						
Company	$ 801,966	15.20 %	$ 554,164	>10.50%	N/A	N/A
First Mid Bank	745,624	14.18 %	552,161	>10.50%	$ 525,868	> 10.00%
Tier 1 capital (to risk-weighted assets)						
Company	654,453	12.40 %	448,609	> 8.50%	N/A	N/A
First Mid Bank	692,664	13.17 %	446,987	> 8.50%	420,694	> 8.00%
Common equity tier 1 capital (to risk-weighted assets)						
Company	635,089	12.03 %	369,442	> 7.00%	N/A	N/A
First Mid Bank	692,664	13.17 %	368,107	> 7.00%	341,814	> 6.50%
Tier 1 capital (to average assets)						
Company	654,453	9.68 %	268,875	> 4.00%	N/A	N/A
First Mid Bank	692,664	10.22 %	270,990	> 4.00%	338,738	> 5.00%

	Actual		Required Minimum For Capital Adequacy Purposes		To Be Well-Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
March 31, 2024						
Total capital (to risk-weighted assets)						
Company	$ 911,432	15.35 %	$ 623,272	> 10.50%	N/A	N/A
First Mid Bank	863,888	14.60 %	621,287	> 10.50%	$ 591,702	> 10.00%
Tier 1 capital (to risk-weighted assets)						
Company	739,782	12.46 %	504,553	> 8.50%	N/A	N/A
First Mid Bank	799,100	13.51 %	502,946	> 8.50%	473,361	> 8.00%
Common equity tier 1 capital (to risk-weighted assets)						
Company	715,669	12.06 %	415,514	> 7.00%	N/A	N/A
First Mid Bank	799,100	13.51 %	414,191	> 7.00%	384,606	> 6.50%
Tier 1 capital (to average assets)						
Company	739,782	9.71 %	304,756	> 4.00%	N/A	N/A
First Mid Bank	799,100	10.54 %	303,404	> 4.00%	379,255	> 5.00%
December 31, 2023						
Total capital (to risk-weighted assets)						
Company	$ 894,259	14.84 %	$ 632,724	>10.50%	N/A	N/A
First Mid Bank	854,235	14.22 %	630,581	>10.50%	$ 600,553	> 10.00%

Tier 1 capital (to risk-weighted assets)						
Company	724,186	12.02 %	512,205	> 8.50%	N/A	N/A
First Mid Bank	790,917	13.17 %	510,470	> 8.50%	480,443	> 8.00%
Common equity tier 1 capital (to risk-weighted assets)						
Company	700,128	11.62 %	421,816	> 7.00%	N/A	N/A
First Mid Bank	790,917	13.17 %	420,387	> 7.00%	390,360	> 6.50%
Tier 1 capital (to average assets)						
Company	724,186	9.33 %	310,587	> 4.00%	N/A	N/A
First Mid Bank	790,917	10.23 %	309,151	> 4.00%	386,439	> 5.00%

The Company's risk-weighted assets, capital, and capital ratios for September 30, 2023 March 31, 2024 are computed in accordance with Basel III capital rules which were effective January 1, 2015. As of September 30, 2023 March 31, 2024, the Company and First Mid Bank and Blackhawk Bank had capital ratios above the required minimums for regulatory capital adequacy, and First Mid Bank and Blackhawk Bank had capital ratios that qualified it for treatment as well-capitalized under the regulatory framework for prompt corrective action with respect to banks.

Stock Plans

Participants may purchase Company stock under the following three plans of the Company: The Deferred Compensation Plan, the Dividend Reinvestment Plan, and the Stock Incentive Plan. For more detailed information on these plans, refer to the Company's Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023.

At the Annual Meeting of Stockholders held April 26, 2017, the stockholders approved the 2017 Stock Incentive Plan ("SI Plan"). The SI Plan was implemented to succeed the Company's 2007 Stock Incentive Plan, which had a ten-year term. The SI Plan is intended to provide a means whereby directors, employees, consultants and advisors of the Company and its Subsidiaries may sustain a sense of proprietorship and personal involvement in the continued development and financial success of the Company and its Subsidiaries, thereby advancing the interests of the Company and its stockholders. Accordingly, directors and selected employees, consultants and advisors may be provided the opportunity to acquire shares of Common Stock of the Company on the terms and conditions established in the SI Plan.

Following the stockholders' approval at the 2021 annual meeting of the Company, a maximum of 399,983 shares of common stock may be issued under the SI Plan. The Company awarded 60,550 53,766 and 61,400 60,550 restricted stock awards during 2023 2024 and 2022, 2023, respectively and 37,900 39,150 and 37,150 37,900 as stock unit awards during 2023 2024 and 2022, 2023, respectively.

