

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, 2024

Commission file number 0-7818

INDEPENDENT BANK CORPORATION

(Exact name of registrant as specified in its charter)

Michigan

38-2032782

(State or jurisdiction of Incorporation or Organization)

(I.R.S. Employer Identification Number)

4200 East Beltline, Grand Rapids, Michigan 49525

(Address of principal executive offices)

(616) 527-5820

(Registrant's telephone number, including area code)

NONE

Former name, address and fiscal year, if changed since last report.

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

Title of each Class	Trading Symbol	Name of each exchange which registered
Common stock, no par value	IBCP	The Nasdaq Stock Market, LLC

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

YES x NO ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company.

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. Yes ☐ No ☐

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

YES ☐ NO x

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: common stock, no par value , 20,894,078 as of November 4, 2024.

INDEPENDENT BANK CORPORATION AND SUBSIDIARIES

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FORWARD-LOOKING STATEMENTS

Statements in this report that are not statements of historical fact, including statements that include terms such as “will,” “may,” “should,” “believe,” “expect,” “forecast,” “anticipate,” “estimate,” “project,” “intend,” “likely,” “optimistic” and “plan” and statements about future or projected financial and operating results, plans, projections, objectives, expectations, and intentions, are forward-looking statements. Forward-looking statements include, but are not limited to, descriptions of plans and objectives for future operations, products or services; projections of our future revenue, earnings or other measures of economic performance; forecasts of credit losses and other asset quality trends; statements about our business and growth strategies; and expectations about economic and market conditions and trends. These forward-looking statements express our current expectations, forecasts of future events, or long-term goals. They are based on assumptions, estimates, and forecasts that, although believed to be reasonable, may turn out to be incorrect. Actual results could differ materially from those discussed in the forward-looking statements for a variety of reasons, including:

- economic, market, operational, liquidity, credit, and interest rate risks associated with our business;
- economic conditions generally and in the financial services industry, particularly economic conditions within Michigan and the regional and local real estate markets in which our bank operates;
- the failure of assumptions underlying the establishment of, and provisions made to, our allowance for credit losses;
- increased competition in the financial services industry, either nationally or regionally;
- our ability to achieve loan and deposit growth;
- volatility and direction of market interest rates;
- the continued services of our management team; and
- implementation of new legislation, which may have significant effects on us and the financial services industry.

This list provides examples of factors that could affect the results described by forward-looking statements contained in this report, but the list is not intended to be all-inclusive. The risk factors disclosed in Part I – Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2023, as updated by any new or modified risk factors disclosed in Part II – Item 1A of any subsequently filed Quarterly Report on Form 10-Q, include the known risks our management believes could materially affect the results described by forward-looking statements in this report. However, those risks may not be the only risks we face. Our results of operations, cash flows, financial position, and prospects could also be materially and adversely affected by additional factors that are not presently known to us that we currently consider to be immaterial, or that develop after the date of this report. We cannot assure you that our future results will meet expectations. While we believe the forward-looking statements in this report are reasonable, you should not place undue reliance on any forward-looking statement. In addition, these statements speak only as of the date made. We do not undertake, and expressly disclaim, any obligation to update or alter any statements, whether as a result of new information, future events, or otherwise, except as required by applicable law.

Part I - Item 1.

INDEPENDENT BANK CORPORATION AND SUBSIDIARIES

Condensed Consolidated Statements of Financial Condition

	September 30, 2024	December 31, 2023
	(Unaudited)	
	(In thousands, except share amounts)	
Assets		
Cash and due from banks	\$ 61,503	\$ 68,208
Interest bearing deposits	60,057	101,573
Cash and Cash Equivalents	121,560	169,781
Securities available for sale	588,950	679,350
Securities held to maturity (fair value of \$314,638 at September 30, 2024 and \$318,606 at December 31, 2023)	343,362	353,988
Federal Home Loan Bank and Federal Reserve Bank stock, at cost	16,099	16,821
Loans held for sale, carried at fair value	14,029	12,063
Loans		
Commercial	1,825,247	1,679,731
Mortgage	1,511,400	1,485,872
Installment	605,640	625,298
Total Loans	3,942,287	3,790,901
Allowance for credit losses	(57,444)	(54,658)
Net Loans	3,884,843	3,736,243
Other real estate and repossessed assets, net	781	569
Property and equipment, net	35,250	35,523
Bank-owned life insurance	54,017	54,341
Capitalized mortgage loan servicing rights, carried at fair value	40,204	42,243
Other intangibles	1,617	2,004
Goodwill	28,300	28,300
Accrued income and other assets	130,256	132,500
Total Assets	\$ 5,259,268	\$ 5,263,726
Liabilities and Shareholders' Equity		
Deposits		
Non-interest bearing	\$ 1,023,739	\$ 1,076,093
Savings and interest-bearing checking	1,947,571	1,905,701
Reciprocal	995,469	832,020
Time	620,446	524,325
Brokered time	39,650	284,740
Total Deposits	4,626,875	4,622,879
Other borrowings	—	50,026
Subordinated debt	39,567	39,510
Subordinated debentures	39,779	39,728
Accrued expenses and other liabilities	100,678	107,134
Total Liabilities	4,806,899	4,859,277
Commitments and contingent liabilities		
Shareholders' Equity		
Preferred stock, no par value, 200,000 shares authorized; none issued or outstanding	—	—
Common stock, no par value, 500,000,000 shares authorized; issued and outstanding: 20,893,800 shares at September 30, 2024 and 20,835,633 shares at December 31, 2023	318,216	317,483
Retained earnings	192,405	159,108
Accumulated other comprehensive loss	(58,252)	(72,142)
Total Shareholders' Equity	452,369	404,449
Total Liabilities and Shareholders' Equity	\$ 5,259,268	\$ 5,263,726

See notes to interim condensed consolidated financial statements (Unaudited)

INDEPENDENT BANK CORPORATION AND SUBSIDIARIES
Condensed Consolidated Statements of Operations

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
	(Unaudited)		(Unaudited)	
	(In thousands, except per share amounts)			
Interest Income				
Interest and fees on loans	\$ 58,410	\$ 51,419	\$ 170,239	\$ 143,392
Interest on securities				
Taxable	4,502	5,865	14,466	17,668
Tax-exempt	3,404	3,409	10,195	9,775
Other investments	2,018	1,739	4,898	3,481
Total Interest Income	68,334	62,432	199,798	174,316
Interest Expense				
Deposits	24,462	20,743	70,148	51,964
Other borrowings and subordinated debt and debentures	2,018	2,262	6,253	6,134
Total Interest Expense	26,480	23,005	76,401	58,098
Net Interest Income	41,854	39,427	123,397	116,218
Provision for credit losses	1,488	1,350	2,251	6,827
Net Interest Income After Provision for Credit Losses	40,366	38,077	121,146	109,391
Non-interest Income				
Interchange income	4,146	4,100	10,698	10,660
Service charges on deposit accounts	3,085	3,309	8,894	9,300
Net gains (losses) on assets				
Mortgage loans	2,177	2,099	4,874	5,475
Equity securities at fair value	(8)	—	2,685	—
Securities available for sale	(145)	—	(414)	(222)
Mortgage loan servicing, net	(3,130)	2,668	1,686	7,068
Other	3,383	3,435	8,818	9,298
Total Non-interest Income	9,508	15,611	37,241	41,579
Non-interest Expense				
Compensation and employee benefits	20,048	19,975	62,069	59,916
Data processing	3,379	3,071	9,891	8,953
Occupancy, net	1,893	1,971	5,853	5,975
Interchange expense	1,149	1,119	3,373	3,222
Furniture, fixtures and equipment	932	927	2,834	2,782
FDIC deposit insurance	664	677	2,141	2,209
Loan and collection	657	520	1,868	1,718
Advertising	581	360	1,860	1,286
Legal and professional	687	543	1,717	1,623
Communications	519	568	1,633	1,871
Costs (recoveries) related to unfunded lending commitments	113	451	(676)	76
Other	1,961	1,854	5,546	5,610
Total Non-interest Expense	32,583	32,036	98,109	95,241
Income Before Income Tax	17,291	21,652	60,278	55,729
Income tax expense	3,481	4,109	11,949	10,405
Net Income	\$ 13,810	\$ 17,543	\$ 48,329	\$ 45,324
Net Income Per Common Share				
Basic	\$ 0.66	\$ 0.84	\$ 2.31	\$ 2.16
Diluted	\$ 0.65	\$ 0.83	\$ 2.29	\$ 2.14

See notes to interim condensed consolidated financial statements (Unaudited)

INDEPENDENT BANK CORPORATION AND SUBSIDIARIES
Condensed Consolidated Statements of Comprehensive Income

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
	(Unaudited - In thousands)			
Net income	\$ 13,810	\$ 17,543	\$ 48,329	\$ 45,324
Other comprehensive income (loss)				
Securities available for sale				
Unrealized gains (losses) arising during period	11,822	(15,355)	13,618	(1,592)
Accretion of net unrealized losses on securities transferred to held to maturity	818	881	2,493	2,667
Reclassification adjustments for losses included in earnings	145	—	414	222
Unrealized gains (losses) recognized in other comprehensive income (loss) on securities available for sale	12,785	(14,474)	16,525	1,297
Income tax expense (benefit)	2,685	(3,040)	3,470	272
Unrealized gains (losses) recognized in other comprehensive income (loss) on securities available for sale, net of tax	10,100	(11,434)	13,055	1,025
Derivative instruments				
Unrealized gains (losses) arising during period	2,744	(527)	52	(940)
Reclassification adjustment for expense recognized in earnings	390	72	1,005	224
Unrealized gains (losses) recognized in other comprehensive income (loss) on derivative instruments	3,134	(455)	1,057	(716)
Income tax expense (benefit)	658	(95)	222	(150)
Unrealized gains (losses) recognized in other comprehensive income (loss) on derivative instruments, net of tax	2,476	(360)	835	(566)
Other comprehensive income (loss)	12,576	(11,794)	13,890	459
Comprehensive income	\$ 26,386	\$ 5,749	\$ 62,219	\$ 45,783

See notes to interim condensed consolidated financial statements (Unaudited)

INDEPENDENT BANK CORPORATION AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows

	Nine months ended September 30,	
	2024	2023
	(Unaudited - In thousands)	
Net Income	\$ 48,329	\$ 45,324
Adjustments to Reconcile Net Income to Net Cash From Operating Activities		
Proceeds from sales of equity securities at fair value	2,685	—
Proceeds from sales of loans held for sale	279,046	273,766
Disbursements for loans held for sale	(276,535)	(255,601)
Provision for credit losses	2,251	6,827
Deferred income tax expense (benefit)	(150)	821
Net deferred loan costs	149	285
Net depreciation, amortization of intangible assets and premiums and accretion of discounts on securities and loans	7,522	7,478
Net gains on mortgage loans	(4,874)	(5,475)
Net gains on equity securities at fair value	(2,685)	—
Net losses on securities available for sale	414	222
Share based compensation	1,744	1,670
Increase in accrued income and other assets	(2,437)	(14,642)
Decrease in accrued expenses and other liabilities	(8,677)	(1,887)
Total Adjustments	(1,547)	13,464
Net Cash From Operating Activities	46,782	58,788
Cash Flow Used in Investing Activities		
Proceeds from the sale of securities available for sale	39,431	278
Proceeds from the sale of securities held to maturity previously charged off	1,125	—
Proceeds from maturities, prepayments and calls of securities available for sale	66,039	89,315
Proceeds from maturities, prepayments and calls of securities held to maturity	14,236	16,745
Purchases of securities held to maturity	(3,628)	(1,740)
Purchases of Federal Home Loan Bank stock	—	(478)
Proceeds from the redemption of Federal Home Loan Bank stock	722	1,310
Net increase in portfolio loans (loans originated, net of principal payments)	(163,731)	(311,733)
Proceeds from the sale of portfolio loans	14,807	51,481
Proceeds from bank-owned life insurance	889	905
Proceeds from the sale of other real estate and repossessed assets	822	598
Proceeds from the sale of property and equipment	299	1,632
Capital expenditures	(3,941)	(4,511)
Net Cash Used in Investing Activities	(32,930)	(156,198)
Cash Flow From (Used in) Financing Activities		
Net increase in total deposits	3,996	206,543
Net decrease in other borrowings	(26)	(60,992)
Proceeds from Federal Home Loan Bank Advances	—	135,000
Payments of Federal Home Loan Bank Advances	(50,000)	(110,000)
Dividends paid	(15,032)	(14,535)
Proceeds from issuance of common stock	—	71
Repurchase of common stock	—	(4,963)
Share based compensation withholding obligation	(1,011)	(624)
Net Cash From (Used in) Financing Activities	(62,073)	150,500
Net Increase (Decrease) in Cash and Cash Equivalents	(48,221)	53,090
Cash and Cash Equivalents at Beginning of Period	169,781	74,371
Cash and Cash Equivalents at End of Period	\$ 121,560	\$ 127,461
Cash paid during the period for		
Interest	\$ 78,720	\$ 53,936
Income taxes	11,400	11,300
Transfers to other real estate and repossessed assets	864	604
Right of use assets obtained in exchange for lease obligations	2,354	1,146

INDEPENDENT BANK CORPORATION AND SUBSIDIARIES
Condensed Consolidated Statements of Shareholders' Equity

	Common Stock	Retained Earnings	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
(Dollars in thousands, except per share amounts)				
Balances at July 1, 2024	\$ 317,676	\$ 183,611	\$ (70,828)	\$ 430,459
Net income, three months ended September 30, 2024	—	13,810	—	13,810
Cash dividends declared, \$0.24 per share	—	(5,016)	—	(5,016)
Share based compensation (issuance of 0 shares of common stock)	574	—	—	574
Share based compensation withholding obligation (withholding of 1,036 shares of common stock)	(34)	—	—	(34)
Other comprehensive income	—	—	12,576	12,576
Balances at September 30, 2024	\$ 318,216	\$ 192,405	\$ (58,252)	\$ 452,369
Balances at July 1, 2023	\$ 318,241	\$ 137,431	\$ (80,510)	\$ 375,162
Net income, three months ended September 30, 2023	—	17,543	—	17,543
Cash dividends declared, \$0.23 per share	—	(4,817)	—	(4,817)
Repurchase of 88,401 shares of common stock	(1,693)	—	—	(1,693)
Issuance of 0 shares of common stock	—	—	—	—
Share based compensation (issuance of 0 shares of common stock)	624	—	—	624
Share based compensation withholding obligation (withholding of 1,443 shares of common stock)	(27)	—	—	(27)
Other comprehensive loss	—	—	(11,794)	(11,794)
Balances at September 30, 2023	\$ 317,145	\$ 150,157	\$ (92,304)	\$ 374,998
Balances at January 1, 2024	\$ 317,483	\$ 159,108	\$ (72,142)	\$ 404,449
Net income, nine months ended September 30, 2024	—	48,329	—	48,329
Cash dividends declared, \$0.72 per share	—	(15,032)	—	(15,032)
Share based compensation (issuance of 102,324 shares of common stock)	1,744	—	—	1,744
Share based compensation withholding obligation (withholding of 40,986 shares of common stock)	(1,011)	—	—	(1,011)
Other comprehensive income	—	—	13,890	13,890
Balances at September 30, 2024	\$ 318,216	\$ 192,405	\$ (58,252)	\$ 452,369
Balances at January 1, 2023	\$ 320,991	\$ 119,368	\$ (92,763)	\$ 347,596
Net income, nine months ended September 30, 2023	—	45,324	—	45,324
Cash dividends declared, \$0.69 per share	—	(14,535)	—	(14,535)
Repurchase of 288,401 shares of common stock	(4,963)	—	—	(4,963)
Issuance of 23,000 shares of common stock	71	—	—	71
Share based compensation (issuance of 86,763 shares of common stock)	1,670	—	—	1,670
Share based compensation withholding obligation (withholding of 31,483 shares of common stock)	(624)	—	—	(624)
Other comprehensive income	—	—	459	459
Balances at September 30, 2023	\$ 317,145	\$ 150,157	\$ (92,304)	\$ 374,998

See notes to interim condensed consolidated financial statements (Unaudited)

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Preparation of Financial Statements

The condensed consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and note disclosures normally included in annual financial statements prepared in accordance with U.S. generally accepted accounting principles ("GAAP") have been condensed or omitted pursuant to those rules and regulations, although we believe that the disclosures made are adequate to make the information not misleading. The unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes for the year ended December 31, 2023 included in our Annual Report on Form 10-K.

In our opinion, the accompanying unaudited condensed consolidated financial statements contain all the adjustments necessary to present fairly our consolidated financial condition as of September 30, 2024 and December 31, 2023, and the results of operations for the three and nine-month periods ended September 30, 2024 and 2023. The results of operations for the three and nine-month periods ended September 30, 2024, are not necessarily indicative of the results to be expected for the full year. Certain reclassifications have been made in the prior period condensed consolidated financial statements to conform to the current period presentation. Our critical accounting policies include the determination of the allowance for credit losses ("ACL") and the valuation of capitalized mortgage loan servicing rights. Refer to our 2023 Annual Report on Form 10-K for a disclosure of our accounting policies.

2. New Accounting Standards

In March 2020, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2020-04, "Reference Rate Reform (Topic 848), Facilitation of the Effects of Reference Rate Reform on Financial Reporting" and in December 2022 the FASB issued ASU 2022-06, "Reference Rate Reform (Topic 848), Deferral of the Sunset Date of Topic 848". These new ASUs provide temporary optional expedients and exceptions to GAAP guidance on contract modifications and hedge accounting to ease the financial reporting burdens of the expected market transition from LIBOR and other interbank offered rates to alternative reference rates. Entities can elect not to apply certain modification accounting requirements to contracts affected by reference rate reform, if certain criteria are met. Entities that make such elections would not have to remeasure contracts at the modification date or reassess a previous accounting determination. Entities can elect various optional expedients that would allow them to continue applying hedge accounting for hedging relationships affected by reference rate reform, if certain criteria are met.

We had formed a cross-functional project team to lead the transition from LIBOR to a planned adoption of reference rates which included Secured Overnight Financing Rate ("SOFR"). We utilized the timeline guidance published by the Alternative Reference Rates Committee to develop and achieve internal milestones during the transitional period. We discontinued the use of new LIBOR-based loans as of December 31, 2021, according to regulatory guidelines. We also discontinued the use of new LIBOR based interest rate derivatives as of December 31, 2021. The amended guidance under Topic 848 and our ability to elect its temporary optional expedients and exceptions are effective for us through December 31, 2024.

In March, 2023, the FASB issued ASU 2023-02, "Investments - Equity Method and Joint Ventures (Topic 323): Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method (a consensus of the Emerging Issues Task Force)". This ASU expands the use of the proportional amortization method of accounting — currently allowed only for investments in low-income housing tax credit ("LIHTC") structures — to equity investments in other tax credit structures that meet certain criteria. Common tax credit programs that investors access via tax equity structures and that may now be eligible for application of the proportional amortization method include: new markets tax credits, historic rehabilitation tax credit programs, and renewable energy tax credit programs. This ASU takes effect in reporting periods beginning after December 15, 2023, with early adoption permitted. The adoption of this ASU on January 1, 2024, did not have a material impact on our Condensed Consolidated Financial Statements.

In November, 2023, the FASB issued ASU 2023-07, "Segment Reporting (Topic 323): Improvements to Reportable Segment Disclosures". This ASU enhances disclosures of significant segment expenses by requiring entities to disclose significant segment expenses regularly provided to the chief operating decision maker, extend certain annual disclosures to interim periods, and permit more than one measure of segment profit or loss to be reported under certain conditions. This ASU takes effect for annual reporting periods beginning after December 15, 2023 and interim periods within fiscal years

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)

beginning after December 15, 2024. Early adoption is permitted. We do not expect the adoption of this ASU to have a material impact on our Condensed Consolidated Financial Statements.

In December, 2023, the FASB issued ASU 2023-09, "Income Taxes (Topic 740): Improvements to Income Tax Disclosures". This ASU modifies the rules on income tax disclosures to require entities to disclose (1) specific categories in the rate reconciliation, (2) the income or loss from continuing operations before income tax expense or benefit (separated between domestic and foreign) and (3) income tax expense or benefit from continuing operations (separated by federal, state and foreign). This ASU also requires entities to disclose their income tax payments to international, federal, state and local jurisdictions, among other changes. This ASU takes effect in reporting periods beginning after December 15, 2024, with early adoption permitted. We do not expect the adoption of this ASU to have a material impact on our Condensed Consolidated Financial Statements.

3. Securities

Securities available for sale ("AFS") consist of the following:

	Amortized Cost	Unrealized		Fair Value
		Gains	Losses	
(In thousands)				
September 30, 2024				
U.S. agency	\$ 9,046	\$ 3	\$ 511	\$ 8,538
U.S. agency residential mortgage-backed	83,116	66	7,091	76,091
U.S. agency commercial mortgage-backed	13,153	—	1,080	12,073
Private label mortgage-backed	80,409	261	4,067	76,603
Other asset backed	44,325	16	577	43,764
Obligations of states and political subdivisions	334,368	12	34,312	300,068
Corporate	74,216	1	3,360	70,857
Trust preferred	985	—	29	956
Total	<u>\$ 639,618</u>	<u>\$ 359</u>	<u>\$ 51,027</u>	<u>\$ 588,950</u>
December 31, 2023				
U.S. agency	\$ 10,299	\$ 5	\$ 797	\$ 9,507
U.S. agency residential mortgage-backed	90,195	3	8,981	81,217
U.S. agency commercial mortgage-backed	13,706	—	1,409	12,297
Private label mortgage-backed	93,527	249	7,307	86,469
Other asset backed	114,867	3	1,939	112,931
Obligations of states and political subdivisions	341,177	204	38,644	302,737
Corporate	79,296	—	6,046	73,250
Trust preferred	983	—	41	942
Total	<u>\$ 744,050</u>	<u>\$ 464</u>	<u>\$ 65,164</u>	<u>\$ 679,350</u>

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)

Securities held to maturity ("HTM") consist of the following:

	Carrying Value	Transferred Unrealized Loss (1)	ACL	Amortized Cost	Unrealized		Fair Value
					Gains	Losses	
(In thousands)							
September 30, 2024							
U.S. agency	\$ 24,863	\$ 1,472	\$ —	\$ 26,335	\$ —	\$ 4,007	\$ 22,328
U.S. agency residential mortgage-backed	102,733	8,933	—	111,666	—	20,019	91,647
U.S. agency commercial mortgage-backed	4,045	118	—	4,163	—	328	3,835
Private label mortgage-backed	7,344	218	1	7,563	—	557	7,006
Obligations of states and political subdivisions	157,525	5,653	17	163,195	129	15,895	147,429
Corporate	45,900	572	111	46,583	—	5,190	41,393
Trust preferred	952	44	4	1,000	—	—	1,000
Total	<u>\$ 343,362</u>	<u>\$ 17,010</u>	<u>\$ 133</u>	<u>\$ 360,505</u>	<u>\$ 129</u>	<u>\$ 45,996</u>	<u>\$ 314,638</u>
December 31, 2023							
U.S. agency	\$ 25,768	\$ 1,603	\$ —	\$ 27,371	\$ —	\$ 4,892	\$ 22,479
U.S. agency residential mortgage-backed	108,770	9,715	—	118,485	—	23,849	94,636
U.S. agency commercial mortgage-backed	4,146	153	—	4,299	—	460	3,839
Private label mortgage-backed	7,302	302	4	7,608	—	854	6,754
Obligations of states and political subdivisions	161,352	6,879	33	168,264	88	18,807	149,545
Corporate	45,702	803	116	46,621	780	7,033	40,368
Trust preferred	948	48	4	1,000	—	15	985
Total	<u>\$ 353,988</u>	<u>\$ 19,503</u>	<u>\$ 157</u>	<u>\$ 373,648</u>	<u>\$ 868</u>	<u>\$ 55,910</u>	<u>\$ 318,606</u>

(1) Represents the remaining unrealized loss to be accreted on securities that were transferred from AFS to HTM on April 1, 2022.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)

Our investments' gross unrealized losses and fair values for securities AFS aggregated by investment type and length of time that individual securities have been at a continuous unrealized loss position follows:

	Less Than Twelve Months		Twelve Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
(In thousands)						
September 30, 2024						
U.S. agency	\$ 126	\$ —	\$ 7,839	\$ 511	\$ 7,965	\$ 511
U.S. agency residential mortgage-backed	44	—	65,654	7,091	65,698	7,091
U.S. agency commercial mortgage-backed	—	—	12,073	1,080	12,073	1,080
Private label mortgage-backed	933	1	74,478	4,066	75,411	4,067
Other asset backed	1,508	2	32,939	575	34,447	577
Obligations of states and political subdivisions	—	—	300,068	34,312	300,068	34,312
Corporate	—	—	69,360	3,360	69,360	3,360
Trust preferred	—	—	956	29	956	29
Total	\$ 2,611	\$ 3	\$ 563,367	\$ 51,024	\$ 565,978	\$ 51,027
December 31, 2023						
U.S. agency	\$ 130	\$ —	\$ 8,453	\$ 797	\$ 8,583	\$ 797
U.S. agency residential mortgage-backed	358	1	80,008	8,980	80,366	8,981
U.S. agency commercial mortgage-backed	—	—	12,297	1,409	12,297	1,409
Private label mortgage-backed	6,285	356	79,507	6,951	85,792	7,307
Other asset backed	7,714	88	97,203	1,851	104,917	1,939
Obligations of states and political subdivisions	—	—	301,038	38,644	301,038	38,644
Corporate	—	—	73,249	6,046	73,249	6,046
Trust preferred	—	—	942	41	942	41
Total	\$ 14,487	\$ 445	\$ 652,697	\$ 64,719	\$ 667,184	\$ 65,164

Securities AFS in unrealized loss positions are evaluated quarterly for impairment related to credit losses. For securities AFS in an unrealized loss position, we first assess whether we intend to sell, or it is more likely than not that we will be required to sell the security before recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the security's amortized cost basis is written down to fair value through income. For securities AFS that do not meet this criteria, we evaluate whether the decline in fair value has resulted from credit losses or other factors. In making this assessment, we consider the extent to which fair value is less than amortized cost, adverse conditions specifically related to the security and the issuer and the impact of changes in market interest rates on the market value of the security, among other factors. If this assessment indicates that a credit loss exists, we compare the present value of cash flows expected to be collected from the security with the amortized cost basis of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis for the security, a credit loss exists and an ACL is recorded, limited to the amount that the fair value of the security is less than its amortized cost basis. Any impairment that has not been recorded through an ACL is recognized in other comprehensive income (loss), net of applicable taxes. No ACL for securities AFS was needed at September 30, 2024 and December 31, 2023. Accrued interest receivable on securities AFS totaled \$3.5 million and \$4.6 million at September 30, 2024 and December 31, 2023,

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)

respectively, and is excluded from the estimate of credit losses and is included in accrued income and other assets in the Condensed Consolidated Statements of Financial Condition.