Employee Stock Purchase Plan

At the Annual Meeting of Stockholders held April 25, 2018, the stockholders approved the First Mid-Illinois Bancshares, Inc. Employee Stock Purchase Plan ("ESPP"). The ESPP is intended to promote the interests of the Company by providing eligible employees with the opportunity to purchase shares of common stock of the Company at a 15% discount through payroll deductions. The ESPP is also intended to qualify as an employee stock purchase plan under Section 423 of the Internal Revenue Code. A maximum of 600,000 shares of common stock may be issued under the ESPP. As of September 30, 2023 March 31, 2024, 83,501 102,340 shares have been issued pursuant to the ESPP. During the nine three months ended September 30, 2023 March 31, 2024 and 2022, 28,762 2023, 8,612 shares and 14,430 7,963 shares, respectively, were issued pursuant to the ESPP.

Stock Repurchase Program

Since August 5, 1998, the Board of Directors has approved repurchase programs pursuant to which the Company may repurchase a total of approximately $76.7 million of the Company's common stock. During 2023, 2024, the Company repurchased 170 did not repurchase any shares. All of these shares were a result of shares withheld for taxes on vested employee stock incentives. The Company has approximately $4.1 million $3.6 million in remaining capacity under its existing repurchase program.

Although the Company adopted the repurchase plan, the Company may make discretionary repurchases in the open market or in privately negotiated transactions from time to time. The timing, manner, price and amount of any such repurchases will be determined by the Company at its discretion and will depend upon a variety of factors including economic and market conditions, price, applicable legal requirements and other factors.

Liquidity

Liquidity represents the ability of the Company and its subsidiaries to meet all present and future financial obligations arising in the daily operations of the business. Financial obligations consist of the need for funds to meet extensions of credit, deposit withdrawals and debt servicing. The Company's liquidity management focuses on the ability to obtain funds economically through assets that may be converted into cash at minimal costs or through other sources. The Company's other sources of cash include overnight federal fund lines, Federal Home Loan Bank advances, deposits of the State of Illinois, the ability to borrow at the Federal Reserve Bank of Chicago, and the Company's operating line of credit with The Northern Trust Company.

Details of the Company's liquidity sources include:

- First Mid Bank has $100 million $120 million available in overnight federal fund lines, including $30 million from First Horizon Bank, N.A., $20 million fr U.S. Bank, N.A., $10 million from Wells Fargo Bank, N.A., $15 million from The Northern Trust Company, and $25 million from Zions Bank. As of June 30, 2022, First Mid had purchased $10 million of federal funds Bank, and $20 million from The Northern Trust Company. BMO Bank, N.A. Availability o the funds is subject to First Mid Bank meeting minimum regulatory capital requirements for total capital to risk-weighted assets and Tier 1 capital to to average assets. As of September 30, 2023 March 31, 2024, First Mid Bank met these regulatory requirements.
- First Mid Bank can borrow from the Federal Home Loan Bank as a source of liquidity. Availability of the funds is subject to the pledging of collateral to the Federal Home Loan Bank. Collateral that can be pledged includes one-to-four family residential real estate loans and securities. At September 30 2023 March 31, 2024, the excess collateral at the FHLB would support approximately $644 million $1,683 million of additional advances for First Mid Bank and $173 million of additional advances for Blackhawk Bank.

- First Mid Bank and Blackhawk Bank are members is a member of the Federal Reserve System and can borrow funds provided that sufficient collatera pledged.
- In addition, as of September 30, 2023 March 31, 2024, the Company had a revolving credit agreement in the amount of $15 million with The Northern Trust Company with an outstanding balance of $0 million $0 and $15 million in available funds. This loan was renewed on April 7, 2023 April 5, 2024 f one year as a revolving credit agreement. The interest rate is floating at 2.25% over the federal funds rate. The loan is unsecured. The Company and subsidiary bank were in compliance with the existing covenants at September 30, 2023 March 31, 2024 and 2022 2023 and December 31, 2022 December 31, 2023.

Management continues to monitor its expected liquidity requirements carefully, focusing primarily on cash flows from:

- lending activities, including loan commitments, letters of credit and mortgage prepayment assumptions;
- deposit activities, including seasonal demand of private and public funds;
- investing activities, including prepayments of mortgage-backed securities and call provisions on U.S. Treasury and government agency securities; an

- operating activities, including scheduled debt repayments and dividends to stockholders.

The following table summarizes significant contractual obligations and other commitments at September 30, 2023 March 31, 2024 (in thousands):

	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Time deposits	$ 1,120,806	$ 909,812	$ 149,745	$ 59,714	$ 1,535	$ 1,007,826	$ 867,420	$ 83,374	$ 56,407	$ 625
Debt	130,651	—	3,985	—	126,666	130,975	—	4,026	—	126,949
Other borrowing	579,931	264,978	69,953	225,000	20,000	449,480	275,725	28,755	125,000	20,000
Operating leases	16,468	2,954	4,643	3,654	5,217	16,437	3,079	5,072	3,746	4,540
Supplemental retirement	1,858	50	100	150	1,558	1,889	50	100	150	1,589
	$ 1,849,714	$ 1,177,794	$ 228,426	$ 288,518	$ 154,976	$ 1,606,607	$ 1,146,274	$ 121,327	$ 185,303	$ 153,703

For the nine three months ended September 30, 2023 March 31, 2024, net cash of $43.6 million $29.0 million was provided by operating activities, $412.6 million $97.4 million was provided by investing activities, and $225.4 million $86.2 million was used in provided by financing activities. In total, cash and cash equivalents increased by $230.8 million $212.6 million since year-end 2022.

2023.

Off-Balance Sheet Arrangements

First Mid Bank and Blackhawk Bank enter enters into financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include lines of credit, letters of credit and other commitments to extend credit. Each of these instruments involves, to varying degrees, elements of credit, interest rate and liquidity risk in excess of the amounts recognized in the consolidated balance sheets. The Company uses the same credit policies and requires similar collateral in approving lines of credit and commitments and issuing letters of credit as it does in making loans. The exposure to credit losses on financial instruments is represented by the contractual amount of these instruments. However, the Company does not anticipate any losses from these instruments. The off-balance sheet financial instruments whose contract amounts represent credit risk at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 were as follows (in thousands):

	September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023
Unused commitments and lines of credit:				
Commercial real estate	$ 192,902	$ 147,702	$ 208,330	$ 219,117
Commercial operating	719,434	655,676	680,611	681,360
Home equity	113,382	63,570	106,151	104,142

Other	285,135	307,030	300,026	311,907
Total	$ 1,310,853	$ 1,173,978	$ 1,295,118	$ 1,316,526
Standby letters of credit	$ 22,695	$ 10,162	$ 16,759	$ 17,401

Commitments to originate credit represent approved commercial, residential real estate and home equity loans that generally are expected to be funded within ninety days. Lines of credit are agreements by which the Company agrees to provide a borrowing accommodation up to a stated amount as long as there is no violation of any condition established in the loan agreement. Both commitments to originate credit and lines of credit generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the lines and some commitments are expected to expire without being drawn upon, the total amounts do not necessarily represent future cash requirements.

Standby letters of credit are conditional commitments issued by the Company to guarantee the financial performance of customers to third parties. Standby letters of credit are primarily issued to facilitate trade or support borrowing arrangements and generally expire in one year or less. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending credit facilities to customers. The maximum amount of credit that would be extended under letters of credit is equal to the total off-balance sheet contract amount of such instrument. The Company's deferred revenue under standby letters of credit was nominal.

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

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There has been no material change in the market risk faced by the Company since December 31, 2022 December 31, 2023. For information regarding the Company's market risk, refer to the Company's Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023.

ITEM 4. CONTROLS AND PROCEDURES

The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the Company's "disclosure controls and procedures" (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act), as of the end of the period covered by this report. Based on such evaluation, such officers have concluded that, as of the end of the period covered by this report, the Company's disclosure controls and procedures are effective. Further, there have been no changes in the Company's internal control over financial reporting during the last fiscal quarter that have materially affected or that are reasonably likely to affect materially the Company's internal control over financial reporting.

PART II

ITEM 1. LEGAL PROCEEDINGS

From time to time the Company and its subsidiaries may be involved in litigation that the Company believes is a type common to our industry. None of any such existing claims are believed to be individually material at this time to the Company, although the outcome of any such existing claims cannot be predicted with certainty.

ITEM 1A. RISK FACTORS

Various risks and uncertainties, some of which are difficult to predict and beyond the Company's control, could negatively impact the Company. As a financial institution, the Company is exposed to interest rate risk, liquidity risk, credit risk, operational risk, risks from economic or market conditions, and general business risks among others. Adverse experience with these or other risks could have a material impact on the Company's financial condition and results of operations, as well as the value of its common stock. See the risk factors and "Supervision and Regulation" described in the Company's Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023.