U.S. agency, U.S. agency residential mortgage-backed and U.S. agency commercial mortgage-backed securities — at September 30, 2024, we had 27 U.S. agency, 107 U.S. agency residential mortgage-backed and 10 U.S. agency commercial mortgage-backed securities whose fair value is less than amortized cost. These securities are either explicitly or implicitly guaranteed by the U.S. government, are highly rated by major credit rating agencies, and have a long history of no credit losses. The unrealized losses are largely attributed to widening spreads to Treasury bonds and/or an increase in interest rates since acquisition.

Private label mortgage backed, other asset backed and corporate securities — at September 30, 2024, we had 76 private label mortgage backed, 53 other asset backed, and 71 corporate securities whose fair value is less than amortized cost. The unrealized losses are primarily due to credit spread widening and/or an increase in interest rates since acquisition.

Obligations of states and political subdivisions — at September 30, 2024, we had 312 municipal securities whose fair value is less than amortized cost. The unrealized losses are primarily due to an increase in interest rates since acquisition.

Trust preferred securities — at September 30, 2024, we had one trust preferred security whose fair value is less than amortized cost. This trust preferred security is a single issue security issued by a trust subsidiary of a bank holding company. The pricing of trust preferred securities has suffered from credit spread widening. This security is rated by a major rating agency as investment grade.

At September 30, 2024 management does not intend to liquidate any of the securities discussed above and it is more likely than not that we will not be required to sell these securities prior to recovery of these unrealized losses.

We recorded no credit related charges in our Condensed Consolidated Statements of Operations related to securities AFS during the three and nine month periods ended September 30, 2024 and 2023, respectively.

The ACL on securities HTM is a contra asset valuation account that is deducted from the carrying amount of securities HTM to present the net amount expected to be collected. Securities HTM are charged off against the ACL when deemed uncollectible. Adjustments to the ACL are reported in our Condensed Consolidated Statements of Operations in provision for credit losses. We measure expected credit losses on securities HTM on a collective basis by major security type with each type sharing similar risk characteristics, and we consider historical credit loss information. Accrued interest receivable on securities HTM totaled \$1.8 million and \$1.8 million at September 30, 2024 and December 31, 2023, respectively and is excluded from the estimate of credit losses and is included in accrued income and other assets in the Condensed Consolidated Statements of Financial Condition. With regard to U.S. Government-sponsored agency and mortgage-backed securities (residential and commercial), all these securities are issued by a U.S. government-sponsored entity and have an implicit or explicit government guarantee; therefore, no allowance for credit losses has been recorded for these securities. With regard to obligations of states and political subdivisions, private label-mortgage-backed, corporate and trust preferred securities HTM, we consider (1) issuer bond ratings, (2) long-term historical loss rates for given bond ratings, (3) the financial condition of the issuer, and (4) whether issuers continue to make timely principal and interest payments under the contractual terms of the securities. Historical loss rates associated with securities having similar grades as those in our portfolio have been insignificant. During the first quarter of 2023, one corporate security (Signature Bank) defaulted resulting in a \$3.0 million provision for credit losses and a corresponding full charge-off. Subsequent to this security's charge-off, a portion of its fair value had recovered and was subsequently sold during the first quarter of 2024 for \$1.1 million during which period we recorded that amount as a recovery to the ACL. Despite this lone security loss, the long-term historical loss rates associated with securities having similar grades as those in our portfolio have been insignificant. Furthermore, as of September 30, 2024 and December 31, 2023, there were no past due principal and interest payments associated with these securities. At those same dates an allowance for credit losses of \$133,000 and \$157,000, respectively was recorded on non U.S. agency securities HTM based on applying the long-term historical credit loss rate, as published by credit rating agencies, for similarly rated securities.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)

On a quarterly basis, we monitor the credit quality of securities HTM through the use of credit ratings. The carrying value of securities HTM aggregated by credit quality follow:

	Private Label Mortgage- Backed	Obligations of States and Political Subdivisions	Corporate	Trust Preferred	Carrying Value Total
(In thousands)					
September 30, 2024					
Credit rating:					
AAA	\$ 7,344	\$ 35,378	\$ —	\$ —	\$ 42,722
AA	—	103,090	—	—	103,090
A	—	3,468	5,007	—	8,475
BBB	—	655	35,991	—	36,646
BB	—	—	1,958	—	1,958
Non-rated	—	14,934	2,944	952	18,830
Total	<u>\$ 7,344</u>	<u>\$ 157,525</u>	<u>\$ 45,900</u>	<u>\$ 952</u>	<u>\$ 211,721</u>
December 31, 2023					
Credit rating:					
AAA	\$ 7,302	\$ 36,629	\$ —	\$ —	\$ 43,931
AA	—	102,583	—	—	102,583
A	—	3,172	6,923	—	10,095
BBB	—	856	33,913	—	34,769
BB	—	—	1,943	—	1,943
Non-rated	—	18,112	2,923	948	21,983
Total	<u>\$ 7,302</u>	<u>\$ 161,352</u>	<u>\$ 45,702</u>	<u>\$ 948</u>	<u>\$ 215,304</u>

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)

An analysis of the allowance for credit losses by security HTM type for the three months ended September 30 follows:

	Private Label Mortgage- Backed	Obligations of States and Political Subdivisions	Corporate	Trust Preferred	Total
(In thousands)					
2024					
Balance at beginning of period	\$ 4	\$ 31	\$ 116	\$ 4	\$ 155
Additions (deductions)					
Provision for credit losses	(3)	(14)	(5)	—	(22)
Recoveries credited to the allowance	—	—	—	—	—
Securities HTM charged against the allowance	—	—	—	—	—
Balance at end of period	<u>\$ 1</u>	<u>\$ 17</u>	<u>\$ 111</u>	<u>\$ 4</u>	<u>\$ 133</u>
2023					
Balance at beginning of period	\$ 1	\$ 39	\$ 116	\$ 4	\$ 160
Additions (deductions)					
Provision for credit losses	3	(6)	(2)	—	(5)
Recoveries credited to the allowance	—	—	—	—	—
Securities HTM charged against the allowance	—	—	—	—	—
Balance at end of period	<u>\$ 4</u>	<u>\$ 33</u>	<u>\$ 114</u>	<u>\$ 4</u>	<u>\$ 155</u>

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)

An analysis of the allowance for credit losses by security HTM type for the nine months ended September 30 follows:

	Private Label Mortgage- Backed	Obligations of States and Political Subdivisions	Corporate	Trust Preferred	Total
(In thousands)					
2024					
Balance at beginning of period	\$ 4	\$ 33	\$ 116	\$ 4	\$ 157
Additions (deductions)					
Provision for credit losses	(3)	(16)	(1,130)	—	(1,149)
Recoveries credited to the allowance	—	—	1,125	—	1,125
Securities HTM charged against the allowance	—	—	—	—	—
Balance at end of period	<u>\$ 1</u>	<u>\$ 17</u>	<u>\$ 111</u>	<u>\$ 4</u>	<u>\$ 133</u>
2023					
Balance at beginning of period	\$ 1	\$ 39	\$ 123	\$ 5	\$ 168
Additions (deductions)					
Provision for credit losses	3	(6)	2,991	(1)	2,987
Recoveries credited to the allowance	—	—	—	—	—
Securities HTM charged against the allowance	—	—	(3,000)	—	(3,000)
Balance at end of period	<u>\$ 4</u>	<u>\$ 33</u>	<u>\$ 114</u>	<u>\$ 4</u>	<u>\$ 155</u>

The amortized cost and fair value of securities AFS and securities HTM at September 30, 2024, by contractual maturity, follow:

	Securities AFS		Securities HTM	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
(In thousands)				
Maturing within one year	\$ 21,647	\$ 21,262	\$ 7,457	\$ 7,410
Maturing after one year but within five years	148,875	140,013	55,599	52,401
Maturing after five years but within ten years	45,741	41,401	94,300	82,813
Maturing after ten years	202,352	177,743	79,757	69,526
	<u>418,615</u>	<u>380,419</u>	<u>237,113</u>	<u>212,150</u>
U.S. agency residential mortgage-backed	83,116	76,091	111,666	91,647
U.S. agency commercial mortgage-backed	13,153	12,073	4,163	3,835
Private label mortgage-backed	80,409	76,603	7,563	7,006
Other asset backed	<u>44,325</u>	<u>43,764</u>	<u>—</u>	<u>—</u>
Total	<u>\$ 639,618</u>	<u>\$ 588,950</u>	<u>\$ 360,505</u>	<u>\$ 314,638</u>

The actual maturity may differ from the contractual maturity because issuers may have the right to call or prepay obligations with or without call or prepayment penalties.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)

Gains and losses realized on the sale of securities AFS are determined using the specific identification method and are recognized on a trade-date basis. A summary of proceeds from the sale of securities AFS and gains and losses for the nine month periods ending September 30, follows:

	Proceeds	Realized	
		Gains	Losses
	(In thousands)		
2024	\$ 39,431	\$ 14	\$ 428
2023	278	—	222

During the second quarter of 2024 we acquired certain securities classified as equity securities at fair value consisting of Visa Inc. Class C common stock. These securities were all sold during the second and third quarters of 2024. During the three and nine months ended September 30, 2024, we recognized gains (losses) on these equity securities of \$(0.01) million and \$2.7 million, respectively that are included in net gains (losses) on equity securities at fair value in the Condensed Consolidated Statements of Operations. We had no equity securities at fair value during the same periods in 2023. See note #13.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)

4. Loans

We estimate the ACL based on relevant available information from both internal and external sources, including historical loss trends, current conditions and forecasts, specific analysis of individual loans, and other relevant and appropriate factors. The allowance process is designed to provide for expected future losses based on our reasonable and supportable ("R&S") forecast as of the reporting date. Our ACL process is administered by our Risk Management group utilizing a third party software solution, with significant input and ultimate approval from our Executive Enterprise Risk Committee. Further, we have established a current expected credit loss ("CECL") Forecast Committee, which includes a cross discipline structure with membership from Executive Management, Risk Management, Credit Administration and Accounting, which approves ACL model assumptions each quarter. Our ACL is comprised of three principal elements: (i) specific analysis of individual loans identified during the review of the loan portfolio, (ii) pooled analysis of loans with similar risk characteristics based on historical experience, adjusted for current conditions, R&S forecasts, and expected prepayments, and (iii) additional allowances based on subjective factors, including local and general economic business factors and trends, portfolio concentrations and changes in the size and/or the general terms of the loan portfolio.

The first ACL element (specific allocations) includes loans that do not share similar risk characteristics and are evaluated on an individual basis. We will typically evaluate on an individual basis loans that are on nonaccrual; commercial loans that have been modified resulting in a concession, for which the borrower is experiencing financial difficulties, and which are considered troubled loan modifications or with well defined weaknesses; and severely delinquent mortgage and installment loans. When we determine that foreclosure is probable or when repayment is expected to be provided substantially through the operation or sale of underlying collateral, expected credit losses are based on the fair value of the collateral at the reporting date, adjusted for estimated selling costs. For loans evaluated on an individual basis that are not determined to be collateral dependent, a discounted cash flow analysis is performed to determine expected credit losses.

The second ACL element (pooled analysis) includes loans with similar risk characteristics, which are broken down by segment, class, and risk metric. The Bank's primary segments of commercial, mortgage, and installment loans are further classified by other relevant attributes, such as collateral type, lien position, occupancy status, amortization method, and balance size. Commercial classes are additionally segmented by risk rating, and mortgage and installment loan classes by credit score tier, which are updated at least semi-annually.

We utilize a discounted cash flow ("DCF") model to estimate expected future losses for pooled loans. Expected future cash flows are developed from payment schedules over the contractual term, adjusted for forecasted default (probability of default), loss, and prepayment assumptions. We are not required to develop forecasts over the full contractual term of the financial asset or group of financial assets. Rather, for periods beyond which we are able to make or obtain R&S forecasts of expected credit losses, we revert to the long term average on a straight line or immediate basis, as determined by our CECL Forecast Committee, and which may vary depending on the economic outlook and uncertainty.

The DCF model for the mortgage and installment pooled loan segments includes using probability of default ("PD") assumptions that are derived through regression analysis with forecasted US unemployment levels by credit score tier. We review a composite forecast of approximately 50 analysts as well as the Federal Open Market Committee ("FOMC") projections in setting the unemployment forecast for the R&S period. The current ACL utilizes a one year R&S forecast followed by immediate reversion to the 75 year average unemployment rate. PD assumptions for the remaining segments are based primarily on historical rates by risk metric as defaults were not strongly correlated with any economic indicator. Loss given default ("LGD") assumptions for the mortgage loan segment are based on a two year forecast followed by a two year straight line reversion period to the longer term average, while LGD rates for the remaining segments are the historical average for the entire period. Prepayment assumptions represent average rates per segment for a period determined by the CECL Forecast Committee and as calculated through the Bank's Asset and Liability Management program.

Pooled reserves for the commercial loan segment are calculated using the DCF model with assumptions generally based on historical averages by class and risk rating. Effective risk rating practices allow for strong predictability of defaults and losses over the portfolio's expected shorter duration, relative to mortgage and installment loans. Our rating system is similar to those employed by state and federal banking regulators.

The third ACL element (additional allocations based on subjective factors) is based on factors that cannot be associated with a specific credit or loan category and reflects our attempt to ensure that the overall ACL appropriately reflects a margin for the imprecision necessarily inherent in the estimates of expected credit losses. We adjust our quantitative model for certain qualitative factors to reflect the extent to which management expects current conditions and R&S forecasts to differ from the conditions that existed for the period over which historical information was evaluated. The qualitative framework reflects changes related to relevant data, such as changes in asset quality trends, portfolio growth and

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)

composition, national and local economic factors, credit policy and administration and other factors not considered in the base quantitative model. We utilize a survey completed by business unit management throughout the Bank, as well as discussion with the CECL Forecast Committee to establish reserves under the qualitative framework.

An analysis of the allowance for credit losses by portfolio segment for the three months ended September 30, follows:

	Commercial	Mortgage	Installment	Subjective Allocation	Total
(In thousands)					
2024					
Balance at beginning of period	\$ 18,979	\$ 20,731	\$ 3,901	\$ 12,630	\$ 56,241
Additions (deductions)					
Provision for credit losses	1,082	(1,004)	1,156	276	1,510
Recoveries credited to the allowance	101	131	479	—	711
Loans charged against the allowance	—	(26)	(992)	—	(1,018)
Balance at end of period	<u>\$ 20,162</u>	<u>\$ 19,832</u>	<u>\$ 4,544</u>	<u>\$ 12,906</u>	<u>\$ 57,444</u>
2023					
Balance at beginning of period	\$ 16,284	\$ 20,080	\$ 4,315	\$ 13,285	\$ 53,964
Additions (deductions)					
Provision for credit losses	1,112	(170)	(42)	455	1,355
Recoveries credited to the allowance	178	112	467	—	757
Loans charged against the allowance	(24)	—	(557)	—	(581)
Balance at end of period	<u>\$ 17,550</u>	<u>\$ 20,022</u>	<u>\$ 4,183</u>	<u>\$ 13,740</u>	<u>\$ 55,495</u>

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)

An analysis of the ACL by portfolio segment for the nine months ended September 30, follows:

	Commercial	Mortgage	Installment	Subjective Allocation	Total
	(In thousands)				
2024					
Balance at beginning of period	\$ 16,724	\$ 21,386	\$ 4,126	\$ 12,422	\$ 54,658
Additions (deductions)					
Provision for credit losses	3,199	(1,524)	1,241	484	3,400
Recoveries credited to the allowance	239	270	1,597	—	2,106
Loans charged against the allowance	—	(300)	(2,420)	—	(2,720)
Balance at end of period	<u>\$ 20,162</u>	<u>\$ 19,832</u>	<u>\$ 4,544</u>	<u>\$ 12,906</u>	<u>\$ 57,444</u>
2023					
Balance at beginning of period	\$ 13,817	\$ 21,633	\$ 4,290	\$ 12,695	\$ 52,435
Additions (deductions)					
Provision for credit losses	4,350	(1,835)	280	1,045	3,840
Recoveries credited to the allowance	436	255	1,391	—	2,082
Loans charged against the allowance	(1,053)	(31)	(1,778)	—	(2,862)
Balance at end of period	<u>\$ 17,550</u>	<u>\$ 20,022</u>	<u>\$ 4,183</u>	<u>\$ 13,740</u>	<u>\$ 55,495</u>

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)

Loans on non-accrual status and past due more than 90 days ("Non-performing Loans") follow:

	Non-Accrual with no Allowance for Credit Loss	Non-Accrual with an Allowance for Credit Loss	Total Non-Accrual	90+ and Still Accruing	Total Non- Performing Loans
(In thousands)					
September 30, 2024					
Commercial					
Commercial and industrial (1)	\$ —	\$ 50	\$ 50	\$ —	\$ 50
Commercial real estate	—	—	—	—	—
Mortgage					
1-4 family owner occupied - jumbo	762	—	762	—	762
1-4 family owner occupied - non-jumbo (2)	2,417	394	2,811	—	2,811
1-4 family non-owner occupied	—	197	197	—	197
1-4 family - 2nd lien	—	519	519	—	519
Resort lending	—	143	143	—	143
Installment					
Boat lending	—	149	149	—	149
Recreational vehicle lending	—	400	400	—	400
Other	—	117	117	—	117
Total	\$ 3,179	\$ 1,969	\$ 5,148	\$ —	\$ 5,148
Accrued interest excluded from total	\$ —	\$ —	\$ —	\$ —	\$ —
December 31, 2023					
Commercial					
Commercial and industrial (1)	\$ —	\$ 7	\$ 7	\$ —	\$ 7
Commercial real estate	—	—	—	—	—
Mortgage					
1-4 family owner occupied - jumbo	544	—	544	—	544
1-4 family owner occupied - non-jumbo (2)	575	1,655	2,230	432	2,662
1-4 family non-owner occupied	—	282	282	—	282
1-4 family - 2nd lien	—	624	624	—	624
Resort lending	—	143	143	—	143
Installment					
Boat lending	—	352	352	—	352
Recreational vehicle lending	—	419	419	—	419
Other	—	199	199	—	199
Total	\$ 1,119	\$ 3,681	\$ 4,800	\$ 432	\$ 5,232
Accrued interest excluded from total	\$ —	\$ —	\$ —	\$ —	\$ —

(1) Non-performing commercial and industrial loans exclude \$0.009 million and \$0.021 million of government guaranteed loans at September 30, 2024 and December 31, 2023, respectively.

(2) Non-performing 1-4 family owner occupied – non jumbo loans exclude \$2.093 million and \$2.170 million of government guaranteed loans at September 30, 2024 and December 31, 2023, respectively.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)

The following table provides collateral information by class of loan for collateral-dependent loans with a specific reserve. A loan is considered to be collateral dependent when the borrower is experiencing financial difficulty and the repayment is expected to be provided substantially through the operation or sale of collateral.

The amortized cost of collateral-dependent loans by class follows:

	Collateral Type		Allowance for Credit Losses
	Real Estate	Other	
	(In thousands)		
September 30, 2024			
Commercial			
Commercial and industrial	\$ 693	\$ 5,321	\$ 1,758
Commercial real estate	827	—	6
Mortgage			
1-4 family owner occupied - jumbo	762	—	—
1-4 family owner occupied - non-jumbo	3,443	—	365
1-4 family non-owner occupied	87	—	31
1-4 family - 2nd lien	257	—	91
Resort lending	143	—	51
Installment			
Boat lending	—	89	32
Recreational vehicle lending	—	271	96
Other	—	65	23
Total	\$ 6,212	\$ 5,746	\$ 2,453
Accrued interest excluded from total	\$ 6	\$ 37	
December 31, 2023			
Commercial			
Commercial and industrial	\$ 565	\$ 232	\$ 224
Commercial real estate	—	—	—
Mortgage			
1-4 family owner occupied - jumbo	544	—	—
1-4 family owner occupied - non-jumbo	2,243	—	504
1-4 family non-owner occupied	211	—	178
1-4 family - 2nd lien	244	—	87
Resort lending	143	—	51
Installment			
Boat lending	—	297	105
Recreational vehicle lending	—	303	107
Other	—	102	36
Total	\$ 3,950	\$ 934	\$ 1,292
Accrued interest excluded from total	\$ 1	\$ —	

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)

An aging analysis of loans by class follows:

	Loans Past Due				Loans not Past Due	Total Loans
	30-59 days	60-89 days	90+ days	Total		
(In thousands)						
September 30, 2024						
Commercial						
Commercial and industrial	\$ 44	\$ —	\$ 59	\$ 103	\$ 954,649	\$ 954,752
Commercial real estate	—	—	—	—	870,495	870,495
Mortgage						
1-4 family owner occupied - jumbo	718	—	762	1,480	870,387	871,867
1-4 family owner occupied - non-jumbo	1,506	2,074	1,784	5,364	300,130	305,494
1-4 family non-owner occupied	74	—	87	161	172,533	172,694
1-4 family - 2nd lien	281	529	187	997	128,206	129,203
Resort lending	41	—	143	184	31,958	32,142
Installment						
Boat lending	215	109	89	413	271,233	271,646
Recreational vehicle lending	688	121	271	1,080	231,987	233,067
Other	245	119	59	423	100,504	100,927
Total	<u>\$ 3,812</u>	<u>\$ 2,952</u>	<u>\$ 3,441</u>	<u>\$ 10,205</u>	<u>\$ 3,932,082</u>	<u>\$ 3,942,287</u>
Accrued interest excluded from total	<u>\$ 40</u>	<u>\$ 33</u>	<u>\$ —</u>	<u>\$ 73</u>	<u>\$ 13,263</u>	<u>\$ 13,336</u>
December 31, 2023						
Commercial						
Commercial and industrial	\$ —	\$ —	\$ 28	\$ 28	\$ 810,117	\$ 810,145
Commercial real estate	—	—	—	—	869,586	869,586
Mortgage						
1-4 family owner occupied - jumbo	—	—	544	544	858,692	859,236
1-4 family owner occupied - non-jumbo	1,763	742	1,431	3,936	297,236	301,172
1-4 family non-owner occupied	215	64	158	437	173,379	173,816
1-4 family - 2nd lien	241	139	215	595	115,437	116,032
Resort lending	—	50	143	193	35,423	35,616
Installment						
Boat lending	320	16	261	597	268,051	268,648
Recreational vehicle lending	414	35	280	729	251,123	251,852
Other	313	86	54	453	104,345	104,798
Total	<u>\$ 3,266</u>	<u>\$ 1,132</u>	<u>\$ 3,114</u>	<u>\$ 7,512</u>	<u>\$ 3,783,389</u>	<u>\$ 3,790,901</u>
Accrued interest excluded from total	<u>\$ 31</u>	<u>\$ 17</u>	<u>\$ —</u>	<u>\$ 48</u>	<u>\$ 12,452</u>	<u>\$ 12,500</u>

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)

During the three months ended September 30, 2024 there was one mortgage - 1-4 family owner occupied - non-jumbo loan modified as troubled loan modification totaling \$0.08 million (0.1% of the total loan class). The troubled loan modification during the three months ended September 30, 2024 was due to a term extension that added 2.1 years to the life of the loan.