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

ISSUER PURCHASES OF EQUITY SECURITIES	ISSUER PURCHASES OF EQUITY SECURITIES				ISSUER PURCHASES OF EQUITY SECURITIES			
Period	(a) Total Number of Shares Purchased	(b) Average Price Paid per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	(d) Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs	(a) Total Number of Shares Purchased	(b) Average Price Paid per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	(d) Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
July 1, 2023 - July 31, 2023	—	$ —	—	$ 4,061,000				
August 1, 2023 - August 31, 2023	—	—	—	4,061,000				
September 1, 2023 - September 30, 2023	—	—	—	4,061,000				
January 1, 2024 - January 31, 2024					—	$ —	—	$ 3,600,000
February 1, 2024 - February 29, 2024					—	—	—	3,600,000
March 1, 2024 - March 31, 2024					—	—	—	3,600,000
Total	—	$ —	—	$ 4,061,000	—	$ —	—	$ 3,600,000

See heading "Stock Repurchase Program" for more information regarding stock purchases.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None of the Company's directors and officers adopted, modified or terminated a Rule 10b5-1 trading arrangement or a non-Rule 10b5-1 trading arrangement during the Company's fiscal quarter ended September 30, 2023 March 31, 2024 (each as defined in Item 408 of Regulation S-K under the Securities Exchange Act of 1934, as amended).

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ITEM 6. EXHIBITS

The exhibits required by Item 601 of Regulation S-K and filed herewith are listed in the Exhibit Index that precedes the Signature Page and the exhibits filed.

Exhibit Number	Exhibit Index to Quarterly Report on Form 10-Q Description and Filing or Incorporation Reference
10.1	Seventh Eighth Amendment to the Sixth Amended and Restated Credit Agreement by and between First Mid Bancshares, Inc. and The Northern Trust Company, dated August 4, 2023 April 5, 2024 Incorporated by reference to Exhibit 10.1 to First Mid Bancshares, Inc.'s Current Report on Form 8-K filed with the SEC on August 8, 2023 April 5, 2024
31.1	Certification pursuant to section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification pursuant to section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002
101.INS	Inline XBRL Instance Document – The the instance document does not appear in the interactive data file because Interactive Data File as its XBRL tags are embedded within the Inline XBRL document

101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation With Embedded Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document Documents
104	The cover Cover page from the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2023 (formatted formatted as Inline Inline XBRL and contained in Exhibits 101) 101

*Exhibits omitted pursuant to Item 601(a)(5) of Regulation S-K. Copies of any omitted exhibit will be furnished to the SEC upon request.

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.

FIRST MID BANCSHARES, INC.
(Registrant)

Date: November 8, 2023 May 7, 2024

/s/ Joseph R. Dively

Joseph R. Dively
President and Chief Executive Officer

/s/ Matthew K. Smith

Matthew K. Smith
Chief Financial Officer

Exhibit 31.1

Certification pursuant to section 302 of the Sarbanes-Oxley Act of 2002

I, Joseph R. Dively, certify that:

1. I have reviewed this quarterly report on Form 10-Q of First Mid Bancshares, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to r statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covere report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material resp financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in E 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 registrant and have:
    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our sup to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others with 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 u supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial staten 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 a effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; a
    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's mo fiscal quarter (the registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to n affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reportin 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 rea 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 interna over financial reporting.

Date: November 8, 2023 May 7, 2024

By: /s/ Joseph R. Dively

Joseph R. Dively
President and Chief Executive Officer

Exhibit 31.2

Certification pursuant to section 302 of the Sarbanes-Oxley Act of 2002

I, Matthew K. Smith, certify that:

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

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to r statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covere report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material resp financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in E 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 registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our sup to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others with 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 u supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial staten 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 a effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; a

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's mo fiscal quarter (the registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to m affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reportin 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 rea 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 interna over financial reporting.

Date: November 8, 2023 May 7, 2024

By: /s/ Matthew K. Smith

Matthew K. Smith

Chief Financial Officer

Exhibit 32.1

Certification pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report of First Mid Bancshares, Inc. (the "Company") on Form 10-Q for the period ended September 30, 2023 March 31, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Joseph R. Dively, President and Chief Executive

Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

Date: November 8, 2023 May 7, 2024

/s/ Joseph R. Dively

Joseph R. Dively

President and Chief Executive Officer

Exhibit 32.2

Certification pursuant to 18 U.S.C. section 1350, as adopted pursuant to

In connection with the Quarterly Report of First Mid Bancshares, Inc. (the "Company") on Form 10-Q for the period ended September 30, 2023 March 31, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Matthew K. Smith, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

Date: November 8, 2023 May 7, 2024

/s/ Matthew K. Smith

Matthew K. Smith

Chief Financial Officer

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