During the nine months ended September 30, 2024 there were five mortgage - 1-4 family owner occupied - non-jumbo loans, one mortgage 1-4 family - 2nd lien loan, and one installment - other loan modified as troubled loan modifications totaling \$ 0.51 million (0.1% of the total loan class), \$ 0.07 million (0.1% of the total loan class), and \$0.01 million (0.1% of the total loan class), respectively. All of the troubled loan modifications during the nine months ended September 30, 2024 related to term extensions and added a weighted average 4.9 years to the life of the loans.

One of the mortgage - 1-4 family owner occupied - non-jumbo loans modified during the nine months ended September 30, 2024 received a 3.625% interest rate reduction.

Of the loans modified during the nine months ended September 30, 2024, four are on non-accrual status totaling \$0.4 million. During the three and nine months ended September 30, 2023, there were no troubled loan modifications or subsequent defaults.

A loan is generally considered to be in payment default once it is 90 days contractually past due under the modified terms for commercial loans and installment loans and when four consecutive payments are missed for mortgage loans.

In order to determine whether a borrower is experiencing financial difficulty, we perform an evaluation of the probability that the borrower will be in payment default on any of its debt in the foreseeable future without the modification. This evaluation is performed under our internal underwriting policy.

Credit Quality Indicators – As part of our on-going monitoring of the credit quality of our loan portfolios, we track certain credit quality indicators including (a) risk grade of commercial loans, (b) the level of classified commercial loans, (c) credit scores of mortgage and installment loan borrowers, and (d) delinquency history and non-performing loans.

For commercial loans, we use a loan rating system that is similar to those employed by state and federal banking regulators. Loans are graded on a scale of 1 to 12. A description of the general characteristics of the ratings follows:

Rating 1 through 6: These loans are generally referred to as our “non-watch” commercial credits that include very high or exceptional credit fundamentals through acceptable credit fundamentals.

Rating 7 and 8: These loans are generally referred to as our “watch” commercial credits. These ratings include loans to borrowers that exhibit potential credit weakness or downward trends. If not checked or cured these trends could weaken our asset or credit position. While potentially weak, no loss of principal or interest is envisioned with these ratings.

Rating 9: These loans are generally referred to as our “substandard accruing” commercial credits. This rating includes loans to borrowers that exhibit a well-defined weakness where payment default is probable and loss is possible if deficiencies are not corrected. Generally, loans with this rating are considered collectible as to both principal and interest primarily due to collateral coverage.

Rating 10 and 11: These loans are generally referred to as our “substandard - non-accrual” and “doubtful” commercial credits. These ratings include loans to borrowers with weaknesses that make collection of the loan in full, on the basis of current facts, conditions and values at best questionable and at worst improbable. All of these loans are placed in non-accrual.

Rating 12: These loans are generally referred to as our “loss” commercial credits. This rating includes loans to borrowers that are deemed incapable of repayment and are charged-off.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)

The following tables summarize loan ratings by loan class for our commercial portfolio loan segment at September 30, 2024 and December 31, 2023:

	Commercial							
	Term Loans Amortized Cost Basis by Origination Year						Revolving Loans Amortized Cost Basis	Total
	2024	2023	2022	2021	2020	Prior		
	(In thousands)							
September 30, 2024								
Commercial and industrial								
Non-watch (1-6)	\$ 112,067	\$ 141,661	\$ 143,097	\$ 80,758	\$ 80,824	\$ 112,391	\$ 245,614	\$ 916,412
Watch (7-8)	10,234	2,195	3,623	2,846	3,112	1,262	9,055	32,327
Substandard Accrual (9)	2,385	—	—	530	281	—	2,758	5,954
Non-Accrual (10-11)	—	—	—	47	—	12	—	59
Total	\$ 124,686	\$ 143,856	\$ 146,720	\$ 84,181	\$ 84,217	\$ 113,665	\$ 257,427	\$ 954,752
Accrued interest excluded from total	\$ 441	\$ 500	\$ 394	\$ 206	\$ 367	\$ 352	\$ 1,181	\$ 3,441
Current period gross charge-offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Commercial real estate								
Non-watch (1-6)	\$ 75,873	\$ 233,643	\$ 168,095	\$ 79,711	\$ 51,776	\$ 176,405	\$ 63,117	\$ 848,620
Watch (7-8)	—	—	—	—	—	4,461	16,587	21,048
Substandard Accrual (9)	—	—	—	137	—	690	—	827
Non-Accrual (10-11)	—	—	—	—	—	—	—	—
Total	\$ 75,873	\$ 233,643	\$ 168,095	\$ 79,848	\$ 51,776	\$ 181,556	\$ 79,704	\$ 870,495
Accrued interest excluded from total	\$ 248	\$ 692	\$ 625	\$ 197	\$ 131	\$ 638	\$ 326	\$ 2,857
Current period gross charge-offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Total Commercial								
Non-watch (1-6)	\$ 187,940	\$ 375,304	\$ 311,192	\$ 160,469	\$ 132,600	\$ 288,796	\$ 308,731	\$ 1,765,032
Watch (7-8)	10,234	2,195	3,623	2,846	3,112	5,723	25,642	53,375
Substandard Accrual (9)	2,385	—	—	667	281	690	2,758	6,781
Non-Accrual (10-11)	—	—	—	47	—	12	—	59
Total	\$ 200,559	\$ 377,499	\$ 314,815	\$ 164,029	\$ 135,993	\$ 295,221	\$ 337,131	\$ 1,825,247
Accrued interest excluded from total	\$ 689	\$ 1,192	\$ 1,019	\$ 403	\$ 498	\$ 990	\$ 1,507	\$ 6,298
Current period gross charge-offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)

	Term Loans Amortized Cost Basis by Origination Year							Revolving Loans Amortized Cost Basis	Total
	2023	2022	2021	2020	2019	Prior			
	(In thousands)								
December 31, 2023									
Commercial and industrial									
Non-watch (1-6)	\$ 110,472	\$ 152,715	\$ 70,081	\$ 47,644	\$ 42,576	\$ 97,960	\$ 260,634	\$ 782,082	
Watch (7-8)	96	5,239	964	2,580	4,173	2,277	11,938	27,267	
Substandard Accrual (9)	—	—	547	—	21	4	196	768	
Non-Accrual (10-11)	—	—	—	—	—	28	—	28	
Total	\$ 110,568	\$ 157,954	\$ 71,592	\$ 50,224	\$ 46,770	\$ 100,269	\$ 272,768	\$ 810,145	
Accrued interest excluded from total	\$ 239	\$ 438	\$ 132	\$ 128	\$ 120	\$ 326	\$ 1,327	\$ 2,710	
Current period gross charge-offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 69	\$ 25	\$ 94	
Commercial real estate									
Non-watch (1-6)	\$ 202,576	\$ 169,230	\$ 131,428	\$ 29,684	\$ 78,706	\$ 176,265	\$ 73,852	\$ 861,741	
Watch (7-8)	—	—	—	—	2,322	5,523	—	7,845	
Substandard Accrual (9)	—	—	—	—	—	—	—	—	
Non-Accrual (10-11)	—	—	—	—	—	—	—	—	
Total	\$ 202,576	\$ 169,230	\$ 131,428	\$ 29,684	\$ 81,028	\$ 181,788	\$ 73,852	\$ 869,586	
Accrued interest excluded from total	\$ 548	\$ 685	\$ 431	\$ 73	\$ 347	\$ 661	\$ 288	\$ 3,033	
Current period gross charge-offs	\$ —	\$ —	\$ —	\$ —	\$ 960	\$ —	\$ —	\$ 960	
Total Commercial									
Non-watch (1-6)	\$ 313,048	\$ 321,945	\$ 201,509	\$ 77,328	\$ 121,282	\$ 274,225	\$ 334,486	\$ 1,643,823	
Watch (7-8)	96	5,239	964	2,580	6,495	7,800	11,938	35,112	
Substandard Accrual (9)	—	—	547	—	21	4	196	768	
Non-Accrual (10-11)	—	—	—	—	—	28	—	28	
Total	\$ 313,144	\$ 327,184	\$ 203,020	\$ 79,908	\$ 127,798	\$ 282,057	\$ 346,620	\$ 1,679,731	
Accrued interest excluded from total	\$ 787	\$ 1,123	\$ 563	\$ 201	\$ 467	\$ 987	\$ 1,615	\$ 5,743	
Current period gross charge-offs	\$ —	\$ —	\$ —	\$ —	\$ 960	\$ 69	\$ 25	\$ 1,054	

For each of our mortgage and installment portfolio segment classes, we generally monitor credit quality based on the credit scores of the borrowers. These credit scores are generally updated semi-annually.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)

The following tables summarize credit scores by loan class for our mortgage and installment loan portfolio segments at September 30, 2024 and December 31, 2023:

	Mortgage (1)								
	Term Loans Amortized Cost Basis by Origination Year							Revolving Loans Amortized Cost Basis	Total
	2024	2023	2022	2021	2020	Prior			
	(In thousands)								
September 30, 2024									
1-4 family owner occupied - jumbo									
800 and above	\$ 5,490	\$ 13,269	\$ 33,151	\$ 55,928	\$ 27,371	\$ 13,199	\$ —	\$ 148,408	
750-799	24,534	40,353	107,628	190,756	53,699	32,865	—	449,835	
700-749	7,493	17,444	46,671	71,691	20,233	15,672	1,500	180,704	
650-699	2,102	8,259	24,142	18,369	6,711	10,645	—	70,228	
600-649	—	2,184	5,722	532	2,902	2,412	—	13,752	
550-599	—	739	2,472	1,075	—	—	—	4,286	
500-549	—	488	—	—	2,784	1,382	—	4,654	
Under 500	—	—	—	—	—	—	—	—	
Unknown	—	—	—	—	—	—	—	—	
Total	\$ 39,619	\$ 82,736	\$ 219,786	\$ 338,351	\$ 113,700	\$ 76,175	\$ 1,500	\$ 871,867	
Accrued interest excluded from total	\$ 171	\$ 374	\$ 633	\$ 727	\$ 279	\$ 240	\$ 12	\$ 2,436	
Current period gross charge-offs	\$ —	\$ —	\$ 22	\$ —	\$ —	\$ —	\$ —	\$ 22	
1-4 family owner occupied - non-jumbo									
800 and above	\$ 4,087	\$ 1,063	\$ 13,507	\$ 10,212	\$ 3,910	\$ 10,465	\$ 5,033	\$ 48,277	
750-799	9,636	14,220	30,105	20,030	12,292	23,021	10,427	119,731	
700-749	4,734	10,579	13,210	9,372	6,334	23,417	4,821	72,467	
650-699	8,016	1,769	4,587	3,877	3,359	12,953	1,401	35,962	
600-649	503	—	494	2,233	1,257	6,736	104	11,327	
550-599	—	213	565	565	1,384	5,369	—	8,096	
500-549	—	—	907	1,058	337	5,458	20	7,780	
Under 500	87	—	—	66	657	1,044	—	1,854	
Unknown	—	—	—	—	—	—	—	—	
Total	\$ 27,063	\$ 27,844	\$ 63,375	\$ 47,413	\$ 29,530	\$ 88,463	\$ 21,806	\$ 305,494	
Accrued interest excluded from total	\$ 83	\$ 178	\$ 207	\$ 111	\$ 78	\$ 369	\$ 183	\$ 1,209	
Current period gross charge-offs	\$ —	\$ —	\$ —	\$ 23	\$ —	\$ 22	\$ —	\$ 45	
1-4 family non-owner occupied									
800 and above	\$ 2,227	\$ 2,021	\$ 5,418	\$ 12,670	\$ 2,265	\$ 6,593	\$ 1,389	\$ 32,583	
750-799	10,416	11,543	16,652	25,849	11,088	17,150	2,111	94,809	
700-749	2,089	3,211	8,060	5,369	3,088	7,461	2,019	31,297	
650-699	56	201	496	3,670	2,197	3,952	246	10,818	
600-649	—	—	61	580	—	1,072	109	1,822	
550-599	—	—	—	—	—	434	69	503	
500-549	—	—	—	—	—	817	—	817	
Under 500	—	—	—	—	—	45	—	45	
Unknown	—	—	—	—	—	—	—	—	
Total	\$ 14,788	\$ 16,976	\$ 30,687	\$ 48,138	\$ 18,638	\$ 37,524	\$ 5,943	\$ 172,694	
Accrued interest excluded from total	\$ 62	\$ 77	\$ 116	\$ 132	\$ 50	\$ 170	\$ 51	\$ 658	
Current period gross charge-offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 158	\$ —	\$ 158	

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)

	Mortgage - continued (1)							
	Term Loans Amortized Cost Basis by Origination Year						Revolving Loans Amortized Cost Basis	Total
	2024	2023	2022	2021	2020	Prior		
	(In thousands)							
September 30, 2024 - continued								
1-4 family - 2nd lien								
800 and above	\$ 277	\$ 457	\$ 264	\$ 260	\$ 637	\$ 912	\$ 12,319	\$ 15,126
750-799	2,084	2,591	2,467	3,189	2,228	3,240	42,368	58,167
700-749	1,457	1,077	1,967	806	549	2,843	27,820	36,519
650-699	25	293	498	653	474	1,598	10,644	14,185
600-649	—	297	124	236	80	765	1,232	2,734
550-599	—	78	38	69	39	628	399	1,251
500-549	—	39	20	—	—	548	415	1,022
Under 500	—	—	—	—	—	199	—	199
Unknown	—	—	—	—	—	—	—	—
Total	\$ 3,843	\$ 4,832	\$ 5,378	\$ 5,213	\$ 4,007	\$ 10,733	\$ 95,197	\$ 129,203
Accrued interest excluded from total	\$ 14	\$ 19	\$ 19	\$ 12	\$ 12	\$ 55	\$ 772	\$ 903
Current period gross charge-offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 3	\$ 22	\$ 25
Resort lending								
800 and above	\$ —	\$ —	\$ —	\$ 416	\$ 627	\$ 4,892	\$ —	\$ 5,935
750-799	—	40	584	570	105	12,439	—	13,738
700-749	—	—	327	297	135	4,373	—	5,132
650-699	—	—	—	—	389	5,611	—	6,000
600-649	—	—	—	—	46	1,148	—	1,194
550-599	—	—	—	—	—	57	—	57
500-549	—	—	—	—	—	86	—	86
Under 500	—	—	—	—	—	—	—	—
Unknown	—	—	—	—	—	—	—	—
Total	\$ —	\$ 40	\$ 911	\$ 1,283	\$ 1,302	\$ 28,606	\$ —	\$ 32,142
Accrued interest excluded from total	\$ —	\$ —	\$ 4	\$ 4	\$ 4	\$ 156	\$ —	\$ 168
Current period gross charge-offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 50	\$ —	\$ 50
Total Mortgage								
800 and above	\$ 12,081	\$ 16,810	\$ 52,340	\$ 79,486	\$ 34,810	\$ 36,061	\$ 18,741	\$ 250,329
750-799	46,670	68,747	157,436	240,394	79,412	88,715	54,906	736,280
700-749	15,773	32,311	70,235	87,535	30,339	53,766	36,160	326,119
650-699	10,199	10,522	29,723	26,569	13,130	34,759	12,291	137,193
600-649	503	2,481	6,401	3,581	4,285	12,133	1,445	30,829
550-599	—	1,030	3,075	1,709	1,423	6,488	468	14,193
500-549	—	527	927	1,058	3,121	8,291	435	14,359
Under 500	87	—	—	66	657	1,288	—	2,098
Unknown	—	—	—	—	—	—	—	—
Total	\$ 85,313	\$ 132,428	\$ 320,137	\$ 440,398	\$ 167,177	\$ 241,501	\$ 124,446	\$ 1,511,400
Accrued interest excluded from total	\$ 330	\$ 648	\$ 979	\$ 986	\$ 423	\$ 990	\$ 1,018	\$ 5,374
Current period gross charge-offs	\$ —	\$ —	\$ 22	\$ 23	\$ —	\$ 233	\$ 22	\$ 300

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)

	Mortgage (1)									
	Term Loans Amortized Cost Basis by Origination Year							Revolving Loans Amortized Cost Basis	Total	
	2023	2022	2021	2020	2019	Prior				
	(In thousands)									
December 31, 2023										
1-4 family owner occupied - jumbo										
800 and above	\$ 6,299	\$ 30,789	\$ 63,377	\$ 17,672	\$ 4,503	\$ 8,813	\$ 1,084	\$ 132,537		
750-799	42,726	117,454	193,587	61,986	24,288	14,836	1,586	456,463		
700-749	14,965	51,991	66,597	25,170	4,738	11,768	1,500	176,729		
650-699	11,274	13,804	24,648	12,949	2,142	5,881	—	70,698		
600-649	1,638	7,815	2,486	505	3,198	2,592	—	18,234		
550-599	—	—	527	1,908	—	—	—	2,435		
500-549	—	544	—	923	—	673	—	2,140		
Under 500	—	—	—	—	—	—	—	—		
Unknown	—	—	—	—	—	—	—	—		
Total	\$ 76,902	\$ 222,397	\$ 351,222	\$ 121,113	\$ 38,869	\$ 44,563	\$ 4,170	\$ 859,236		
Accrued interest excluded from total	\$ 329	\$ 669	\$ 785	\$ 299	\$ 107	\$ 156	\$ 30	\$ 2,375		
Current period gross charge-offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —		
1-4 family owner occupied - non-jumbo										
800 and above	\$ 2,280	\$ 10,083	\$ 7,780	\$ 5,425	\$ 2,802	\$ 9,130	\$ 3,029	\$ 40,529		
750-799	13,233	32,729	21,664	12,306	5,954	19,852	8,462	114,200		
700-749	11,696	18,133	11,661	8,136	3,280	20,042	4,482	77,430		
650-699	9,576	5,717	4,606	2,524	2,393	12,369	1,500	38,685		
600-649	136	1,334	1,694	833	1,096	6,415	84	11,592		
550-599	188	624	71	1,705	557	5,390	65	8,600		
500-549	—	—	1,335	998	413	4,077	—	6,823		
Under 500	—	311	462	272	518	1,750	—	3,313		
Unknown	—	—	—	—	—	—	—	—		
Total	\$ 37,109	\$ 68,931	\$ 49,273	\$ 32,199	\$ 17,013	\$ 79,025	\$ 17,622	\$ 301,172		
Accrued interest excluded from total	\$ 153	\$ 235	\$ 119	\$ 78	\$ 56	\$ 331	\$ 139	\$ 1,111		
Current period gross charge-offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 29	\$ —	\$ 29		
1-4 family non-owner occupied										
800 and above	\$ 2,320	\$ 6,026	\$ 12,338	\$ 3,474	\$ 3,048	\$ 6,030	\$ 1,199	\$ 34,435		
750-799	10,937	16,635	28,051	11,545	6,709	13,400	3,498	90,775		
700-749	3,904	7,013	8,825	4,145	667	6,719	2,095	33,368		
650-699	216	1,879	1,844	2,543	197	3,521	277	10,477		
600-649	—	388	1,445	—	75	1,226	362	3,496		
550-599	—	61	52	—	—	873	—	986		
500-549	—	—	—	—	—	142	—	142		
Under 500	—	—	—	—	—	137	—	137		
Unknown	—	—	—	—	—	—	—	—		
Total	\$ 17,377	\$ 32,002	\$ 52,555	\$ 21,707	\$ 10,696	\$ 32,048	\$ 7,431	\$ 173,816		
Accrued interest excluded from total	\$ 77	\$ 125	\$ 149	\$ 60	\$ 35	\$ 146	\$ 62	\$ 654		
Current period gross charge-offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —		

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)

Mortgage - continued (1)																
	Term Loans Amortized Cost Basis by Origination Year						Revolving Loans Amortized Cost Basis	Total								
	2023	2022	2021	2020	2019	Prior										
	(In thousands)															
December 31, 2023 - (continued)																
1-4 family - 2nd lien																
800 and above	\$	537	\$	156	\$	703	\$	389	\$	159	\$	1,153	\$	9,817	\$	12,914
750-799		2,260		2,879		2,359		2,341		898		3,084		38,277		52,098
700-749		1,895		1,243		1,464		324		224		2,348		25,849		33,347
650-699		425		285		182		519		302		1,869		8,945		12,527
600-649		51		107		97		67		37		563		1,886		2,808
550-599		—		80		203		—		157		238		638		1,316
500-549		—		—		12		—		—		487		331		830
Under 500		—		19		—		—		77		61		35		192
Unknown		—		—		—		—		—		—		—		—
Total	\$	5,168	\$	4,769	\$	5,020	\$	3,640	\$	1,854	\$	9,803	\$	85,778	\$	116,032
Accrued interest excluded from total	\$	19	\$	14	\$	10	\$	7	\$	6	\$	41	\$	707	\$	804
Current period gross charge-offs	\$	—	\$	—	\$	—	\$	—	\$	—	\$	5	\$	—	\$	5
Resort lending																
800 and above	\$	—	\$	—	\$	99	\$	—	\$	—	\$	5,643	\$	—	\$	5,742
750-799		41		817		910		858		179		12,649		—		15,454
700-749		—		108		871		111		—		5,439		—		6,529
650-699		—		—		—		316		—		6,219		—		6,535
600-649		—		—		—		49		—		844		—		893
550-599		—		—		—		—		—		267		—		267
500-549		—		—		—		—		—		59		—		59
Under 500		—		—		—		—		—		137		—		137
Unknown		—		—		—		—		—		—		—		—
Total	\$	41	\$	925	\$	1,880	\$	1,334	\$	179	\$	31,257	\$	—	\$	35,616
Accrued interest excluded from total	\$	—	\$	4	\$	3	\$	4	\$	—	\$	142	\$	—	\$	153
Current period gross charge-offs	\$	—	\$	—	\$	—	\$	—	\$	—	\$	120	\$	—	\$	120
Total Mortgage																
800 and above	\$	11,436	\$	47,054	\$	84,297	\$	26,960	\$	10,512	\$	30,769	\$	15,129	\$	226,157
750-799		69,197		170,514		246,571		89,036		38,028		63,821		51,823		728,990
700-749		32,460		78,488		89,418		37,886		8,909		46,316		33,926		327,403
650-699		21,491		21,685		31,280		18,851		5,034		29,859		10,722		138,922
600-649		1,825		9,644		5,722		1,454		4,406		11,640		2,332		37,023
550-599		188		765		853		3,613		714		6,768		703		13,604
500-549		—		544		1,347		1,921		413		5,438		331		9,994
Under 500		—		330		462		272		595		2,085		35		3,779
Unknown		—		—		—		—		—		—		—		—
Total	\$	136,597	\$	329,024	\$	459,950	\$	179,993	\$	68,611	\$	196,696	\$	115,001	\$	1,485,872
Accrued interest excluded from total	\$	578	\$	1,047	\$	1,066	\$	448	\$	204	\$	816	\$	938	\$	5,097
Current period gross charge-offs	\$	—	\$	—	\$	—	\$	—	\$	—	\$	154	\$	—	\$	154

(1) Credit scores have been updated within the last twelve months.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)

		Installment (1)												
		Term Loans Amortized Cost Basis by Origination Year												
		2024	2023	2022	2021	2020	Prior	Total						
		(In thousands)												
September 30, 2024														
Boat lending														
800 and above	\$	7,364	\$	5,486	\$	9,270	\$	7,411	\$	4,120	\$	10,402	\$	44,053
750-799		23,978		30,812		29,384		25,314		12,030		27,440		148,958
700-749		10,748		11,009		12,029		10,082		4,108		10,049		58,025
650-699		2,496		2,441		2,879		3,264		1,254		3,061		15,395
600-649		—		971		880		635		209		826		3,521
550-599		—		88		227		252		75		394		1,036
500-549		—		17		75		181		137		114		524
Under 500		—		36		—		—		—		98		134
Unknown		—		—		—		—		—		—		—
Total	\$	44,586	\$	50,860	\$	54,744	\$	47,139	\$	21,933	\$	52,384	\$	271,646
Accrued interest excluded from total	\$	172	\$	194	\$	130	\$	107	\$	48	\$	113	\$	764
Current period gross charge-offs	\$	—	\$	8	\$	31	\$	8	\$	49	\$	53	\$	149
Recreational vehicle lending														
800 and above	\$	1,669	\$	3,747	\$	9,836	\$	10,072	\$	3,569	\$	7,083	\$	35,976
750-799		10,758		12,372		36,098		33,234		9,720		16,312		118,494
700-749		4,168		5,496		14,956		17,670		4,615		5,986		52,891
650-699		1,314		2,357		4,286		5,324		1,353		1,864		16,498
600-649		72		456		1,856		1,863		247		665		5,159
550-599		22		201		266		897		85		291		1,762
500-549		—		118		542		576		229		355		1,820
Under 500		—		—		235		159		32		41		467
Unknown		—		—		—		—		—		—		—
Total	\$	18,003	\$	24,747	\$	68,075	\$	69,795	\$	19,850	\$	32,597	\$	233,067
Accrued interest excluded from total	\$	67	\$	93	\$	176	\$	161	\$	43	\$	71	\$	611
Current period gross charge-offs	\$	—	\$	42	\$	152	\$	322	\$	42	\$	109	\$	667
Other														
800 and above	\$	1,821	\$	1,091	\$	1,569	\$	1,149	\$	623	\$	1,001	\$	7,254
750-799		8,378		8,792		8,038		4,948		2,472		4,833		37,461
700-749		14,735		5,995		5,097		3,451		1,392		3,247		33,917
650-699		11,082		1,891		1,937		1,038		524		1,464		17,936
600-649		260		417		554		390		104		330		2,055
550-599		8		157		221		177		52		137		752
500-549		6		40		238		224		65		110		683
Under 500		—		40		90		50		—		9		189
Unknown		680		—		—		—		—		—		680
Total	\$	36,970	\$	18,423	\$	17,744	\$	11,427	\$	5,232	\$	11,131	\$	100,927
Accrued interest excluded from total	\$	78	\$	70	\$	42	\$	24	\$	10	\$	65	\$	289
Current period gross charge-offs	\$	1,327	\$	69	\$	92	\$	17	\$	8	\$	91	\$	1,604

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)

		Installment (1)												
		Term Loans Amortized Cost Basis by Origination Year												
		2024	2023	2022	2021	2020	Prior	Total						
		(In thousands)												
September 30, 2024 - continued														
Total installment														
800 and above	\$	10,854	\$	10,324	\$	20,675	\$	18,632	\$	8,312	\$	18,486	\$	87,283
750-799		43,114		51,976		73,520		63,496		24,222		48,585		304,913
700-749		29,651		22,500		32,082		31,203		10,115		19,282		144,833
650-699		14,892		6,689		9,102		9,626		3,131		6,389		49,829
600-649		332		1,844		3,290		2,888		560		1,821		10,735
550-599		30		446		714		1,326		212		822		3,550
500-549		6		175		855		981		431		579		3,027
Under 500		—		76		325		209		32		148		790
Unknown		680		—		—		—		—		—		680
Total	\$	99,559	\$	94,030	\$	140,563	\$	128,361	\$	47,015	\$	96,112	\$	605,640
Accrued interest excluded from total	\$	317	\$	357	\$	348	\$	292	\$	101	\$	249	\$	1,664
Current period gross charge-offs	\$	1,327	\$	119	\$	275	\$	347	\$	99	\$	253	\$	2,420

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)

Installment - continued (1)								
Term Loans Amortized Cost Basis by Origination Year								
	2023	2022	2021	2020	2019	Prior	Total	
(In thousands)								
December 31, 2023								
Boat lending								
800 and above	\$ 6,110	\$ 8,150	\$ 8,250	\$ 3,612	\$ 4,061	\$ 7,665	\$ 37,848	
750-799	34,174	35,921	29,665	16,329	13,173	21,432	150,694	
700-749	15,593	15,042	11,859	4,481	4,757	7,279	59,011	
650-699	3,652	3,029	4,277	1,545	1,237	2,842	16,582	
600-649	281	432	808	268	171	620	2,580	
550-599	85	344	229	139	108	335	1,240	
500-549	—	152	207	97	—	198	654	
Under 500	—	—	—	—	—	39	39	
Unknown	—	—	—	—	—	—	—	
Total	\$ 59,895	\$ 63,070	\$ 55,295	\$ 26,471	\$ 23,507	\$ 40,410	\$ 268,648	
Accrued interest excluded from total	\$ 216	\$ 154	\$ 132	\$ 63	\$ 58	\$ 91	\$ 714	
Current period gross charge-offs	\$ —	\$ 53	\$ —	\$ —	\$ 15	\$ 53	\$ 121	
Recreational vehicle lending								
800 and above	\$ 3,168	\$ 10,759	\$ 11,568	\$ 3,484	\$ 3,838	\$ 5,482	\$ 38,299	
750-799	15,677	41,037	39,113	13,025	8,415	11,934	129,201	
700-749	6,481	18,630	20,161	5,243	3,689	4,460	58,664	
650-699	2,524	5,108	6,073	1,706	936	1,157	17,504	
600-649	713	724	1,573	394	308	429	4,141	
550-599	90	304	973	71	249	383	2,070	
500-549	—	880	326	153	136	154	1,649	
Under 500	—	108	106	34	70	6	324	
Unknown	—	—	—	—	—	—	—	
Total	\$ 28,653	\$ 77,550	\$ 79,893	\$ 24,110	\$ 17,641	\$ 24,005	\$ 251,852	
Accrued interest excluded from total	\$ 112	\$ 201	\$ 189	\$ 56	\$ 44	\$ 53	\$ 655	
Current period gross charge-offs	\$ 28	\$ 122	\$ 192	\$ 32	\$ 81	\$ 11	\$ 466	
Other								
800 and above	\$ 1,599	\$ 1,673	\$ 1,633	\$ 897	\$ 582	\$ 756	\$ 7,140	
750-799	11,782	11,017	6,600	3,557	1,622	4,077	38,655	
700-749	16,717	6,564	5,013	2,268	1,047	3,361	34,970	
650-699	12,483	2,997	1,494	627	266	1,390	19,257	
600-649	515	605	395	138	107	410	2,170	
550-599	49	329	294	35	53	176	936	
500-549	98	260	246	43	31	72	750	
Under 500	—	97	65	14	57	38	271	
Unknown	649	—	—	—	—	—	649	
Total	\$ 43,892	\$ 23,542	\$ 15,740	\$ 7,579	\$ 3,765	\$ 10,280	\$ 104,798	
Accrued interest excluded from total	\$ 101	\$ 62	\$ 34	\$ 17	\$ 10	\$ 67	\$ 291	
Current period gross charge-offs	\$ 1,677	\$ 104	\$ 44	\$ 17	\$ 12	\$ 147	\$ 2,001	
Total installment								
800 and above	\$ 10,877	\$ 20,582	\$ 21,451	\$ 7,993	\$ 8,481	\$ 13,903	\$ 83,287	
750-799	61,633	87,975	75,378	32,911	23,210	37,443	318,550	
700-749	38,791	40,236	37,033	11,992	9,493	15,100	152,645	
650-699	18,659	11,134	11,844	3,878	2,439	5,389	53,343	
600-649	1,509	1,761	2,776	800	586	1,459	8,891	
550-599	224	977	1,496	245	410	894	4,246	
500-549	98	1,292	779	293	167	424	3,053	

	2019	2018	2017	2016	2015	2014	2013
Under 500	—	205	171	48	127	83	634
Unknown	649	—	—	—	—	—	649
Total	\$ 132,440	\$ 164,162	\$ 150,928	\$ 58,160	\$ 44,913	\$ 74,695	\$ 625,298
Accrued interest excluded from total	\$ 429	\$ 417	\$ 355	\$ 136	\$ 112	\$ 211	\$ 1,660
Current period gross charge-offs	\$ 1,705	\$ 279	\$ 236	\$ 49	\$ 108	\$ 211	\$ 2,588

(1) Credit scores have been updated within the last twelve months.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)

Foreclosed residential real estate properties included in other real estate and repossessed assets on our Condensed Consolidated Statements of Financial Condition totaled \$0.8 million and \$0.6 million at September 30, 2024 and December 31, 2023, respectively. Retail mortgage loans secured by residential real estate properties for which formal foreclosure proceedings are in process according to local requirements totaled \$0.4 million and \$0.6 million at September 30, 2024 and December 31, 2023, respectively.

During the three and nine month periods ended September 30, 2024, we sold \$ 6.6 million and \$14.7 million, respectively, of portfolio residential fixed rate mortgage loans servicing retained and recognized a gain on sale of \$0.12 million and \$0.25 million, respectively. During the nine month period ended September 30 2023, we sold \$51.5 million of portfolio residential mortgage loans servicing retained and recognized a loss on sale of \$ 0.15 million. These transactions were done primarily for asset/liability management purposes. No portfolio residential mortgage loans were sold during the three month period ended September 30, 2023.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)

5. Shareholders' Equity and Earnings Per Common Share

On December 19, 2023, our Board of Directors authorized a share repurchase plan (the "Repurchase Plan") to buy back up to 1,100,000 shares of our outstanding common stock through December 31, 2024. Shares would be repurchased through open market transactions, though we could execute repurchases through other means, such as privately negotiated transactions. The timing and amount of any share repurchases will depend on a variety of factors, including, among others, securities law restrictions, the trading price of our common stock, regulatory requirements, potential alternative uses for capital, and our financial performance. During the nine month period ended September 30, 2024 there were no shares of common stock repurchased. During the nine month period ended September 30, 2023 repurchases were made totaling 288,401 shares of common stock, for an aggregate purchase price of \$ 5.0 million.

A reconciliation of basic and diluted net income per common share follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
	(In thousands, except per share data)			
Net income	\$ 13,810	\$ 17,543	\$ 48,329	\$ 45,324
Weighted average shares outstanding (1)	20,896	20,922	20,892	21,021
Stock units for deferred compensation plan for non-employee directors	182	163	178	157
Performance share units	34	21	27	17
Effect of stock options	3	8	3	12
Weighted average shares outstanding for calculation of diluted earnings per share	21,115	21,114	21,100	21,207
Net income per common share				
Basic (1)	\$ 0.66	\$ 0.84	\$ 2.31	\$ 2.16
Diluted	\$ 0.65	\$ 0.83	\$ 2.29	\$ 2.14

(1) Basic net income per common share includes weighted average common shares outstanding during the period and participating share awards.

Weighted average stock options outstanding that were not considered in computing diluted net income per common share because they were anti-dilutive were zero for the three and nine month periods ended September 30, 2024 and 2023, respectively.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)

6. Derivative Financial Instruments

We are required to record derivatives on our Condensed Consolidated Statements of Financial Condition as assets and liabilities measured at their fair value. The accounting for increases and decreases in the value of derivatives depends upon the use of derivatives and whether the derivatives qualify for hedge accounting.

Our derivative financial instruments according to the type of hedge in which they are designated follows:

September 30, 2024			
	Notional Amount	Average Maturity (years)	Fair Value
(Dollars in thousands)			
Fair value hedge designation			
Pay-fixed interest rate swap agreement - commercial	\$ 5,745	4.6	\$ 239
Pay-fixed interest rate swap agreements - securities available for sale	148,895	3.1	11,259
Pay-fixed interest rate swap agreements - installment	100,000	2.7	(1,741)
Pay-fixed interest rate swap agreements - mortgage	150,000	2.8	(2,779)
Interest rate cap agreements - securities available for sale	40,970	3.6	181
Total	<u>\$ 445,610</u>	2.9	<u>\$ 7,159</u>
Cash flow hedge designation			
Interest rate floor agreements - commercial	<u>\$ 325,000</u>	2.5	<u>\$ 7,281</u>
No hedge designation			
Rate-lock mortgage loan commitments	\$ 26,947	0.1	\$ 253
Mandatory commitments to sell mortgage loans	40,399	0.1	25
Pay-fixed interest rate swap agreements - commercial	492,129	5.2	(1,313)
Pay-variable interest rate swap agreements - commercial	492,129	5.2	1,313
Total	<u>\$ 1,051,604</u>	4.9	<u>\$ 278</u>

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)

December 31, 2023			
	Notional Amount	Average Maturity (years)	Fair Value
(Dollars in thousands)			
Fair value hedge designation			
Pay-fixed interest rate swap agreement - commercial	\$ 6,033	5.4	\$ 349
Pay-fixed interest rate swap agreements - securities available for sale	148,895	3.9	15,287
Pay-fixed interest rate swap agreements - installment	100,000	3.4	(1,228)
Pay-fixed interest rate swap agreements - mortgage	100,000	4.3	(2,131)
Interest rate cap agreements - securities available for sale	40,970	4.3	456
Total	\$ 395,898	3.9	\$ 12,733
Cash flow hedge designation			
Interest rate floor agreements - commercial	\$ 150,000	3.5	\$ 4,221
No hedge designation			
Rate-lock mortgage loan commitments	18,081	0.1	173
Mandatory commitments to sell mortgage loans	30,442	0.1	(279)
Pay-fixed interest rate swap agreements - commercial	379,012	5.9	7,169
Pay-variable interest rate swap agreements - commercial	379,012	5.9	(7,169)
Total	\$ 806,547	5.5	\$ (106)

We have established management objectives and strategies that include interest-rate risk parameters for maximum fluctuations in net interest income and market value of portfolio equity. We monitor our interest rate risk position via simulation modeling reports. The goal of our asset/liability management efforts is to maintain profitable financial leverage within established risk parameters.

We have entered into pay-fixed interest rate swaps and caps to protect a portion of the fair value of a certain fixed rate commercial loan and certain mortgage and installment loans ("Fair Value Hedge – Portfolio Loans"). As a result, changes in the fair values of the pay-fixed interest rate swaps and caps are expected to offset changes in the fair values of the fixed rate portfolio loans due to fluctuations in interest rates. We record the fair values of Fair Value Hedge – Portfolio Loans in accrued income and other assets and accrued expenses and other liabilities on our Condensed Consolidated Statements of Financial Condition. The hedged items (a fixed rate commercial loan and certain fixed rate mortgage and installment loans) are also recorded at fair value which offsets the adjustment to the Fair Value Hedge – Portfolio Loans. On an ongoing basis, we adjust our Condensed Consolidated Statements of Financial Condition to reflect the then current fair values of both the Fair Value Hedge – Portfolio Loans and the hedged items. The related gains or losses are reported in interest income – interest and fees on loans in our Condensed Consolidated Statements of Operations. During the second quarter of 2023 we terminated the interest rate cap that was previously hedging certain installment loans. The remaining unrealized gain on this terminated interest cap is being amortized into earnings over the original life of the interest rate cap.

We have entered into pay-fixed interest rate swap and interest rate cap agreements to protect a portion of the fair value of certain securities available for sale ("Fair Value Hedge – AFS Securities"). As a result, the change in the fair value of the pay-fixed interest rate swap and interest rate cap agreements is expected to offset a portion of the change in the fair value of the fixed rate securities available for sale due to fluctuations in interest rates. We record the fair value of Fair Value Hedge – AFS Securities in accrued income and other assets and accrued expenses and other liabilities on our Condensed Consolidated Statements of Financial Condition. The hedged items (fixed rate securities available for sale) are also recorded at fair value which offsets the adjustment to the Fair Value Hedge – AFS Securities. On an ongoing basis, we adjust our Condensed Consolidated Statements of Financial Condition to reflect the then current fair value of both the Fair Value Hedge – AFS Securities and the hedged item. The related gains or losses are reported in interest income – interest on securities – tax-exempt in our Condensed Consolidated Statements of Operations.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)

We have entered into interest rate floor agreements to manage the variability in future expected cash flows of certain commercial loans ("Cash Flow Hedge – Portfolio Loans"). We record the fair value of Cash Flow Hedge – Portfolio Loans in accrued income and other assets and accrued expenses and other liabilities on our Condensed Consolidated Statements of Financial Condition. The changes in the fair value of Cash Flow Hedge - Portfolio Loans are recorded in accumulated other comprehensive loss and are reclassified into the line item in our Condensed Consolidated Statements of Operations in which the hedged items are recorded in the same period the hedged items affect earnings. It is anticipated that as of September 30, 2024, \$0.2 million will be reclassified from accumulated other comprehensive loss on Cash Flow Hedge - Portfolio Loans into earnings as a reduction of interest and fees on loans over the next twelve months. The maximum term of any Cash Flow Hedge - Portfolio Loans at September 30, 2024 is 3.9 years.

Certain derivative financial instruments have not been designated as hedges. The fair value of these derivative financial instruments has been recorded on our Condensed Consolidated Statements of Financial Condition and is adjusted on an ongoing basis to reflect their then current fair value. The changes in fair value of derivative financial instruments not designated as hedges are recognized in earnings

In the ordinary course of business, we enter into rate-lock mortgage loan commitments with customers ("Rate-Lock Commitments"). These commitments expose us to interest rate risk. We also enter into mandatory commitments to sell mortgage loans ("Mandatory Commitments") to reduce the impact of price fluctuations of mortgage loans held for sale and Rate-Lock Commitments. Mandatory Commitments help protect our loan sale profit margin from fluctuations in interest rates. The changes in the fair value of Rate-Lock Commitments and Mandatory Commitments are recognized currently as part of net gains on mortgage loans in our Condensed Consolidated Statements of Operations. We obtain market prices on Mandatory Commitments and Rate-Lock Commitments. Net gains on mortgage loans, as well as net income may be more volatile as a result of these derivative instruments, which are not designated as hedges.

We have a program that allows commercial loan customers to lock in a fixed rate for a longer period of time than we would normally offer for interest rate risk reasons. We will enter into a variable rate commercial loan and an interest rate swap agreement with a customer and then enter into an offsetting interest rate swap agreement with an unrelated party. The interest rate swap agreement fair values will generally move in opposite directions resulting in little or no net impact on our Condensed Consolidated Statements of Operations. All of the interest rate swap agreements - commercial in the table above with no hedge designation relate to this program.

We had entered into a no hedge designation pay-variable interest rate swap agreement in an attempt to manage the cost of certain funding liabilities. The changes in fair value of this no hedge pay-variable interest rate swap is recorded in non-interest expense-other in our Condensed Consolidated Statements of Operations. This no hedge designation pay-variable interest rate swap agreement matured during the third quarter of 2023.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)

The following tables illustrate the impact that the derivative financial instruments discussed above have on individual line items in the Condensed Consolidated Statements of Financial Condition for the periods presented:

Fair Values of Derivative Instruments

Asset Derivatives				Liability Derivatives			
September 30, 2024		December 31, 2023		September 30, 2024		December 31, 2023	
Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value

(In thousands)

Derivatives designated as hedging instruments

Pay-fixed interest rate swap agreements	Other assets	\$ 11,519	Other assets	\$ 15,636	Other liabilities	\$ 4,541	Other liabilities	\$ 3,359
Interest rate cap agreements	Other assets	181	Other assets	456	Other liabilities	—	Other liabilities	—
Interest rate floor agreements	Other assets	7,281	Other assets	4,221	Other liabilities	—	Other liabilities	—
		18,981		20,313		4,541		3,359

Derivatives not designated as hedging instruments

Rate-lock mortgage loan commitments	Other assets	253	Other assets	173	Other liabilities	—	Other liabilities	—
Mandatory commitments to sell mortgage loans	Other assets	25	Other assets	—	Other liabilities	—	Other liabilities	279
Pay-fixed interest rate swap agreements - commercial	Other assets	9,101	Other assets	12,683	Other liabilities	10,414	Other liabilities	5,514
Pay-variable interest rate swap agreements - commercial	Other assets	10,414	Other assets	5,514	Other liabilities	9,101	Other liabilities	12,683
		19,793		18,370		19,515		18,476
Total derivatives		\$ 38,774		\$ 38,683		\$ 24,056		\$ 21,835

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)

The effect of derivative financial instruments on the Condensed Consolidated Statements of Operations follows:

	Gain (Loss) Recognized in Other Comprehensive Income (Effective Portion)		Location of Gain (Loss) Reclassified from Accumulated Other Comprehensive Loss into Income (Effective Portion)	Loss Reclassified from Accumulated Other Comprehensive Loss into Income (Effective Portion)		Location of Gain (Loss) Recognized in Income	Gain (Loss) Recognized in Income	
	Three Month Periods Ended September 30,			Three Month Periods Ended September 30,			Three Month Periods Ended September 30,	
	2024	2023		2024	2023		2024	2023
							(In thousands)	
Fair Value Hedges								
Pay-fixed interest rate swap agreement - commercial						Interest and fees on loans	\$ (184)	\$ 96
Pay-fixed interest rate swap agreements - securities available for sale						Interest on securities available for sale - tax - exempt	(4,882)	926
Pay-fixed interest rate swap agreements - Installment						Interest and fees on loans	(2,421)	765
Pay-fixed interest rate swap agreements - Mortgage						Interest and fees on loans	(2,940)	785
Interest rate cap agreements - securities available for sale	\$ (255)	\$ (25)	Interest on securities available for sale - tax - exempt	\$ (57)	\$ (55)	Interest on securities available for sale - tax - exempt	(119)	39
Interest rate cap agreements - installment	—	—	Interest and fees on loans	—	—	Interest and fees on loans	—	—
Total	\$ (255)	\$ (25)		\$ (57)	\$ (55)		\$ (10,546)	\$ 2,611
Cash Flow Hedges								
Interest rate floor agreements - commercial	\$ 2,999	\$ (502)	Interest and fees on loans	\$ (333)	\$ (17)	Interest and fees on loans	\$ (333)	\$ (17)
No hedge designation								
Rate-lock mortgage loan commitments						Net gains on mortgage loans	\$ 111	\$ (147)
Mandatory commitments to sell mortgage loans						Net gains on mortgage loans	(122)	238
Pay-fixed interest rate swap agreements - commercial						Interest income	(15,031)	\$ 5,579
Pay-variable interest rate swap agreements - commercial						Interest income	15,031	(5,579)
Pay-variable interest rate swap agreement						Non-interest expense - other	—	\$ —
Total							\$ (11)	\$ 91

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)

	Gain (Loss) Recognized in Other Comprehensive Income (Effective Portion)		Location of Gain (Loss)	Loss Reclassified from Accumulated Other Comprehensive Loss into Income (Effective Portion)			Gain (Loss) Recognized in Income	
	Nine Month Periods Ended September 30,		Reclassified from Accumulated Other Comprehensive Loss into Income (Effective Portion)	Nine Month Periods Ended September 30,		Location of Gain (Loss) Recognized in Income	Nine Month Periods Ended September 30,	
	2024	2023		2024	2023		2024	2023
							(In thousands)	
Fair Value Hedges								
Pay-fixed interest rate swap agreement - commercial						Interest and fees on loans	\$ (110)	\$ 113
Pay-fixed interest rate swap agreements - securities available for sale						Interest on securities available for sale - tax - exempt	(4,028)	550
Pay-fixed interest rate swap agreements - Installment						Interest and fees on loans	(513)	1,362
Pay-fixed interest rate swap agreements - Mortgage						Interest and fees on loans	(648)	785
Interest rate cap agreements - securities available for sale	\$ (194)	\$ (438)	Interest on securities available for sale - tax - exempt	\$ (167)	\$ (207)	Interest on securities available for sale - tax - exempt	(81)	286
Interest rate cap agreements - installment	—	—	Interest and fees on loans	—	—	Interest and fees on loans	—	(14)
Total	<u>\$ (194)</u>	<u>\$ (438)</u>		<u>\$ (167)</u>	<u>\$ (207)</u>		<u>\$ (5,380)</u>	<u>\$ 3,082</u>
Cash Flow Hedges								
Interest rate floor agreements - commercial	<u>\$ 246</u>	<u>\$ (502)</u>	Interest and fees on loans	<u>\$ (838)</u>	<u>\$ (17)</u>	Interest and fees on loans	<u>\$ (838)</u>	<u>\$ (17)</u>
No hedge designation								
Rate-lock mortgage loan commitments						Net gains on mortgage loans	\$ 80	\$ 916
Mandatory commitments to sell mortgage loans						Net gains on mortgage loans	304	169
Pay-fixed interest rate swap agreements - commercial						Interest income	(8,482)	4,694
Pay-variable interest rate swap agreements - commercial						Interest income	8,482	(4,694)
Pay-variable interest rate swap agreement						Non-interest expense - other	—	(12)
Total							\$ 384	\$ 1,073

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)

7. Goodwill and Other Intangibles

The following table summarizes intangible assets, net of amortization:

	September 30, 2024		December 31, 2023	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
	(In thousands)			
Amortized intangible assets - core deposits	\$ 11,916	\$ 10,299	\$ 11,916	\$ 9,912
Unamortized intangible assets - goodwill	\$ 28,300		\$ 28,300	

A summary of estimated core deposits intangible amortization at September 30, 2024 follows:

	(In thousands)
Three months ending December 31, 2024	129
2025	487
2026	460
2027	434
2028	107
Total	\$ 1,617

8. Share Based Compensation

We maintain share based payment plans that include a non-employee director stock purchase plan and a long-term incentive plan that permits the issuance of share based compensation, including stock options and non-vested share awards. The long-term incentive plan, which is shareholder approved, permits the grant of additional share based awards for up to 0.4 million shares of common stock as of September 30, 2024. The non-employee director stock purchase plan permits the issuance of additional share based payments for up to 0.1 million shares of common stock as of September 30, 2024. Share based awards and payments are measured at fair value at the date of grant and are expensed over the requisite service period. Common shares issued upon exercise of stock options come from currently authorized but unissued shares.

A summary of restricted stock and performance stock units ("PSU") granted pursuant to our long-term incentive plan follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Restricted stock	—	—	81,355	84,846
PSU	—	—	18,822	18,790

The shares of restricted stock and PSUs shown in the above table cliff vest after a period of three years. The performance criteria of the PSUs is split evenly between a comparison of (i) our total shareholder return and (ii) our return on average assets each over the three year period starting on the grant date to these same criteria over that period to an index of our banking peers.

Our directors may elect to receive all or a portion of their cash retainer fees in the form of common stock (either on a current basis or on a deferred basis) pursuant to the non-employee director stock purchase plan referenced above. Shares equal in value to that portion of each director's fees that he or she has elected to receive in stock on a current basis are issued each quarter and vest immediately. Shares issued on a deferred basis are credited at the rate of 90% of the current

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)

fair value of our common stock and vest immediately. During the nine month periods ended September 30, 2024 and 2023 we issued 0.007 million and 0.014 million shares, respectively and expensed their value during those same periods.

Total compensation expense recognized for grants pursuant to our long-term incentive plan was \$ 0.5 million and \$1.6 million during the three and nine month periods ended September 30, 2024, respectively, and was \$0.5 million and \$1.4 million during the same periods in 2023, respectively. The corresponding tax benefit relating to this expense was \$0.1 million and \$0.3 million for the three and nine month periods ended September 30, 2024, respectively and \$ 0.1 million and \$0.3 million for the same periods in 2023. Total expense recognized for non-employee director share based payments was \$ 0.06 million and \$0.18 million during the three and nine month periods ended September 30, 2024, respectively, and was \$0.09 million and \$0.27 million during the same periods in 2023, respectively. The corresponding tax benefit relating to this expense was \$0.01 million and \$0.04 million for the three and nine month periods ended September 30, 2024, respectively and \$0.02 million and \$0.06 million during the same periods in 2023.

At September 30, 2024, the total expected compensation cost related to non-vested restricted stock and PSUs not yet recognized was \$ 3.1 million. The weighted-average period over which this amount will be recognized is 1.9 years.

A summary of outstanding stock option grants and related transactions follows:

	Number of Shares	Average Exercise Price	Weighted- Average Remaining Contractual Term (Years)	Aggregated Intrinsic Value
				(In thousands)
Outstanding at January 1, 2024	11,724	\$ 11.73		
Granted	—	—		
Exercised	(5,583)	8.96		
Forfeited	—	—		
Expired	—	—		
Outstanding at September 30, 2024	6,141	\$ 14.24	2.5	\$ 117
Vested and expected to vest at September 30, 2024	6,141	\$ 14.24	2.5	\$ 117
Exercisable at September 30, 2024	6,141	\$ 14.24	2.5	\$ 117

A summary of outstanding non-vested stock and related transactions follows:

	Number of Shares	Weighted- Average Grant Date Fair Value
Outstanding at January 1, 2024	269,233	\$ 22.93
Granted	100,177	24.53
Vested	(95,498)	20.49
Forfeited	(8,066)	23.99
Outstanding at September 30, 2024	265,846	\$ 24.38

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)

Certain information regarding options exercised during the periods follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
	(In thousands)		(In thousands)	
Intrinsic value	\$ —	\$ —	\$ 91	\$ 299
Cash proceeds received	\$ —	\$ —	\$ —	\$ 148
Tax benefit realized	\$ —	\$ —	\$ 19	\$ 63

9. Income Tax

Income tax expense was \$3.5 million and \$4.1 million during the three month periods ended September 30, 2024 and 2023, respectively and \$ 11.9 million and \$10.4 million during the nine months ended September 30, 2024 and 2023, respectively. Our actual federal income tax expense is different than the amount computed by applying our statutory income tax rate to our income before income tax primarily due to tax-exempt interest income and tax-exempt income from the increase in the cash surrender value on life insurance. In addition, the three and nine month periods ending September 30, 2024 include reductions of \$0.008 million and \$0.117 million, respectively of income tax expense related to the impact of the excess value of stock awards that vested and stock options that were exercised as compared to the initial fair values that were expensed. These amounts during the same periods in 2023 were \$0.003 million and \$0.047 million, respectively.

We assess whether a valuation allowance should be established against our deferred tax assets based on the consideration of all available evidence using a “more likely than not” standard. The ultimate realization of this asset is primarily based on generating future income. We concluded at September 30, 2024, September 30, 2023 and December 31, 2023 that the realization of substantially all of our deferred tax assets continues to be more likely than not.

At both September 30, 2024 and December 31, 2023, we had approximately \$ 0.2 million, respectively, of gross unrecognized tax benefits. We do not expect the total amount of unrecognized tax benefits to significantly increase or decrease during the remainder of 2024.

10. Regulatory Matters

Capital guidelines adopted by federal and state regulatory agencies and restrictions imposed by law limit the amount of cash dividends our Bank can pay to us. Under these guidelines, the amount of dividends that may be paid in any calendar year is limited to the Bank’s current year net profits, combined with the retained net profits of the preceding two years. Further, the Bank cannot pay a dividend at any time that it has negative undivided profits. As of September 30, 2024, the Bank had positive undivided profits of \$209.0 million. It is not our intent to have dividends paid in amounts that would reduce the capital of our Bank to levels below those which we consider prudent or that would not be in accordance with guidelines of regulatory authorities.

We are also subject to various regulatory capital requirements. The prompt corrective action regulations establish quantitative measures to ensure capital adequacy and require minimum amounts and ratios of total, Tier 1, and common equity Tier 1 capital to risk-weighted assets and Tier 1 capital to average assets. Failure to meet minimum capital requirements can result in certain mandatory, and possibly discretionary, actions by regulators that could have a material effect on our interim condensed consolidated financial statements. In addition, capital adequacy rules include a common equity Tier 1 capital conservation buffer of 2.5% of risk-weighted assets that applies to all supervised financial institutions. To avoid limits on capital distributions and certain discretionary bonus payments we must meet the minimum ratio for adequately capitalized institutions plus the buffer. Under capital adequacy guidelines, we must meet specific capital requirements that involve quantitative measures as well as qualitative judgments by the regulators. The most recent regulatory filings as of September 30, 2024 and December 31, 2023, categorized our Bank as well capitalized and exceeding the minimum ratio for adequately capitalized institutions plus the capital conservation buffer. Management is not aware of any conditions or events that would have changed the most recent Federal Deposit Insurance Corporation (“FDIC”) categorization.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)

Our actual capital amounts and ratios follow (1):

	Actual		Minimum for Adequately Capitalized Institutions		Minimum for Well-Capitalized Institutions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
(Dollars in thousands)						
September 30, 2024						
Total capital to risk-weighted assets						
Consolidated	\$ 606,783	14.25 %	\$ 340,539	8.00 %	NA	NA
Independent Bank	552,577	13.00	340,134	8.00	\$ 425,167	10.00 %
Tier 1 capital to risk-weighted assets						
Consolidated	\$ 513,461	12.06 %	\$ 255,404	6.00 %	NA	NA
Independent Bank	499,317	11.74	255,100	6.00	\$ 340,134	8.00 %
Common equity tier 1 capital to risk-weighted assets						
Consolidated	\$ 474,906	11.16 %	\$ 191,553	4.50 %	NA	NA
Independent Bank	499,317	11.74	191,325	4.50	\$ 276,359	6.50 %
Tier 1 capital to average assets						
Consolidated	\$ 513,461	9.62 %	\$ 213,392	4.00 %	NA	NA
Independent Bank	499,317	9.36	213,370	4.00	\$ 266,712	5.00 %
December 31, 2023						
Total capital to risk-weighted assets						
Consolidated	\$ 573,972	13.71 %	\$ 335,014	8.00 %	NA	NA
Independent Bank	521,374	12.46	334,673	8.00	\$ 418,341	10.00 %
Tier 1 capital to risk-weighted assets						
Consolidated	\$ 481,569	11.50 %	\$ 251,260	6.00 %	NA	NA
Independent Bank	469,023	11.21	251,005	6.00	\$ 334,673	8.00 %
Common equity tier 1 capital to risk-weighted assets						
Consolidated	\$ 443,065	10.58 %	\$ 188,445	4.50 %	NA	NA
Independent Bank	469,023	11.21	188,254	4.50	\$ 271,922	6.50 %
Tier 1 capital to average assets						
Consolidated	\$ 481,569	9.03 %	\$ 213,227	4.00 %	NA	NA
Independent Bank	469,023	8.80	213,180	4.00	\$ 266,475	5.00 %

(1) These ratios do not reflect a capital conservation buffer of 2.50% at September 30, 2024 and December 31, 2023.

NA - Not applicable

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)

The components of our regulatory capital are as follows:

	Consolidated		Independent Bank	
	September 30, 2024	December 31, 2023	September 30, 2024	December 31, 2023
	(In thousands)			
Total shareholders' equity	\$ 452,369	\$ 404,449	\$ 476,780	\$ 430,407
Add (deduct)				
Accumulated other comprehensive (income) loss for regulatory purposes	52,454	66,344	52,454	66,344
Goodwill and other intangibles	(29,917)	(30,304)	(29,917)	(30,304)
CECL (1)	—	2,576	—	2,576
Common equity tier 1 capital	474,906	443,065	499,317	469,023
Qualifying trust preferred securities	38,555	38,504	—	—
Tier 1 capital	513,461	481,569	499,317	469,023
Subordinated debt	40,000	40,000	—	—
Allowance for credit losses and allowance for unfunded lending commitments limited to 1.25% of total risk-weighted assets	53,322	52,403	53,260	52,351
Total risk-based capital	\$ 606,783	\$ 573,972	\$ 552,577	\$ 521,374

(1) We elected the three year CECL transition method for regulatory purposes.

11. Fair Value Disclosures

FASB ASC topic 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. FASB ASC topic 820 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Valuation is based upon quoted prices for identical instruments traded in active markets. Level 1 instruments include securities traded on active exchange markets, such as the New York Stock Exchange, as well as U.S. Treasury securities that are traded by dealers or brokers in active over-the-counter markets.

Level 2: Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market. Level 2 instruments include securities traded in less active dealer or broker markets.

Level 3: Valuation is generated from model-based techniques that use at least one significant assumption not observable in the market. These unobservable assumptions reflect estimates of assumptions that market participants would use in pricing the asset or liability. Valuation techniques include use of option pricing models, discounted cash flow models and similar techniques.

We used the following methods and significant assumptions to estimate fair value:

Securities: Where quoted market prices are available in an active market, securities are classified as Level 1 of the valuation hierarchy. We currently do not have any Level 1 securities. If quoted market prices are not available for the specific instrument, then fair values are estimated by (1) using quoted market prices of securities with similar characteristics, (2) matrix pricing, which is a mathematical technique used widely in the industry to value debt securities without relying exclusively on quoted prices for specific securities but rather by relying on the securities' relationship to other benchmark quoted prices, or (3) a discounted cash flow analysis whose significant fair value inputs can generally be verified and do

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)

not typically involve judgment by management. These securities are classified as Level 2 of the valuation hierarchy and primarily include agency securities, private label mortgage-backed securities, other asset backed securities, obligations of states and political subdivisions, trust preferred securities, corporate securities and foreign government securities.

Loans held for sale: The fair value of mortgage loans held for sale, carried at fair value is based on agency cash window loan pricing for comparable assets (recurring Level 2).

Collateral dependent loans with specific loss allocations based on collateral value: From time to time, certain collateral dependent loans will have an ACL established. When the fair value of the collateral is based on an appraised value or when an appraised value is not available we record the collateral dependent loan as nonrecurring Level 3. These appraisals may utilize a single valuation approach or a combination of approaches including comparable sales and the income approach. Adjustments are routinely made in the appraisal process by the independent appraisers to adjust for differences between the comparable sales and income data available. Such adjustments can be significant and thus will typically result in a Level 3 classification of the inputs for determining fair value.

Other real estate: At the time of acquisition, other real estate is recorded at fair value, less estimated costs to sell, which becomes the property's new basis. Subsequent write-downs to reflect declines in value since the time of acquisition may occur from time to time and are recorded in net gains on other real estate and repossessed assets, which is part of non-interest expense - other in the Condensed Consolidated Statements of Operations. The fair value of the property used at and subsequent to the time of acquisition is typically determined by a third party appraisal of the property. These appraisals may utilize a single valuation approach or a combination of approaches including comparable sales and the income approach. Adjustments are routinely made in the appraisal process by the independent appraisers to adjust for differences between the comparable sales and income data available. Such adjustments can be significant and typically result in a Level 3 classification of the inputs for determining fair value.

Appraisals for both collateral-dependent loans and other real estate are performed by certified general appraisers (for commercial properties) or certified residential appraisers (for residential properties) whose qualifications and licenses have been reviewed and verified by us. Once received, an independent third party, or a member of our Collateral Evaluation Department (for commercial properties), or a member of our Special Assets Group (for residential properties) reviews the assumptions and approaches utilized in the appraisal as well as the overall resulting fair value in comparison with independent data sources such as recent market data or industry-wide statistics. We compare the actual selling price of collateral that has been sold to the most recent appraised value of our properties to determine what additional adjustment, if any, should be made to the appraisal value to arrive at fair value. For commercial and residential properties we typically discount an appraisal to account for various factors that the appraisal excludes in its assumptions. These additional discounts generally do not result in material adjustments to the appraised value.

Capitalized mortgage loan servicing rights: The fair value of capitalized mortgage loan servicing rights is based on a valuation model used by an independent third party that calculates the present value of estimated net servicing income. The valuation model incorporates assumptions that market participants would use in estimating future net servicing income. Certain model assumptions are generally unobservable and are based upon the best information available including data relating to our own servicing portfolio, reviews of mortgage servicing assumption and valuation surveys and input from various mortgage servicers and, therefore, are recorded as Level 3. Management evaluates the third party valuation for reasonableness each quarter as part of our financial reporting control processes.

Derivatives: The fair value of rate-lock mortgage loan commitments is based on agency cash window loan pricing for comparable assets and the fair value of mandatory commitments to sell mortgage loans is based on mortgage backed security pricing for comparable assets (recurring Level 2). The fair value of interest rate swap, interest rate cap and interest rate floor agreements are derived from proprietary models which utilize current market data. The significant fair value inputs can generally be observed in the market place and do not typically involve judgment by management (recurring Level 2).

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)

Assets and liabilities measured at fair value, including financial assets for which we have elected the fair value option, were as follows:

		Fair Value Measurements Using						
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Un- observable Inputs (Level 3)				
Fair Value Measure- ments								
(In thousands)								
September 30, 2024:								
Measured at Fair Value on a Recurring Basis								
Assets								
Securities available for sale								
U.S. agency	\$	8,538	\$	—	\$	8,538	\$	—
U.S. agency residential mortgage-backed		76,091		—		76,091		—
U.S. agency commercial mortgage-backed		12,073		—		12,073		—
Private label mortgage-backed		76,603		—		76,603		—
Other asset backed		43,764		—		43,764		—
Obligations of states and political subdivisions		300,068		—		300,068		—
Corporate		70,857		—		70,857		—
Trust preferred		956		—		956		—
Loans held for sale, carried at fair value		14,029		—		14,029		—
Capitalized mortgage loan servicing rights		40,204		—		—		40,204
Derivatives (1)		38,774		—		38,774		—
Liabilities								
Derivatives (2)		24,056		—		24,056		—
Measured at Fair Value on a Non-recurring Basis:								
Assets								
Collateral dependent loans (3)								
Commercial								
Commercial and industrial		4,253		—		—		4,253
Commercial real estate		132		—		—		132
Mortgage								
1-4 family owner occupied - non-jumbo		662		—		—		662
1-4 family non-owner occupied		56		—		—		56
1-4 family - 2nd lien		166		—		—		166
Resort lending		92		—		—		92
Installment								
Boat lending		57		—		—		57
Recreational vehicle lending		175		—		—		175
Other		42		—		—		42

(1) Included in accrued income and other assets

(2) Included in accrued expenses and other liabilities

(3) Only includes individually evaluated loans with specific loss allocations based on collateral value.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)

		Fair Value Measurements Using			
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Signifi- cant Un- observable Inputs (Level 3)	
	Fair Value Measure- ments				
(In thousands)					
December 31, 2023:					
Measured at Fair Value on a Recurring Basis					
Assets					
Securities available for sale					
U.S. agency	\$ 9,507	\$ —	\$ 9,507	\$ —	
U.S. agency residential mortgage- backed	81,217	—	81,217	—	
U.S. agency commercial mortgage- backed	12,297	—	12,297	—	
Private label mortgage-backed	86,469	—	86,469	—	
Other asset backed	112,931	—	112,931	—	
Obligations of states and political subdivisions	302,737	—	302,737	—	
Corporate	73,250	—	73,250	—	
Trust preferred	942	—	942	—	
Loans held for sale, carried at fair value	12,063	—	12,063	—	
Capitalized mortgage loan servicing rights	42,243	—	—	4	
Derivatives (1)	38,683	—	38,683	—	
Liabilities					
Derivatives (2)	21,835	—	21,835	—	
Measured at Fair Value on a Non-recurring Basis:					
Assets					
Collateral dependent loans (3)					
Commercial					
Commercial and industrial	551	—	—	—	
Mortgage					
1-4 family owner occupied - non- jumbo	732	—	—	—	
1-4 family non-owner occupied	33	—	—	—	
1-4 family - 2nd lien	157	—	—	—	
Resort lending	92	—	—	—	
Installment					
Boat lending	192	—	—	—	
Recreational vehicle lending	196	—	—	—	
Other	66	—	—	—	

(1) Included in accrued income and other assets

(2) Included in accrued expenses and other liabilities

(3) Only includes impaired loans with specific loss allocations based on collateral value.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)

Changes in fair values for financial assets which we have elected the fair value option for the periods presented were as follows:

Changes in Fair Values for the Nine Month Periods Ended September 30 for Items Measured at Fair Value Pursuant to Election of the Fair Value Option			
	Net Gains on Assets		Total Change in Fair Values Included in Current Period Earnings
	Mortgage Loans	Mortgage Loan Servicing, net	
	(In thousands)		
2024			
Loans held for sale	\$ 215	\$ —	\$ 215
Capitalized mortgage loan servicing rights	—	(4,995)	(4,995)
2023			
Loans held for sale	1,519	—	1,519
Capitalized mortgage loan servicing rights	—	456	456

For those items measured at fair value pursuant to our election of the fair value option, interest income is recorded within the Condensed Consolidated Statements of Operations based on the contractual amount of interest income earned on these financial assets and dividend income is recorded based on cash dividends received.

The following represent impairment charges recognized during the three and nine month periods ended September 30, 2024 and 2023 relating to assets measured at fair value on a non-recurring basis:

- Loans that are individually evaluated using the fair value of collateral for collateral dependent loans had a carrying amount of \$ 5.6 million, which is net of a valuation allowance of \$2.5 million at September 30, 2024, and had a carrying amount of \$ 2.0 million, which is net of a valuation allowance of \$ 1.3 million at December 31, 2023. The provision for credit losses included in our results of operations relating to collateral dependent loans was a net expense of \$0.9 million and \$0.2 million for the three month periods ending September 30, 2024 and 2023, respectively, and a net expense of \$ 2.0 million and \$2.1 million for the nine month periods ending September 30, 2024 and 2023, respectively.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)

A reconciliation for all assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) follows:

	Capitalized Mortgage Loan Servicing Rights			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
	(In thousands)		(In thousands)	
Beginning balance	\$ 44,406	\$ 44,427	\$ 42,243	\$ 42,489
Total gains (losses) realized and unrealized:				
Included in results of operations	(5,378)	471	(4,995)	456
Included in other comprehensive loss	—	—	—	—
Purchases, issuances, settlements, maturities and calls	1,176	1,159	2,956	3,112
Transfers in and/or out of Level 3	—	—	—	—
Ending balance	\$ 40,204	\$ 46,057	\$ 40,204	\$ 46,057
Amount of total gains (losses) for the period included in earnings attributable to the change in unrealized gains (losses) relating to assets and liabilities still held at September 30	\$ (5,378)	\$ 471	\$ (4,995)	\$ 456

The fair value of our capitalized mortgage loan servicing rights has been determined based on a valuation model used by an independent third party as discussed above. The significant unobservable inputs used in the fair value measurement of the capitalized mortgage loan servicing rights are discount rate, cost to service, ancillary income, float rate and prepayment rate. Significant changes in all five of these assumptions in isolation would result in significant changes to the value of our capitalized mortgage loan servicing rights. Quantitative information about our Level 3 fair value measurements measured on a recurring basis follows:

	Asset Fair Value	Valuation Technique	Unobservable Inputs	Range	Weighted Average
	(In thousands)				
September 30, 2024					
Capitalized mortgage loan servicing rights	\$ 40,204	Present value of net servicing revenue	Discount rate	10.00% to 14.99%	10.25 %
			Cost to service	\$69 to \$463	\$ 79
			Ancillary income	20 to 30	20
			Float rate		3.53 %
			Prepayment rate	6.56% to 29.02%	10.02 %
December 31, 2023					
Capitalized mortgage loan servicing rights	\$ 42,243	Present value of net servicing revenue	Discount rate	10.00% to 14.27%	10.25 %
			Cost to service	\$70 to \$442	\$ 79
			Ancillary income	20 to 30	20
			Float rate		3.82 %
			Prepayment rate	6.56% to 26.47%	8.50%

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)

Quantitative information about Level 3 fair value measurements measured on a non-recurring basis follows:

	Asset Fair Value	Valuation Technique	Unobservable Inputs	Range	Weighted Average
	(In thousands)				
September 30, 2024					
Collateral dependent loans					
Commercial(1)		Discounting financial statement and machinery and equipment appraised values	Discount rates used		
	\$ 4,385			40.0% to 50.0%	42.8 %
		Sales comparison approach	Adjustment for differences between comparable sales	(20.0)% to 35.0%	(2.4) %
Mortgage and Installment(2)	1,250	Sales comparison approach	Adjustment for differences between comparable sales	(12.7) to 21.7	1.3
December 31, 2023					
Collateral dependent loans					
Commercial	\$ 551	Sales comparison approach	Adjustment for differences between comparable sales	(5.0)% to 6.0%	(0.4) %
Mortgage and Installment(2)	1,468	Sales comparison approach	Adjustment for differences between comparable sales	(4.1) to 10.5	3.1

- (1) \$3.5 million of this amount primarily relates to one collateral dependent relationship credit. Collateral securing this relationship primarily included accounts receivable, inventory and machinery and equipment at September 30, 2024. Valuation techniques at September 30, 2024 included discounting financial statement values for accounts receivable and inventory and appraised values for machinery and equipment.
- (2) In addition to the valuation techniques and unobservable inputs discussed above, at September 30, 2024 and December 31, 2023 certain collateral dependent installment loans totaling approximately \$0.27 million and \$0.45 million, respectively, are secured by collateral other than real estate. For the majority of these loans, we apply internal discount rates to industry valuation guides.

The following table reflects the difference between the aggregate fair value and the aggregate remaining contractual principal balance outstanding for loans held for sale for which the fair value option has been elected for the periods presented.

	Aggregate Fair Value	Difference	Contractual Principal
	(In thousands)		
Loans held for sale			
September 30, 2024	\$ 14,029	\$ 154	\$ 13,875
December 31, 2023	12,063	(61)	12,124

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)

12. Fair Values of Financial Instruments

Most of our assets and liabilities are considered financial instruments. Many of these financial instruments lack an available trading market and it is our general practice and intent to hold the majority of our financial instruments to maturity. Significant estimates and assumptions were used to determine the fair value of financial instruments. These estimates are subjective in nature, involving uncertainties and matters of judgment, and therefore, fair values may not be a precise estimate. Changes in assumptions could significantly affect the estimates.

Estimated fair values have been determined using available data and methodologies that are considered suitable for each category of financial instrument. For instruments with adjustable interest rates which reprice frequently and without significant credit risk, it is presumed that estimated fair values approximate the recorded book balances.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)

The estimated recorded book balances and fair values follow:

		Fair Value Using			
	Recorded Book Balance	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Un-observable Inputs (Level 3)
(In thousands)					
September 30, 2024					
Assets					
Cash and due from banks	\$ 61,503	\$ 61,503	\$ 61,503	\$ —	\$ —
Interest bearing deposits	60,057	60,057	60,057	—	—
Securities available for sale	588,950	588,950	—	588,950	—
Securities held to maturity	343,362	314,638	—	314,638	—
Federal Home Loan Bank and Federal Reserve Bank Stock					
Reserve Bank Stock	16,099	NA	NA	NA	NA
Net loans and loans held for sale	3,898,872	3,732,864	—	14,029	3,718,835
Accrued interest receivable	18,809	18,809	134	5,339	13,336
Derivative financial instruments	38,774	38,774	—	38,774	—
Liabilities					
Deposits with no stated maturity (1)	\$ 3,850,142	\$ 3,850,142	\$ 3,850,142	\$ —	\$ —
Deposits with stated maturity (1)	776,733	775,042	—	775,042	—
Other borrowings	—	—	—	—	—
Subordinated debt	39,567	39,687	—	39,687	—
Subordinated debentures	39,779	39,733	—	39,733	—
Accrued interest payable	4,215	4,215	427	3,788	—
Derivative financial instruments	24,056	24,056	—	24,056	—
December 31, 2023					
Assets					
Cash and due from banks	\$ 68,208	\$ 68,208	\$ 68,208	\$ —	\$ —
Interest bearing deposits	101,573	101,573	101,573	—	—
Securities available for sale	679,350	679,350	—	679,350	—
Securities held to maturity	353,988	318,606	—	318,606	—
Federal Home Loan Bank and Federal Reserve Bank Stock					
Reserve Bank Stock	16,821	NA	NA	NA	NA
Net loans and loans held for sale	3,748,306	3,453,790	—	12,063	3,441,727
Accrued interest receivable	19,044	19,044	58	6,486	12,500
Derivative financial instruments	38,683	38,683	—	38,683	—
Liabilities					
Deposits with no stated maturity (1)	\$ 3,704,808	\$ 3,704,808	\$ 3,704,808	\$ —	\$ —
Deposits with stated maturity (1)	918,071	914,404	—	914,404	—
Other borrowings	50,026	49,831	—	49,831	—
Subordinated debt	39,510	40,352	—	40,352	—
Subordinated debentures	39,728	38,103	—	38,103	—
Accrued interest payable	6,534	6,534	482	6,052	—
Derivative financial instruments	21,835	21,835	—	21,835	—

(1) Deposits with no stated maturity include reciprocal deposits with a recorded book balance of \$878.832 million and \$723.014 million at September 30, 2024 and December 31, 2023, respectively. Deposits with a stated maturity include reciprocal deposits with a recorded book balance of \$116.637 million and \$109.006 million at September 30, 2024 and December 31, 2023, respectively.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)

The fair values for commitments to extend credit and standby letters of credit are estimated to approximate their aggregate book balance, which is nominal and therefore are not disclosed.

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates do not reflect any premium or discount that could result from offering for sale the entire holdings of a particular financial instrument.

Fair value estimates are based on existing on- and off-balance sheet financial instruments without attempting to estimate the value of anticipated future business, the value of future earnings attributable to off-balance sheet activities and the value of assets and liabilities that are not considered financial instruments.

Fair value estimates for deposit accounts do not include the value of the core deposit intangible asset resulting from the low-cost funding provided by the deposit liabilities compared to the cost of borrowing funds in the market.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)

13. Contingencies

Pressures from various global and national macroeconomic conditions, including heightened inflation, uncertainty regarding future interest rates, foreign currency exchange rate fluctuations, recent adverse weather conditions, the continuation of the Russia-Ukraine and Middle East wars, the pending Presidential and Congressional elections, and potential governmental responses to these events, continue to create significant economic uncertainty.

The extent to which these pressures may impact our business, results of operations, asset valuations, financial condition, and customers will depend on future developments, which continue to be highly uncertain and difficult to predict. Material adverse impacts may include all or a combination of valuation impairments on our intangible assets, securities available for sale, securities held to maturity, loans, capitalized mortgage loan servicing rights or deferred tax assets.

We continue to closely monitor and analyze the higher risk segments within our portfolio, and senior management is cautiously optimistic that we are positioned to continue managing the impact of the varied set of risks and uncertainties currently impacting the global and U.S. economies. However, a high degree of uncertainty still exists with respect to the impact of these fluid macroeconomic conditions on the future performance of our loan portfolio and our financial results.

Litigation

We are involved in various litigation matters in the ordinary course of business. At the present time, we do not believe any of these matters will have a significant impact on our interim condensed consolidated financial position or results of operations. The aggregate amount we have accrued for losses we consider probable as a result of these litigation matters is immaterial. However, because of the inherent uncertainty of outcomes from any litigation matter, we believe it is reasonably possible we may incur losses in addition to the amounts we have accrued. At this time, we estimate the maximum amount of additional losses that are reasonably possible is insignificant. However, because of a number of factors, including the fact that certain of these litigation matters are still in their early stages, this maximum amount may change in the future.

The litigation matters described in the preceding paragraph primarily include claims that have been brought against us for damages, but do not include litigation matters where we seek to collect amounts owed to us by third parties (such as litigation initiated to collect delinquent loans). These excluded, collection-related matters may involve claims or counterclaims by the opposing party or parties, but we have excluded such matters from the disclosure contained in the preceding paragraph in all cases where we believe the possibility of us paying damages to any opposing party is remote.

Visa Stock

On May 6, 2024, we exchanged 12,566 shares of Visa Inc. Class B-1 common stock (all of the Class B-1 shares we owned) for 2,493 shares of Visa Inc. Class C common stock and 6,283 shares of Visa Inc. Class B-2 common stock pursuant to an exchange offer conducted by Visa. Each Class C share automatically converts to 4 shares of Visa Inc. Class A common stock upon a transfer to anyone other than a Visa member or an affiliate of a Visa member. The Class B-2 shares have the same transfer restrictions as the transfer restrictions on the Class B-1 shares and can only be sold to other Class B shareholders.

Because of the very limited liquidity for the Class B-1 shares (prior to completion of the exchange offer) and uncertainty regarding the likelihood, ultimate timing, and eventual exchange rate for Class B-1 shares into Class A shares, we were carrying these shares at zero, representing cost basis less impairment. In light of the continued uncertainty regarding the likelihood, ultimate timing, and eventual exchange rate for Class B-2 shares into Class A shares, we are carrying the Class B-2 shares at zero, representing cost basis less impairment.

With the completion of the exchange, we recorded a gain related to the Class C shares of \$ 2.677 million during the second quarter of 2024 based on the conversion privilege of those shares and the closing price of the Class A shares on May 3, 2024 (the exchange expiration date) of \$268.49 per share. Subsequent to the exchange, we sold all 2,493 shares of our Class C shares for net proceeds of \$ 2.685 million. We held no Class C shares at September 30, 2024.

As a condition to our participation in the exchange offer, we were required to enter into a Makewhole Agreement that will require us to reimburse Visa in certain circumstances if certain litigation in which Visa has been involved since 2008 results in damages significantly higher than Visa currently expects. Potential payments under the Makewhole Agreement are designed to equal the decline in value we would have experienced had we not participated in Visa's exchange offer. Based on the disclosures that have been made by Visa regarding the status of this litigation and other circumstances

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)

relating to the exchange offer and potential future, similar exchange offers, we believe the likelihood we will have to make any payments under the Makewhole Agreement is remote.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)

14. Accumulated Other Comprehensive Loss ("AOCL")

A summary of changes in AOCL follows:

	Unrealized Losses on Securities AFS	Unrealized Losses on Securities Transferred to Securities HTM (1)	Dispropor- tionate Tax Effects from Securities AFS	Unrealized Gains (Losses) on Derivative Instruments	Total
(In thousands)					
For the three months ended September 30,					
2024					
Balances at beginning of period	\$ (49,482)	\$ (14,084)	\$ (5,798)	\$ (1,464)	\$ (70,828)
Other comprehensive income (loss) before reclassifications	9,340	646	—	2,168	12,154
Amounts reclassified from AOCL	114	—	—	308	422
Net current period other comprehensive income (loss)	9,454	646	—	2,476	12,576
Balances at end of period	<u>\$ (40,028)</u>	<u>\$ (13,438)</u>	<u>\$ (5,798)</u>	<u>\$ 1,012</u>	<u>\$ (58,252)</u>
2023					
Balances at beginning of period	\$ (57,695)	\$ (16,811)	\$ (5,798)	\$ (206)	\$ (80,510)
Other comprehensive income (loss) before reclassifications	(12,130)	696	—	(417)	(11,851)
Amounts reclassified from AOCL	—	—	—	57	57
Net current period other comprehensive income (loss)	(12,130)	696	—	(360)	(11,794)
Balances at end of period	<u>\$ (69,825)</u>	<u>\$ (16,115)</u>	<u>\$ (5,798)</u>	<u>\$ (566)</u>	<u>\$ (92,304)</u>
For the nine months ended September 30,					
2024					
Balances at beginning of period	\$ (51,113)	\$ (15,408)	\$ (5,798)	\$ 177	\$ (72,142)
Other comprehensive income (loss) before reclassifications	10,758	1,970	—	41	12,769
Amounts reclassified from AOCL	327	—	—	794	1,121
Net current period other comprehensive income (loss)	11,085	1,970	—	835	13,890
Balances at end of period	<u>\$ (40,028)</u>	<u>\$ (13,438)</u>	<u>\$ (5,798)</u>	<u>\$ 1,012</u>	<u>\$ (58,252)</u>
2023					
Balances at beginning of period	\$ (68,742)	\$ (18,223)	\$ (5,798)	\$ —	\$ (92,763)
Other comprehensive income (loss) before reclassifications	(1,258)	2,108	—	(743)	107
Amounts reclassified from AOCL	175	—	—	177	352
Net current period other comprehensive income (loss)	(1,083)	2,108	—	(566)	459
Balances at end of period	<u>\$ (69,825)</u>	<u>\$ (16,115)</u>	<u>\$ (5,798)</u>	<u>\$ (566)</u>	<u>\$ (92,304)</u>

(1) Represents the remaining unrealized loss to be accreted on securities that were transferred from AFS to HTM on April 1, 2022.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)

The disproportionate tax effects from securities AFS arose due to tax effects of other comprehensive income ("OCI") in the presence of a valuation allowance against our deferred tax assets and a pretax loss from operations. Generally, the amount of income tax expense or benefit allocated to operations is determined without regard to the tax effects of other categories of income or loss, such as OCI. However, an exception to the general rule is provided when, in the presence of a valuation allowance against deferred tax assets, there is a pretax loss from operations and pretax income from other categories in the current period. In such instances, income from other categories must offset the current loss from operations, the tax benefit of such offset being reflected in operations. Release of material disproportionate tax effects from other comprehensive income to earnings is done by the portfolio method whereby the effects will remain in AOCL as long as we carry a more than inconsequential portfolio of securities AFS.

A summary of reclassifications out of each component of AOCL for the three months ended September 30 follows:

AOCL Component	Amount Reclassified From AOCL	Affected Line Item in Condensed Consolidated Statements of Operations
(In thousands)		
2024		
Unrealized losses on securities available for sale		
	\$ (145)	Net losses on securities available for sale
	(31)	Income tax expense
	<u>\$ (114)</u>	Reclassifications, net of tax
Unrealized gains (losses) on derivative instruments		
	\$ 390	Interest income
	82	Income tax expense
	<u>\$ 308</u>	Reclassifications, net of tax
	<u><u>\$ (422)</u></u>	Total reclassifications for the period, net of tax
2023		
Unrealized losses on securities available for sale		
	\$ —	Net losses on securities available for sale
	—	Income tax expense
	<u>\$ —</u>	Reclassifications, net of tax
Unrealized gains (losses) on derivative instruments		
	\$ 72	Interest income
	15	Income tax expense
	<u>\$ 57</u>	Reclassifications, net of tax
	<u><u>\$ (57)</u></u>	Total reclassifications for the period, net of tax

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)

A summary of reclassifications out of each component of AOCL for the nine months ended September 30 follows:

AOCL Component	Amount Reclassified From AOCL (In thousands)	Affected Line Item in Condensed Consolidated Statements of Operations
2024		
Unrealized losses on securities available for sale		
	\$ (414)	Net losses on securities available for sale
	(87)	Income tax expense
	<u>\$ (327)</u>	Reclassifications, net of tax
Unrealized gains (losses) on derivative instruments		
	\$ 1,005	Interest income
	211	Income tax expense
	<u>\$ 794</u>	Reclassifications, net of tax
	<u><u>\$ (1,121)</u></u>	Total reclassifications for the period, net of tax
2023		
Unrealized losses on securities available for sale		
	\$ (222)	Net losses on securities available for sale
	(47)	Income tax expense
	<u>\$ (175)</u>	Reclassifications, net of tax
Unrealized gains (losses) on derivative instruments		
	\$ 224	Interest income
	47	Income tax expense
	<u>\$ 177</u>	Reclassifications, net of tax
	<u><u>\$ (352)</u></u>	Total reclassifications for the period, net of tax

15. Revenue from Contracts with Customers

We account for revenue in accordance with ASC Topic 606, Revenue from Contracts with Customers. We derive the majority of our revenue from financial instruments and their related contractual rights and obligations which for the most part are excluded from the scope of this topic. These sources of revenue that are excluded from the scope of this topic include interest income, net gains on mortgage loans, net gains (losses) on securities AFS, mortgage loan servicing, net and bank owned life insurance and were approximately 87.1% and 86.6% of total revenues for the nine month periods ending September 30, 2024 and 2023, respectively.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)

Material sources of revenue that are included in the scope of this topic include service charges on deposit accounts, other deposit related income, interchange income and investment and insurance commissions and are discussed in the following paragraphs. Generally these sources of revenue are earned at the time the service is delivered or over the course of a monthly period and do not result in any contract asset or liability balance at any given period end. As a result, there were no contract assets or liabilities recorded as of September 30, 2024 and December 31, 2023.

Service charges on deposit accounts and other deposit related income: Revenues are earned on depository accounts for commercial and retail customers and include fees for transaction-based, account maintenance and overdraft services. Transaction-based fees, which includes services such as ATM use fees, stop payment charges and ACH fees are recognized at the time the transaction is executed as that is the time we fulfill our customer's request. Account maintenance fees, which includes monthly maintenance services are earned over the course of a month representing the period over which the performance obligation is satisfied. Our obligation for overdraft services is satisfied at the time of the overdraft.

Interchange income: Interchange income primarily includes debit card interchange and network revenues. Debit card interchange and network revenues are earned on debit card transactions conducted through payment networks such as MasterCard and Accel. Interchange income is recognized concurrently with the delivery of services on a daily basis. Interchange and network revenues are presented gross of interchange expenses, which are presented separately as a component of non-interest expense.

Investment and insurance commissions: Investment and insurance commissions include fees and commissions from asset management, custody, recordkeeping, investment advisory and other services provided to our customers. Revenue is recognized on an accrual basis at the time the services are performed and generally based on either the market value of the assets managed or the services provided. We have an agent relationship with a third party provider of these services and net certain direct costs charged by the third party provider associated with providing these services to our customers.

Net (gains) losses on other real estate and repossessed assets: We record a gain or loss from the sale of other real estate when control of the property transfers to the buyer, which generally occurs at the time of an executed deed. If we were to finance the sale of other real estate to the buyer, we would assess whether the buyer is committed to perform their obligations under the contract and whether collectability of the transaction is probable. Once these criteria are met, the other real estate asset would be derecognized and the gain or loss on sale would be recorded upon the transfer of control of the property to the buyer. There were no other real estate properties sold during the nine month periods ending September 30, 2024 and 2023 that were financed by us.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)

Disaggregation of our revenue sources by attribute follows:

	Service Charges on Deposit Accounts	Other Deposit Related Income	Interchange Income	Investment and Insurance Commissions	Total
Three months ending September 30, 2024	(In thousands)				
Retail					
Overdraft fees	\$ 2,378	\$ —	\$ —	\$ —	\$ 2,378
Account service charges	593	—	—	—	593
ATM fees	—	430	—	—	430
Other	—	167	—	—	167
Business					
Overdraft fees	114	—	—	—	114
ATM fees	—	13	—	—	13
Other	—	114	—	—	114
Interchange income	—	—	4,146	—	4,146
Asset management revenue	—	—	—	458	458
Transaction based revenue	—	—	—	423	423
Total	<u>\$ 3,085</u>	<u>\$ 724</u>	<u>\$ 4,146</u>	<u>\$ 881</u>	<u>\$ 8,836</u>

Reconciliation to Condensed Consolidated Statement of Operations:

Non-interest income - other:	
Other deposit related income	\$ 724
Investment and insurance commissions	881
Bank owned life insurance (1)	197
Other (1)	1,581
Total	<u>\$ 3,383</u>

(1) Excluded from the scope of ASC Topic 606.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)

	Service Charges on Deposit Accounts	Other Deposit Related Income	Interchange Income	Investment and Insurance Commissions	Total
Three months ending September 30, 2023	(In thousands)				
Retail					
Overdraft fees	\$ 2,090	\$ —	\$ —	\$ —	\$ 2,090
Account service charges	1,079	—	—	—	1,079
ATM fees	—	457	—	—	457
Other	—	247	—	—	247
Business					
Overdraft fees	140	—	—	—	140
ATM fees	—	13	—	—	13
Other	—	109	—	—	109
Interchange income	—	—	4,100	—	4,100
Asset management revenue	—	—	—	488	488
Transaction based revenue	—	—	—	388	388
Total	\$ 3,309	\$ 826	\$ 4,100	\$ 876	\$ 9,111
Reconciliation to Condensed Consolidated Statement of Operations:					
Non-interest income - other:					
Other deposit related income				\$	826
Investment and insurance commissions					876
Bank owned life insurance (1)					124
Other (1)					1,609
Total				\$	3,435

(1) Excluded from the scope of ASC Topic 606.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)

	Service Charges on Deposit Accounts	Other Deposit Related Income	Interchange Income	Investment and Insurance Commissions	Total
Nine months ending September 30, 2024	(In thousands)				
Retail					
Overdraft fees	\$ 6,788	\$ —	\$ —	\$ —	\$ 6,788
Account service charges	1,787	—	—	—	1,787
ATM fees	—	1,225	—	—	1,225
Other	—	603	—	—	603
Business					
Overdraft fees	319	—	—	—	319
ATM fees	—	37	—	—	37
Other	—	327	—	—	327
Interchange income	—	—	10,698	—	10,698
Asset management revenue	—	—	—	1,448	1,448
Transaction based revenue	—	—	—	1,075	1,075
Total	<u>\$ 8,894</u>	<u>\$ 2,192</u>	<u>\$ 10,698</u>	<u>\$ 2,523</u>	<u>\$ 24,307</u>
Reconciliation to Condensed Consolidated Statement of Operations:					
Non-interest income - other:					
Other deposit related income				\$	2,192
Investment and insurance commissions					2,523
Bank owned life insurance (1)					566
Other (1)					3,537
Total				\$	<u>8,818</u>

(1) Excluded from the scope of ASC Topic 606.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)

	Service Charges on Deposit Accounts	Other Deposit Related Income	Interchange Income	Investment and Insurance Commissions	Total
(In thousands)					
Nine months ending September 30, 2023					
Retail					
Overdraft fees	\$ 6,770	\$ —	\$ —	\$ —	\$ 6,770
Account service charges	2,135	—	—	—	2,135
ATM fees	—	1,235	—	—	1,235
Other	—	756	—	—	756
Business					
Overdraft fees	395	—	—	—	395
ATM fees	—	35	—	—	35
Other	—	312	—	—	312
Interchange income	—	—	10,660	—	10,660
Asset management revenue	—	—	—	1,389	1,389
Transaction based revenue	—	—	—	1,057	1,057
Total	\$ 9,300	\$ 2,338	\$ 10,660	\$ 2,446	\$ 24,744

Reconciliation to Condensed Consolidated Statement of Operations:

Non-interest income - other:	
Other deposit related income	\$ 2,338
Investment and insurance commissions	2,446
Bank owned life insurance (1)	333
Other (1)	4,181
Total	\$ 9,298

(1) Excluded from the scope of ASC Topic 606.

16. Leases

We have entered into leases in the normal course of business primarily for office facilities, some of which include renewal options and escalation clauses. Certain leases also include both lease components (fixed payments including rent, taxes and insurance costs) and non-lease components (common area or other maintenance costs) which are accounted for as a single lease component as we have elected the practical expedient to group lease and non-lease components together for all leases. We have also elected not to recognize leases with original lease terms of 12 months or less (short-term leases) on our Condensed Consolidated Statements of Financial Condition. Most of our leases include one or more options to renew. The exercise of lease renewal options is typically at our sole discretion and are included in our right of use ("ROU") assets and lease liabilities if they are reasonably certain of exercise.

Leases are classified as operating or finance leases at the lease commencement date (we did not have any finance leases as of September 30, 2024). Lease expense for operating leases and short-term leases is recognized on a straight-line basis over the lease term. The ROU assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. ROU assets and lease liabilities are recognized at the lease commencement date based on the estimated present value of the lease payment over the lease term.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)

As most of our leases do not provide an implicit rate, we use our incremental borrowing rate based on the information available at the lease commencement date in determining the present value of the lease payments.

The cost components of our operating leases follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
	(In thousands)		(In thousands)	
Operating lease cost	\$ 349	\$ 359	\$ 1,044	\$ 1,080
Variable lease cost	10	24	32	72
Short-term lease cost	23	25	70	71
Total	\$ 382	\$ 408	\$ 1,146	\$ 1,223

Variable lease costs consist primarily of taxes, insurance, and common area or other maintenance costs for our leased facilities.

Supplemental balance sheet information related to our operating leases follows:

	September 30, 2024	December 31, 2023
	(Dollars in thousands)	
Lease right of use asset (1)	\$ 6,403	\$ 4,911
Lease liabilities (2)	\$ 6,620	\$ 5,114
Weighted average remaining lease term (years)	7.24	6.03
Weighted average discount rate	3.7 %	2.7 %

(1) Included in Accrued income and other assets in our Condensed Consolidated Statements of Financial Condition.

(2) Included in Accrued expenses and other liabilities in our Condensed Consolidated Statements of Financial Condition.

Maturity analysis of our lease liabilities at September 30, 2024 based on required contractual payments follows:

	(In thousands)
Three months ending December 31, 2024	\$ 347
2025	1,348
2026	1,184
2027	1,003
2028	938
2029 and thereafter	2,874
Total lease payments	7,694
Less imputed interest	(1,074)
Total	\$ 6,620

ITEM 2.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

Introduction. The following section presents additional information to assess the financial condition and results of operations of Independent Bank Corporation ("IBCP"), its wholly-owned bank, Independent Bank (the "Bank"), and their subsidiaries. This section should be read in conjunction with the Condensed Consolidated Financial Statements. We also encourage you to read our 2023 Annual Report on Form 10-K filed with the U.S. Securities and Exchange Commission ("SEC"). That report includes a list of risk factors that you should consider in connection with any decision to buy or sell our securities.

Overview. We provide banking services to customers located primarily in Michigan's Lower Peninsula. We also have a loan production office in Fairlawn, Ohio. As a result, our success depends to a great extent upon the economic conditions in Michigan's Lower Peninsula.

Recent Developments. Pressures from various global and national macroeconomic conditions, including heightened inflation, uncertainty regarding future interest rates, foreign currency exchange rate fluctuations, recent adverse weather conditions, the continuation of the Russia-Ukraine and Middle East wars, the pending Presidential and Congressional elections, and potential governmental responses to these events, continue to create significant economic uncertainty. The extent to which these pressures may impact our business, results of operations, asset valuations, financial condition, and customers will depend on future developments, which continue to be highly uncertain and difficult to predict. Material adverse impacts may include all or a combination of valuation impairments on our intangible assets, securities available for sale ("AFS"), securities held to maturity ("HTM"), loans, capitalized mortgage loan servicing rights or deferred tax assets.

It is against this backdrop that we discuss our results of operations and financial condition for the third quarter of 2024 as compared to earlier periods.

RESULTS OF OPERATIONS

Summary. We recorded net income of \$13.8 million and \$17.5 million during the three months ended September 30, 2024 and 2023, respectively. The decrease in 2024 third quarter results as compared to 2023 is due primarily to a \$5.7 unfavorable change in the fair value due to price of capitalized mortgage loan servicing rights that was partially offset by a \$2.4 million increase in net interest income.

We recorded net income of \$48.3 million and \$45.3 million during the nine months ended September 30, 2024 and 2023, respectively. The increase in 2024 year-to-date results as compared to 2023 is primarily due to an increase in net-interest income and a decrease in the provision for credit losses that were partially offset by increases in non-interest expense and income tax expense and a decrease in non-interest income.

Key performance ratios

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
Net income (annualized) to				
Average assets	1.04 %	1.34 %	1.24 %	1.19 %
Average shareholders' equity	12.54 %	18.68 %	15.42 %	16.62 %
Net income per common share				
Basic	\$ 0.66	\$ 0.84	\$ 2.31	\$ 2.16
Diluted	0.65	0.83	2.29	2.14

Net interest income. Net interest income is the most important source of our earnings and thus is critical in evaluating our results of operations. Changes in our net interest income are primarily influenced by our level of interest-earning assets and

the income or yield that we earn on those assets and the manner and cost of funding our interest-earning assets. Certain macro-economic factors can also influence our net interest income such as the level and direction of interest rates, the difference between short-term and long-term interest rates (the steepness of the yield curve) and the general strength of the economies in which we are doing business. Finally, risk management plays an important role in our level of net interest income. The ineffective management of credit risk and interest-rate risk in particular can adversely impact our net interest income.

Our net interest income totaled \$41.9 million during the third quarter of 2024, an increase of \$2.4 million, or 6.2% from the year-ago period. This increase primarily reflects a \$93.6 million increase in average interest-earning assets and a 14 basis point increase in our tax equivalent net interest income as a percent of average interest-earning assets (the "net interest margin").

For the first nine months of 2024, net interest income totaled \$123.4 million, an increase of \$7.2 million, or 6.2% from 2023. This increase primarily reflects a \$145.3 million, or 3.0% increase in average interest-earning assets and a nine basis point increase in our net interest margin.

The increase in average interest-earning assets in both the three and nine month periods in 2024 as compared to the same periods in 2023 primarily reflects growth in commercial and mortgage loans funded from a decrease in securities available for sale and an increase in deposits.

The increases in our net interest margin during the three and nine month periods in 2024 is attributed to increases in interest income as a percent of average interest-earning assets ("Asset Yield") that were only partially offset by increases in interest expense as a percent of average interest-earning assets ("Cost of Funds"). These increases are primarily attributed to the increases in the federal funds rate since January of 2023. Our Asset Yield has been positively impacted by new loans being originated at higher rates than existing loans being paid off as well as a shift in earning asset mix from generally lower rate investment securities to higher rate loans while our Cost of Funds has been negatively impacted by changes in funding mix (such as shifting from non-interest bearing deposits to interest-bearing deposits and an increase in time deposits) as well as higher deposit pricing sensitivity to the increases in interest rates discussed above. This change in funding mix and pricing is expected to continue to impact our Cost of Funds during the fourth quarter of 2024. See Asset/liability management.

Our net interest income is also impacted by our level of non-accrual loans. In the third quarter and first nine months of 2024, non-accrual loans averaged \$4.5 million and \$4.1 million, respectively. In the third quarter and first nine months of 2023, non-accrual loans averaged \$4.4 million and \$4.0 million, respectively. In addition, in the third quarter and first nine months of 2024 we had net recoveries of \$0.12 million and \$0.51 million, respectively of unpaid interest on loans placed on or taken off non-accrual or on loans previously charged-off compared to net recoveries of \$0.09 million and \$0.47 million, respectively, during the same periods in 2023.

Average Balances and Tax Equivalent Rates

	Three Months Ended September 30,					
	2024			2023		
	Average Balance	Interest	Rate (2)	Average Balance	Interest	Rate (2)
(Dollars in thousands)						
Assets						
Taxable loans	\$ 3,901,370	\$ 58,322	5.96 %	\$ 3,687,637	\$ 51,352	5.54 %
Tax-exempt loans (1)	8,584	111	5.14	6,897	85	4.89
Taxable securities	665,974	4,502	2.70	800,524	5,865	2.93
Tax-exempt securities (1)	267,776	3,539	5.29	270,687	3,593	5.31
Interest bearing cash	126,039	1,717	5.42	108,389	1,468	5.37
Other investments	16,099	301	7.48	18,074	271	5.95
Interest Earning Assets	4,985,842	68,492	5.48	4,892,208	62,634	5.10
Cash and due from banks	57,211			61,094		
Other assets, net	232,570			238,812		
Total Assets	\$ 5,275,623			\$ 5,192,114		
Liabilities						
Savings and interest-bearing checking	\$ 2,763,558	15,621	2.25	\$ 2,598,170	12,272	1.87
Time deposits	804,944	8,841	4.37	816,810	8,471	4.11
Other borrowings	121,182	2,018	6.64	139,199	2,262	6.45
Interest Bearing Liabilities	3,689,684	26,480	2.86	3,554,179	23,005	2.57
Non-interest bearing deposits	1,047,617			1,162,816		
Other liabilities	100,245			102,452		
Shareholders' equity	438,077			372,667		
Total liabilities and shareholders' equity	\$ 5,275,623			\$ 5,192,114		
Net Interest Income		\$ 42,012			\$ 39,629	
Net Interest Income as a Percent of Average Interest Earning Assets			3.37 %			3.23 %

(1) Interest on tax-exempt loans and securities available for sale is presented on a fully tax equivalent basis assuming a marginal tax rate of 21%.

(2) Annualized

Average Balances and Tax Equivalent Rates

	Nine Months Ended September 30,					
	2024			2023		
	Average Balance	Interest	Rate	Average Balance	Interest	Rate (2)
(Dollars in thousands)						
Assets						
Taxable loans	\$3,848,092	\$169,974	5.90 %	\$3,579,569	\$143,203	5.34 %
Tax-exempt loans (1)	8,660	335	5.17	6,705	239	4.77
Taxable securities	691,327	14,466	2.79	834,924	17,668	2.82
Tax-exempt securities (1)	267,689	10,638	5.30	274,454	10,447	5.08
Interest bearing cash	97,941	3,994	5.45	71,355	2,769	5.19
Other investments	16,452	904	7.33	17,805	712	5.35
Interest Earning Assets	4,930,161	200,311	5.42	4,784,812	175,038	4.88
Cash and due from banks	54,481			59,163		
Other assets, net	235,026			231,872		
Total Assets	<u>\$5,219,668</u>			<u>\$5,075,847</u>		
Liabilities						
Savings and interest-bearing checking	\$2,690,359	43,178	2.14	\$2,550,973	31,644	1.66
Time deposits	825,984	26,970	4.37	745,983	20,320	3.64
Other borrowings	126,861	6,253	6.58	128,846	6,134	6.37
Interest Bearing Liabilities	3,643,204	76,401	2.80	3,425,802	58,098	2.27
Non-interest bearing deposits	1,053,719			1,184,548		
Other liabilities	104,057			100,929		
Shareholders' equity	<u>418,688</u>			<u>364,568</u>		
Total liabilities and shareholders' equity	<u>\$5,219,668</u>			<u>\$5,075,847</u>		
Net Interest Income		<u>\$123,910</u>			<u>\$116,940</u>	
Net Interest Income as a Percent of Average Interest Earning Assets			<u>3.35 %</u>			<u>3.26 %</u>

(1) Interest on tax-exempt loans and securities available for sale is presented on a fully tax equivalent basis assuming a marginal tax rate of 21%.

(2) Annualized

Reconciliation of Non-GAAP Financial Measures

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
	(Dollars in thousands)			
Net Interest Margin, Fully Taxable Equivalent ("FTE")				
Net interest income	\$ 41,854	\$ 39,427	\$ 123,397	\$ 116,218
Add: taxable equivalent adjustment	158	202	513	722
Net interest income - taxable equivalent	\$ 42,012	\$ 39,629	\$ 123,910	\$ 116,940
Net interest margin (GAAP) (1)	3.35 %	3.21 %	3.34 %	3.25 %
Net interest margin (FTE) (1)	3.37 %	3.23 %	3.35 %	3.26 %

(1) Annualized.

Provision for credit losses. The provision for credit losses was an expense of \$1.49 million and an expense of \$1.35 million for the three months ended September 30, 2024 and 2023, respectively. During the nine-month periods ended September 30, 2024 and 2023, the provision for credit losses was an expense of \$2.25 million and a expense of \$6.83 million, respectively. The provision reflects our assessment of the allowance for credit losses (the "ACL") taking into consideration factors such as loan growth, loan mix, levels of non-performing and classified loans, economic conditions and loan net charge-offs. While we use relevant information to recognize losses on loans, additional provisions for related losses may be necessary based on changes in economic conditions, customer circumstances and other credit risk factors. See "Portfolio Loans and asset quality" for a discussion of the various components of the ACL and their impact on the provision for credit losses in 2024.

The year-to-date provision for credit losses on loans in 2024 compared to 2023, decreased \$0.44 million. The provision for credit losses on securities HTM in 2024 and 2023 was an expense (credit) of \$(1.15) million and \$2.99 million, respectively. The change in provision for credit losses on securities HTM reflects a charge-off in the first quarter of 2023 and a subsequent partial recovery during the first quarter of 2024 of one corporate security (Signature Bank). See "Securities" below and note #3 to the Condensed Consolidated Financial Statements.

Non-interest income. Non-interest income is a significant element in assessing our results of operations. Non-interest income totaled \$9.5 million during the third quarter of 2024 compared to \$15.6 million in the third quarter of 2023. For the first nine months of 2024, non-interest income totaled \$37.2 million compared to \$41.6 million for the first nine months of 2023.

The components of non-interest income are as follows:

Non-Interest Income

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
	(In thousands)			
Interchange income	\$ 4,146	\$ 4,100	\$ 10,698	\$ 10,660
Service charges on deposit accounts	3,085	3,309	8,894	9,300
Net gains on assets				
Mortgage loans	2,177	2,099	4,874	5,475
Equity securities at fair value	(8)	—	2,685	—
Securities available for sale	(145)	—	(414)	(222)
Mortgage loan servicing, net	(3,130)	2,668	1,686	7,068
Investment and insurance commissions	882	875	2,524	2,446
Bank owned life insurance	197	124	566	333
Other	2,304	2,436	5,728	6,519
Total non-interest income	\$ 9,508	\$ 15,611	\$ 37,241	\$ 41,579

Service charges on deposit accounts decreased by \$0.2 million and \$0.4 million in the third quarter and first nine months of 2024, respectively, compared to the same periods in 2023 due primarily to decreases in non-sufficient funds occurrences (and related fees).

Mortgage loan activity is summarized as follows:

Mortgage Loan Activity

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
	(Dollars in thousands)			
Mortgage loans originated	\$ 147,516	\$ 172,914	\$ 384,112	\$ 446,450
Mortgage loans sold (1)	117,037	115,269	289,395	321,140
Net gains on mortgage loans	2,177	2,099	4,874	5,475
Net gains as a percent of mortgage loans sold ("Loan Sales Margin")	1.86 %	1.82 %	1.68 %	1.70 %
Fair value adjustments included in the Loan Sales Margin	0.46	(0.32)	0.30	0.60

(1) Mortgage loan sales in the third quarters of 2024 and 2023 include \$6.6 million and zero, respectively, of portfolio loan transactions. Mortgage loan sales during the first nine months of 2024 and 2023 include \$14.7 million and \$41.2 million, respectively, of portfolio loan transactions. These transactions were performed for interest rate risk purposes.

Mortgage loans originated decreased in 2024 as compared to 2023 due primarily to higher mortgage loan interest rates in 2024 reducing this activity. Mortgage loans sold, excluding portfolio loan sales, were relative unchanged in 2024 as compared to 2023.

The volume of loans sold is dependent upon our ability to originate mortgage loans as well as the demand for fixed-rate obligations and other loans that we choose to not put into portfolio because of our established interest-rate risk parameters. (See "Portfolio Loans and asset quality.") Net gains on mortgage loans are also dependent upon economic and competitive factors as well as our ability to effectively manage exposure to changes in interest rates and thus can often be a volatile part of our overall revenues.

Net gains on mortgage loans totaled \$2.2 million and \$2.1 million during the third quarters of 2024 and 2023, respectively. For the first nine months of 2024 and 2023, net gains on mortgage loans totaled \$4.9 million and \$5.5 million, respectively. The decrease from the prior year to date period was primarily due to a decrease in mortgage loans sold.

Our Loan Sales Margin is impacted by several factors including competition and the manner in which the loan is sold. Net gains on mortgage loans are also impacted by recording fair value accounting adjustments. Excluding these fair value accounting adjustments, the Loan Sales Margin would have been 1.40% and 2.14% in the third quarters of 2024 and 2023, respectively, and 1.38% and 1.10% for the comparative 2024 and 2023 year-to-date periods, respectively. The decline in the Loan Sales Margin (excluding fair value adjustments) in the third quarter of 2024 was generally due to lower primary-to-secondary market pricing spreads as market interest rates rose in 2024 (relative to 2023) which were impacted by the decrease in salable mortgage loan volumes.

Gain on equity securities at fair value totaled \$2.7 million during the first nine months of 2024. This gain is the consequence of the exchange of our shares of Visa Class B-1 common stock on May 6, 2024 into a combination of Visa Class C common stock and Visa Class B-2 common stock. With the completion of this exchange, we were able to sell our Visa Class C common stock (as it was convertible into publicly traded Visa Class A common stock) while the Visa Class B-2 common stock continues to be held and carried at zero. See note #13 to the Condensed Consolidated Financial Statements.

We recorded a net loss of \$0.4 million and a net loss of \$0.2 million on securities AFS for the first nine months of 2024 and 2023, respectively. We recorded no credit related charges in either 2024 or 2023 on securities AFS. See "Securities" below and note #3 to the Condensed Consolidated Financial Statements.

Mortgage loan servicing, net, generated income (expense) of \$(3.1) million and \$2.7 million in the third quarters of 2024 and 2023, respectively. For the first nine months of 2024 and 2023, mortgage loan servicing, net, generated income of \$1.7 million and \$7.1 million, respectively. The significant variances in mortgage loan servicing, net are primarily due to changes in the fair value of capitalized mortgage loan servicing rights associated with changes in interest rates and the associated expected future prepayment levels and expected float rates.

Mortgage loan servicing, net activity is summarized in the following table:

Mortgage Servicing Revenue

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Mortgage loan servicing, net:	(In thousands)			
Revenue, net	\$ 2,248	\$ 2,197	\$ 6,681	\$ 6,612
Fair value change due to price	\$ (4,155)	\$ 1,556	\$ (1,979)	\$ 3,364
Fair value change due to pay-downs	\$ (1,223)	\$ (1,085)	\$ (3,016)	\$ (2,908)
Total	\$ (3,130)	\$ 2,668	\$ 1,686	\$ 7,068

Activity related to capitalized mortgage loan servicing rights is as follows:

Capitalized Mortgage Loan Servicing Rights

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
	(In thousands)			
Balance at beginning of period	\$ 44,406	\$ 44,427	\$ 42,243	\$ 42,489
Originated servicing rights capitalized	1,176	1,159	2,956	3,112
Change in fair value	(5,378)	471	(4,995)	456
Balance at end of period	\$ 40,204	\$ 46,057	\$ 40,204	\$ 46,057

At September 30, 2024 we were servicing approximately \$3.55 billion in mortgage loans for others on which servicing rights have been capitalized. This servicing portfolio had a weighted average coupon rate of 4.08% and a weighted average service fee of approximately 25.5 basis points. Capitalized mortgage loan servicing rights at September 30, 2024 totaled \$40.2 million, representing approximately 113.2 basis points on the related amount of mortgage loans serviced for others.

Other income in the table above decreased by \$0.1 million and \$0.8 million in the third quarter and first nine months of 2024, respectively, compared to the same prior year periods. The decrease in the third quarter of 2024 was primarily due to the prior year including a one time gain on the sale of an office building and a decrease in certain internet banking fees no longer being charged that were partially offset by higher commercial loan swap fees. The decrease from the prior year to date period was primarily due to the prior year including one time gains on the sale of an office building and a purchase credit impaired loan as well as a decrease in certain internet banking fees no longer being charged.

Non-interest expense. Non-interest expense is an important component of our results of operations. We strive to efficiently manage our cost structure.

Non-interest expense increased by \$0.5 million to \$32.6 million and increased by \$2.9 million to \$98.1 million during the three- and nine-month periods ended September 30, 2024, respectively, compared to the same periods in 2023.

The components of non-interest expense are as follows:

Non-Interest Expense

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
	(In thousands)			
Compensation	\$ 13,264	\$ 13,054	\$ 39,931	\$ 39,846
Performance-based compensation	3,426	2,955	10,787	8,420
Payroll taxes and employee benefits	3,358	3,966	11,351	11,650
Compensation and employee benefits	20,048	19,975	62,069	59,916
Data processing	3,379	3,071	9,891	8,953
Occupancy, net	1,893	1,971	5,853	5,975
Interchange expense	1,149	1,119	3,373	3,222
Furniture, fixtures and equipment	932	927	2,834	2,782
FDIC deposit insurance	664	677	2,141	2,209
Loan and collection	657	520	1,868	1,718
Advertising	581	360	1,860	1,286
Legal and professional	687	543	1,717	1,623
Communications	519	568	1,633	1,871
Taxes, licenses and fees	347	225	891	659
Director fees	235	236	709	706
Amortization of intangible assets	129	136	387	410
Provision for loss reimbursement on sold loans	24	7	26	21
Net (gains) losses on other real estate and repossessed assets	14	1	(170)	18
Costs related to unfunded lending commitments	113	451	(676)	76
Other	1,212	1,249	3,703	3,796
Total non-interest expense	\$ 32,583	\$ 32,036	\$ 98,109	\$ 95,241

Compensation and employee benefits expenses, in total, increased \$0.1 million on a quarterly comparative basis and increased \$2.2 million for the first nine months of 2024 compared to the same periods in 2023.

Compensation expense increased by \$0.2 million and \$0.1 million in the third quarter and first nine months of 2024, respectively, compared to the same periods in 2023. These comparative increases in 2024 were primarily due to salary increases that were predominantly effective on January 1, 2024 that were only partially offset by a decrease in mortgage lending and other retail personnel.

Performance-based compensation increased by \$0.5 million and \$2.4 million in the third quarter and first nine months of 2024, respectively, compared to the same periods in 2023. The increases were primarily due to higher expected incentive compensation payout for salaried and hourly employees.

Payroll taxes and employee benefits decreased by \$0.6 million and \$0.3 million in the third quarter and first nine months of 2024, respectively, compared to the same periods in 2023. The decreases were primarily due to decreases in employee medical insurance costs and a mortgage loan origination related incentive due to lower loan volumes.

Data processing expense increased by \$0.3 million and \$0.9 million in the third quarter and first nine months of 2024, respectively, compared to the same prior year periods due in part to core data processor annual asset growth and CPI related cost increases as well as new solutions implemented during this time frame.

Advertising increased by \$0.2 million and \$0.6 million in the third quarter and first nine months of 2024, respectively, compared to the same prior year periods due primarily to modifications in strategic marketing spend as well as costs related to certain website redesign initiatives.

Taxes licenses and fees increased by \$0.1 million and \$0.2 million in the third quarter and first nine months of 2024, respectively, compared to the same periods in 2023 due primarily to higher Michigan Corporate Income Tax expense as the result of an increase in tax base.

Costs (recoveries) related to unfunded lending commitments decreased by \$0.3 million and \$0.8 million in the third quarter and first nine months of 2024, respectively compared to the same prior year periods. These decreases are due to decreases in the changes to both the balance of lending commitments and the loss rates applied to those lending commitments.

Income tax expense. We recorded an income tax expense of \$3.5 million and \$11.9 million in the third quarter and the first nine months of 2024, respectively. This compares to an income tax expense of \$4.1 million and \$10.4 million in the third quarter and the first nine months of 2023, respectively. The changes in expense in the third quarter and first nine months of 2024 compared to the same periods in 2023 are primarily due to changes in pretax income.

Our actual income tax expense is different than the amount computed by applying our statutory income tax rate to our income before income tax primarily due to tax-exempt interest income, tax-exempt income from the increase in the cash surrender value on life insurance, and differences in the value of stock awards that vest and stock options that are exercised as compared to the initial fair values that were expensed.

We assess whether a valuation allowance should be established against our deferred tax assets based on the consideration of all available evidence using a "more likely than not" standard. The ultimate realization of this asset is primarily based on generating future income. We concluded at September 30, 2024 and 2023 and at December 31, 2023, that the realization of substantially all of our deferred tax assets continues to be more likely than not.

FINANCIAL CONDITION

Summary. Our total assets decreased by \$4.5 million during the first nine months of 2024. Loans, excluding loans held for sale, were \$3.94 billion at September 30, 2024, compared to \$3.79 billion at December 31, 2023. Commercial loans and mortgage loans each increased while installment loans decreased during the first nine months of 2024. (See "Portfolio Loans and asset quality.") Securities available for sale and securities held to maturity together totaled \$932.3 million at September 30, 2024, a decline of \$101.1 million since December 31, 2023.

Deposits totaled \$4.63 billion at September 30, 2024, an increase of \$4.0 million from December 31, 2023. The increase in deposits from December 31, 2023, is due to increases in savings and interest-bearing checking, reciprocal and time deposits that were partially off set by a decrease in non-interest bearing deposits as well as scheduled maturities of brokered time deposits.

Securities. We maintain diversified securities portfolios, which include obligations of U.S. government-sponsored agencies, securities issued by states and political subdivisions, residential and commercial mortgage-backed securities, asset-backed securities, corporate securities, trust preferred securities and foreign government securities (that are

denominated in U.S. dollars). We regularly evaluate asset/liability management needs and attempt to maintain a portfolio structure that provides sufficient liquidity and cash flow.

We believe that the unrealized losses on securities AFS are temporary in nature and are expected to be recovered within a reasonable time period. Based upon our liquidity and capital resources (as explained in more detail below under "Liquidity and capital resources"), we believe that we have the ability and intent to hold securities with unrealized losses to maturity or until such time as the unrealized losses reverse. (See "Asset/liability management.")

On April 1, 2022, we transferred certain securities AFS with an amortized cost and unrealized loss at the date of transfer of \$418.1 million and \$26.5 million, respectively to securities HTM. The transfer was made at fair value, with the unrealized loss becoming part of the purchase discount which will be accreted over the remaining life of the securities. The other comprehensive loss component is separated from the remaining available for sale securities and is accreted over the remaining life of the securities transferred. Based upon our liquidity and capital resources (as explained in more detail below under "Liquidity and capital resources"), we believe that we have the ability and intent to hold these securities until they mature, at which time we would receive full value for these securities.

Securities Available for Sale

	Amortized Cost	Unrealized		Fair Value
		Gains	Losses	
(In thousands)				
Securities available for sale				
September 30, 2024	\$ 639,618	\$ 359	\$ 51,027	\$ 588,950
December 31, 2023	744,050	464	65,164	679,350

Securities Held to Maturity

	Carrying Value	Transferred Unrealized Loss (1)	ACL	Amortized Cost	Unrealized		Fair Value
					Gains	Losses	
(In thousands)							
Securities held to maturity							
September 30, 2024	\$ 343,362	\$ 17,010	\$ 133	\$ 360,505	\$ 129	\$ 45,996	\$ 314,638
December 31, 2023	353,988	19,503	157	373,648	868	55,910	318,606

(1) Represents the remaining unrealized loss to be accreted on securities that were transferred from AFS to HTM on April 1, 2022.

Securities AFS in unrealized loss positions are evaluated quarterly for impairment related to credit losses. For securities AFS in an unrealized loss position, we first assess whether we intend to sell, or it is more likely than not that we will be required to sell the security before recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the security's amortized cost basis is written down to fair value through income. For securities AFS that do not meet this criteria, we evaluate whether the decline in fair value has resulted from credit losses or other factors. In making this assessment, we consider the extent to which fair value is less than amortized cost, adverse conditions specifically related to the security and the issuer and the impact of changes in market interest rates on the market value of the security, among other factors. If this assessment indicates that a credit loss exists, we compare the present value of cash flows expected to be collected from the security with the amortized cost basis of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis for the security, a credit loss exists and an ACL is recorded, limited to the amount that the fair value of the security is less than its amortized cost basis. Any impairment that has not been recorded through an ACL is recognized in other comprehensive income (loss), net of applicable taxes. No ACL for securities AFS was needed at September 30, 2024. The decrease in unrealized losses during the first nine months of 2024 is primarily attributed to lower interest rates, pay downs of security balances, par reversion and the narrowing of certain interest rate spreads. See note #3 to the Condensed Consolidated Financial Statements included within this report for further discussion.

For securities HTM an ACL is maintained at a level which represents our best estimate of expected credit losses. This ACL is a contra asset valuation account that is deducted from the carrying amount of securities HTM to present the net amount

expected to be collected. Securities HTM are charged off against the ACL when deemed uncollectible. Adjustments to the ACL are reported in our Condensed Consolidated Statements of Operations in provision for credit loss. We measure expected credit losses on securities HTM on a collective basis by major security type with each type sharing similar risk characteristics. With regard to U.S. Government-sponsored agency and mortgage-backed securities (residential and commercial), all these securities are issued by a U.S. government-sponsored entity and have an implicit or explicit government guarantee; therefore, no allowance for credit losses has been recorded for these securities. With regard to obligations of states and political subdivisions, private label-mortgage-backed, corporate and trust preferred securities HTM, we consider (1) issuer bond ratings, (2) long-term historical loss rates for given bond ratings, (3) the financial condition of the issuer, and (4) whether issuers continue to make timely principal and interest payments under the contractual terms of the securities. During the first quarter of 2023, one corporate security (Signature Bank) defaulted resulting in a \$3.0 million provision for credit losses and a corresponding full charge-off. Subsequent to this security's charge-off, a portion of its fair value had recovered and was subsequently sold during the first quarter of 2024 for \$1.1 million during which period we recorded that amount as a recovery to the ACL. See note #3 to the Condensed Consolidated Financial Statements included within this report for further discussion.

Sales of securities available for sale were as follows (See "Non-interest income.):

Sales of Securities Available for Sale

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
	(in thousands)		(in thousands)	
Proceeds	\$ 2,158	\$ —	\$ 39,431	\$ 278
Gross gains	—	—	14	—
Gross losses	145	—	428	222
Net gains (losses)	<u>\$ (145)</u>	<u>\$ —</u>	<u>\$ (414)</u>	<u>\$ (222)</u>

Equity Securities at Fair Value

On May 6, 2024, we exchanged 12,566 shares of Visa Inc. Class B-1 common stock (all of the Class B-1 shares we owned) for 2,493 shares of Visa Inc. Class C common stock and 6,283 shares of Visa Inc. Class B-2 common stock pursuant to an exchange offer conducted by Visa. With the completion of the exchange, we recorded a gain related to the Class C shares of \$2.677 million based on the conversion privilege of those shares and the closing price of the Class A shares on May 3, 2024 (the exchange expiration date) of \$268.49 per share. Subsequent to the exchange, we sold all of our Class C shares for net proceeds of \$2.685 million. See note #13 to the Condensed Consolidated Financial Statements included within this report for further discussion.

Portfolio Loans and asset quality. In addition to the communities served by our Bank branch and loan production office network, our principal lending markets also include nearby communities and metropolitan areas. Subject to established underwriting criteria, we also may participate in commercial lending transactions with certain non-affiliated banks and make whole loan purchases from other financial institutions.

The senior management and board of directors of our Bank retain authority and responsibility for credit decisions and we have adopted uniform underwriting standards. Our loan committee structure and the loan review process attempt to provide requisite controls and promote compliance with such established underwriting standards. However, there can be no assurance that our lending procedures and the use of uniform underwriting standards will prevent us from incurring significant credit losses in our lending activities.

We generally retain loans that may be profitably funded within established risk parameters. (See "Asset/liability management.") As a result, we may hold adjustable-rate and fixed rate jumbo mortgage loans as Portfolio Loans, while 15- and 30-year fixed-rate conforming mortgage loans are generally sold to mitigate exposure to changes in interest rates. (See "Non-interest income.") The growth in mortgage loans during the first nine months of 2024 has primarily been attributed to the origination of adjustable-rate mortgage loans and advances on adjustable rate construction mortgage loans and home equity lines of credit. (See "Asset/liability management.")

A summary of our Portfolio Loans follows:

	September 30, 2024	December 31, 2023
	(In thousands)	
Real estate(1)		
Residential first mortgages	\$ 1,282,066	\$ 1,248,911
Residential home equity and other junior mortgages	172,545	157,006
Construction and land development	292,441	241,715
Other(2)	1,066,823	1,036,590
Consumer	599,732	619,374
Commercial	525,195	483,129
Agricultural	3,485	4,176
Total loans	<u>\$ 3,942,287</u>	<u>\$ 3,790,901</u>

(1) Includes both residential and non-residential commercial loans secured by real estate.

(2) Includes loans secured by multi-family residential and non-farm, non-residential property.

Non-performing assets

	September 30, 2024	December 31, 2023
	(Dollars in thousands)	
Non-accrual loans	\$ 7,250	\$ 6,991
Loans 90 days or more past due and still accruing interest	—	432
Subtotal	7,250	7,423
Less: Government guaranteed loans	2,102	2,191
Total non-performing loans	5,148	5,232
Other real estate and repossessed assets	781	569
Total non-performing assets	<u>\$ 5,929</u>	<u>\$ 5,801</u>

As a percent of Portfolio Loans

Non-performing loans	0.13 %	0.14 %
Allowance for credit losses	1.46	1.44
Non-performing assets to total assets	0.11	0.11
Allowance for credit losses as a percent of non-performing loans	1115.85 %	1044.69 %

Non-performing loans have declined modestly as a percent of Portfolio Loans since year-end 2023, reflecting our ongoing collection efforts. Our collection and resolution efforts have generally resulted in a positive trend in non-performing loans.

Other real estate and repossessed assets total ed \$0.78 million and \$0.57 million at September 30, 2024, and December 31, 2023, respectively.

We will place a loan that is 90 days or more past due on non-accrual, unless we believe the loan is both well secured and in the process of collection. Accordingly, we have determined that the collection of the accrued and unpaid interest on any loans that are 90 days or more past due and still accruing interest is probable.

The following tables reflect activity in our ACL on loans, securities and unfunded lending commitments as well as the allocation of our ACL on loans.

Allowance for credit losses on loans and unfunded lending commitments

	Nine months ended September 30,					
	2024			2023		
	Loans	Securities	Unfunded Commitments	Loans	Securities	Unfunded Commitments
	(Dollars in thousands)					
Balance at beginning of period	\$ 54,658	\$ 157	\$ 5,504	\$ 52,435	\$ 168	\$ 5,080
Additions (deductions)						
Provision for credit losses	3,400	(1,149)	—	3,840	2,987	—
Recoveries credited to allowance	2,106	1,125	—	2,082	—	—
Assets charged against the allowance	(2,720)	—	—	(2,862)	(3,000)	—
Additions included in non-interest expense	—	—	(676)	—	—	76
Balance at end of period	<u>\$ 57,444</u>	<u>\$ 133</u>	<u>\$ 4,828</u>	<u>\$ 55,495</u>	<u>\$ 155</u>	<u>\$ 5,156</u>
Net loans charged (recovered) against the allowance to average Portfolio Loans	0.02	%		0.03	%	

Allocation of the Allowance for Credit Losses on Loans

	September 30, 2024	December 31, 2023
	(Dollars in thousands)	
Specific allocations	\$ 2,452	\$ 1,292
Pooled analysis allocations	42,086	40,944
Additional allocations based on subjective factors	12,906	12,422
Total	<u>\$ 57,444</u>	<u>\$ 54,658</u>

Some loans will not be repaid in full. Therefore, an ACL on loans is maintained at a level which represents our best estimate of expected credit losses. Our ACL on loans is comprised of three principal elements: (i) specific analysis of individual loans identified during the review of the loan portfolio, (ii) pooled analysis of loans with similar risk characteristics based on historical experience, adjusted for current conditions, reasonable and supportable forecasts, and expected prepayments, and (iii) additional allowances based on subjective factors, including local and general economic business factors and trends, portfolio concentrations and changes in the size and/or the general terms of the loan portfolios. See note #4 to the Condensed Consolidated Financial Statements included within this report for further discussion on the ACL on loans.

While we use relevant information to recognize losses on loans, additional provisions for related losses may be necessary based on changes in economic conditions, customer circumstances and other credit risk factors.

The ACL increased \$2.8 million to \$57.4 million at September 30, 2024 from \$54.7 million at December 31, 2023, and was equal to 1.46% and 1.44% of total Portfolio Loans at September 30, 2024, and December 31, 2023, respectively.

Since December 31, 2023, the ACL related to specific loans increased \$1.2 million due primarily to one commercial loan addition during the first quarter of 2024. The ACL related to pooled analysis of loans and subjective factors increased \$1.1 million and \$0.5 million, respectively due primarily to loan growth.

Deposits and borrowings. Historically, the loyalty of our customer base has allowed us to price deposits competitively, contributing to a net interest margin that generally compares favorably to our peers. However, we still face a significant amount of competition for deposits within many of the markets served by our branch network, which limits our ability to materially increase deposits without adversely impacting the weighted-average cost of core deposits.

To attract new core deposits, we have implemented various account acquisition strategies as well as branch staff sales training. Account acquisition initiatives have historically generated increases in customer relationships. Over the past several years, we have also expanded our treasury management products and services for commercial businesses and municipalities or other governmental units and have also increased our sales calling efforts in order to attract additional deposit relationships from these sectors. We view long-term core deposit growth as an important objective. Core deposits generally provide a more stable and lower cost source of funds than alternative sources such as short-term borrowings. (See "Liquidity and capital resources.")

Deposits totaled \$4.63 billion and \$4.62 billion at September 30, 2024, and December 31, 2023, respectively. The increase in deposits is primarily due to increases in savings and interest-bearing checking, reciprocal and time deposits that were partially off set by a decrease in non-interest bearing deposits as well as scheduled maturities of brokered time deposits. Reciprocal deposits totaled \$995.5 million and \$832.0 million at September 30, 2024 and December 31, 2023, respectively. These deposits represent demand, money market and time deposits from our customers that have been placed through IntraFi Network. This service allows our customers to access multi-million dollar FDIC deposit insurance on deposit balances greater than the standard FDIC insurance maximum.

We cannot be sure that we will be able to maintain our current level of core deposits. In particular, those deposits that are uninsured may be susceptible to outflow. Data relating to our deposit portfolios (excluding brokered time) follows:

	September 30, 2024	December 31, 2023
	(Dollars in thousands)	
Uninsured deposits (1)	\$ 1,056,791	\$ 961,974
Uninsured deposits as a percentage of deposits	23.0 %	22.2 %
Average deposit account size	\$ 21.91	\$ 20.38
Balance of top 100 largest depositors	\$ 1,144,474	\$ 890,289
Balance of top 100 depositors as a percentage of deposits, excluding brokered time deposits	24.9 %	20.5 %

(1) These amounts exclude intercompany related deposits of \$51.8 million and \$51.2 million respectively. Uninsured deposits reported in our Call Report at September 30, 2024 and December 31, 2023 totaled \$1,108.6 million and \$1,013.2 million, respectively.

We have also implemented strategies that incorporate using federal funds purchased, other borrowings and Brokered CDs to fund a portion of our interest-earning assets. The use of such alternate sources of funds supplements our core deposits and is also an integral part of our asset/liability management efforts.

Other borrowings, historically comprising primarily of FRB and FHLB borrowings, totaled zero and \$50.0 million at September 30, 2024, and December 31, 2023, respectively.

As described above, we have utilized wholesale funding, including federal funds purchased, FHLB and FRB borrowings and Brokered CDs to augment our core deposits and fund a portion of our assets. At September 30, 2024, our use of such wholesale funding sources (including reciprocal deposits) amounted to approximately \$1.04 billion, or 22.4% of total funding (deposits and all borrowings, excluding subordinated debt and debentures). Because wholesale funding sources are affected by general market conditions, the availability of such funding may be dependent on the confidence these sources have in our financial condition and operations. The continued availability to us of these funding sources is not certain, and Brokered CDs may be difficult for us to retain or replace at attractive rates as they mature. Our liquidity may be constrained if we are unable to renew our wholesale funding sources or if adequate financing is not available in the future at acceptable rates of interest or at all. Our financial performance could also be affected if we are unable to maintain our access to funding sources or if we are required to rely more heavily on more expensive funding sources. In such case, our net interest income and results of operations could be adversely affected.

We historically employed derivative financial instruments to manage our exposure to changes in interest rates. During the first nine months of 2024 and 2023, we entered into \$136.0 million and \$92.9 million (aggregate notional amounts), respectively, of interest rate swaps with commercial loan customers, which were offset with interest rate swaps that the Bank entered into with a broker-dealer. We recorded \$1.52 million and \$1.46 million of fee income related to these transactions during the first nine months of 2024 and 2023, respectively. See note #6 to the Condensed Consolidated Financial Statements included within this report for more information on our derivative financial instruments.

Liquidity and capital resources. Liquidity risk is the risk of being unable to timely meet obligations as they come due at a reasonable funding cost or without incurring unacceptable losses. Our liquidity management involves the measurement and monitoring of a variety of sources and uses of funds. Our Condensed Consolidated Statements of Cash Flows categorize these sources and uses into operating, investing and financing activities. We primarily focus our liquidity management on maintaining adequate levels of liquid assets (primarily funds on deposit with the FRB and certain securities AFS) as well as developing access to a variety of borrowing sources to supplement our deposit gathering activities and provide funds for purchasing securities or originating Portfolio Loans as well as to be able to respond to unforeseen liquidity needs.

Our primary sources of funds include our deposit base, secured advances from the FHLB and FRB, federal funds purchased, borrowing facilities with other banks, and access to the capital markets (for Brokered CDs). At September 30, 2024, in addition to liquidity available from our normal operating, funding and investing activities we had unused credit lines with the FHLB and FRB of approximately \$1.111 billion and \$471.7 million, respectively. We also had approximately \$771.3 million in fair value of unpledged securities AFS and HTM at September 30, 2024, which could be pledged for an estimated additional borrowing capacity at the FHLB and FRB of approximately \$718.0 million.

At September 30, 2024, we had \$698.5 million of time deposits that mature in the next 12 months. Historically, a majority of these maturing time deposits are renewed by our customers. Additionally, \$3.85 billion of our deposits at September 30, 2024, were in account types from which the customer could withdraw the funds on demand. Changes in the balances of deposits that can be withdrawn upon demand are usually predictable and the total balances of these accounts have generally grown or have been stable over time as a result of our marketing and promotional activities. However, there can be no assurance that historical patterns of renewing time deposits or overall growth or stability in deposits will continue in the future.

We have developed contingency funding plans that stress test our liquidity needs that may arise from certain events such as an adverse change in our financial metrics (for example, credit quality or regulatory capital ratios). Our liquidity management also includes periodic monitoring that measures quick assets (defined generally as highly liquid or short-term assets) to total assets, short-term liability dependence and basic surplus (defined as quick assets less volatile liabilities to total assets). Policy limits have been established for our various liquidity measurements and are monitored on a quarterly basis. In addition, we also prepare cash flow forecasts that include a variety of different scenarios.

We believe that we currently have adequate liquidity at our Bank because of our cash and cash equivalents, our portfolio of securities AFS, our access to secured advances from the FHLB and FRB and our ability to issue Brokered CDs.

We also believe that the available cash on hand at the parent company (including time deposits) of approximately \$47.0 million as of September 30, 2024, provides sufficient liquidity resources at the parent company to meet operating expenses, to make interest payments on the subordinated debt and debentures, and, along with dividends from the Bank, to pay projected cash dividends on our common stock.

Effective management of capital resources is critical to our mission to create value for our shareholders. In addition to common stock, our capital structure also currently includes subordinated debt and cumulative trust preferred securities.

Capitalization

	September 30, 2024	December 31, 2023
	(In thousands)	
Subordinated debt	\$ 39,567	\$ 39,510
Subordinated debentures	39,779	39,728
Amount not qualifying as regulatory capital	(791)	(734)
Amount qualifying as regulatory capital	78,555	78,504
Shareholders' equity		
Common stock	318,216	317,483
Retained earnings	192,405	159,108
Accumulated other comprehensive income (loss)	(58,252)	(72,142)
Total shareholders' equity	452,369	404,449
Total capitalization	\$ 530,924	\$ 482,953

In May 2020, we issued \$40.0 million of fixed to floating subordinated notes with a ten year maturity and a five year call option. The initial coupon rate is 5.95% fixed for five years and then floats at the Secured Overnight Financing Rate ("SOFR") plus 5.825%. These notes are presented in the Condensed Consolidated Statement of Financial Condition under the caption "Subordinated debt" and the September 30, 2024, balance of \$39.6 million is net of remaining unamortized deferred issuance costs of approximately \$0.4 million that are being amortized through the maturity date into interest expense on other borrowings and subordinated debt and debentures in our Condensed Consolidated Statements of Operations.

We currently have four special purpose entities with \$39.8 million of outstanding cumulative trust preferred securities as of September 30, 2024. These special purpose entities issued common securities and provided cash to our parent company that in turn issued subordinated debentures to these special purpose entities equal to the trust preferred securities and common securities. The subordinated debentures represent the sole asset of the special purpose entities. The common securities and subordinated debentures are included in our Condensed Consolidated Statements of Financial Condition.

The FRB has issued rules regarding trust preferred securities as a component of the Tier 1 capital of bank holding companies. The aggregate amount of trust preferred securities (and certain other capital elements) are limited to 25 percent of Tier 1 capital elements, net of goodwill (net of any associated deferred tax liability). The amount of trust preferred securities and certain other elements in excess of the limit can be included in Tier 2 capital, subject to restrictions. At the parent company, all of these securities qualified as Tier 1 capital at September 30, 2024, and December 31, 2023.

Common shareholders' equity increased to \$452.4 million at September 30, 2024, from \$404.4 million at December 31, 2023. The increase is primarily due to earnings retention and a decrease in accumulated other comprehensive loss. Our tangible common equity ("TCE") totaled \$422.5 million and \$374.1 million, respectively, at those same dates. Our ratio of TCE to tangible assets was 8.08% and 7.15% at September 30, 2024, and December 31, 2023, respectively. TCE and the ratio of TCE to tangible assets are non-GAAP measures. TCE represents total common equity less goodwill and other intangible assets.

In December 2023, our Board of Directors authorized a 2024 share repurchase plan. Under the terms of the 2024 share repurchase plan, we are authorized to buy back up to 1,100,000, or approximately 5% of our outstanding common stock. There were no shares repurchased during the first nine months of 2024. During the first nine months of 2023, we repurchased 288,401 shares of common stock, for an aggregate purchase price of \$5.0 million.

We currently pay a quarterly cash dividend on our common stock. These dividends totaled \$0.72 per share and \$0.69 per share in the first nine months of 2024 and 2023, respectively. We generally favor a dividend payout ratio between 30% and 50% of net income.

As of September 30, 2024 and December 31, 2023, our Bank (and holding company) continued to meet the requirements to be considered "well-capitalized" under federal regulatory standards (also see note #10 to the Condensed Consolidated Financial Statements included within this report).

Asset/liability management. Interest-rate risk is created by differences in the cash flow characteristics of our assets and liabilities. Options embedded in certain financial instruments, including caps on adjustable-rate loans as well as borrowers' rights to prepay fixed-rate loans, also create interest-rate risk.

Our asset/liability management efforts identify and evaluate opportunities to structure our assets and liabilities in a manner that is consistent with our mission to maintain profitable financial leverage within established risk parameters. We evaluate various opportunities and alternate asset/liability management strategies carefully and consider the likely impact on our risk profile as well as the anticipated contribution to earnings. The marginal cost of funds is a principal consideration in the implementation of our asset/liability management strategies, but such evaluations further consider interest-rate and liquidity risk as well as other pertinent factors. We have established parameters for interest-rate risk. We regularly monitor our interest-rate risk and report at least quarterly to our board of directors.

We employ simulation analyses to monitor our interest-rate risk profile and evaluate potential changes in our net interest income and market value of portfolio equity that result from changes in interest rates. The purpose of these simulations is to identify sources of interest-rate risk. The simulations do not anticipate any actions that we might initiate in response to changes in interest rates and, accordingly, the simulations do not provide a reliable forecast of anticipated results. The simulations are predicated on immediate, permanent and parallel shifts in interest rates and generally assume that current loan and deposit pricing relationships remain constant. The simulations further incorporate assumptions relating to changes in customer behavior, including changes in prepayment rates on certain assets and liabilities. At September 30, 2024, our interest rate risk profile as measured by our longer term interest rate risk measure based on changes in economic value

indicates exposure to rising rates. This measure has decreased modestly from December 31, 2023 due to a decline in asset duration, an increase in liability duration and a higher base value. Asset duration declined given a shift in the asset mix to shorter duration loans. The increase in liability duration is due to modestly lower betas on some non-maturity deposit accounts and a favorable shift in deposit mix with a decline in low duration brokered time deposits combined with growth in higher duration deposits. In addition, at September 30, 2024 our simulation base-rate scenario for market value of portfolio equity increased from December 31, 2023 due primarily to an increase in the Bank's tangible equity and an improvement in asset values given a decline in interest rates. We are carefully monitoring the change in our funding mix as well as the composition of our earning assets and the impact of potential future changes in interest rates on our changes in market value of portfolio equity and changes in net interest income. As a result, we may add some longer-term borrowings, may utilize derivatives (interest rate swaps, interest rate caps and interest rate floors) and may continue to sell some fixed rate jumbo and other portfolio mortgage loans in the future.

CHANGES IN MARKET VALUE OF PORTFOLIO EQUITY, NET INTEREST INCOME AND NET INTEREST MARGIN

Change in Interest Rates	Market Value of Portfolio Equity(1)	Percent Change	Net Interest Income(2)	Percent Change	Net Interest Margin(3)	Percent Change
(Dollars in thousands)						
September 30, 2024						
200 basis point rise	\$ 550,600	(11.39)%	\$ 179,300	1.36 %	3.58 %	1.13 %
100 basis point rise	585,800	(5.73)	178,500	0.90	3.57	0.85
Base-rate scenario	621,400	—	176,900	—	3.54	—
100 basis point decline	644,300	3.69	174,000	(1.64)	3.48	(1.69)
200 basis point decline	648,500	4.36	173,600	(1.87)	3.47	(1.98)
December 31, 2023						
200 basis point rise	\$ 447,600	(17.29)%	\$ 166,000	(2.06)%	3.30 %	(2.37)%
100 basis point rise	494,500	(8.63)	168,300	(0.71)	3.35	(0.89)
Base-rate scenario	541,200	—	169,500	—	3.38	—
100 basis point decline	582,800	7.69	169,000	(0.29)	3.36	(0.59)
200 basis point decline	603,200	11.46	167,800	(1.00)	3.34	(1.18)

- (1) Simulation analyses calculate the change in the net present value of our assets and liabilities, including debt and related financial derivative instruments, under parallel shifts in interest rates by discounting the estimated future cash flows using a market-based discount rate. Cash flow estimates incorporate anticipated changes in prepayment speeds and other embedded options.
- (2) Simulation analyses calculate the change in net interest income under immediate parallel shifts in interest rates over the next twelve months, based upon a static statement of financial condition, which includes debt and related financial derivative instruments, and do not consider loan fees or loan origination costs.
- (3) Simulation analyses calculate the change in tax equivalent net interest income as a percent of average interest-earning assets (the "net interest margin") under immediate parallel shifts in interest rates over the next twelve months, based upon a static statement of financial condition, which includes debt and related financial derivative instruments, and do not consider loan fees or loan origination costs.

LITIGATION MATTERS

The aggregate amount we have accrued for losses we consider probable as a result of litigation matters is immaterial. However, because of the inherent uncertainty of outcomes from any litigation matter, we believe it is reasonably possible we may incur losses in addition to the amounts we have accrued. At this time, we estimate the maximum amount of additional losses that are reasonably possible is insignificant. However, because of a number of factors, including the fact that certain of these litigation matters are still in their early stages, this maximum amount may change in the future.

The litigation matters described in the preceding paragraph primarily include claims that have been brought against us for damages, but do not include litigation matters where we seek to collect amounts owed to us by third parties (such as litigation initiated to collect delinquent loans). These excluded, collection-related matters may involve claims or counterclaims by the opposing party or parties, but we have excluded such matters from the disclosure contained in the preceding paragraph in all cases where we believe the possibility of us paying damages to any opposing party is remote.

Accounting standards update. See note #2 to the Condensed Consolidated Financial Statements included elsewhere in this report for details on recently issued accounting pronouncements and their impact on our interim condensed consolidated financial statements.

Fair valuation of financial instruments. Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 820 - "Fair Value Measurements and Disclosures" ("FASB ASC Topic 820") defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

We utilize fair value measurements to record fair value adjustments to certain financial instruments and to determine fair value disclosures. FASB ASC Topic 820 differentiates between those assets and liabilities required to be carried at fair value at every reporting period ("recurring") and those assets and liabilities that are only required to be adjusted to fair value under certain circumstances ("nonrecurring"). Equity securities at fair value, securities AFS, loans held for sale, carried at fair value, derivatives and capitalized mortgage loan servicing rights are financial instruments recorded at fair value on a recurring basis. Additionally, from time to time, we may be required to record at fair value other financial assets on a nonrecurring basis, such as loans held for investment and certain other assets. These nonrecurring fair value adjustments typically involve application of lower of cost or fair value accounting or write-downs of individual assets. See note #11 to the Condensed Consolidated Financial Statements included within this report for a complete discussion on our use of fair valuation of financial instruments and the related measurement techniques.

CRITICAL ACCOUNTING POLICIES

Our accounting and reporting policies are in accordance with accounting principles generally accepted in the United States of America and conform to general practices within the banking industry. Accounting and reporting policies for the ACL and capitalized mortgage loan servicing rights are deemed critical since they involve the use of estimates and require significant management judgments. Application of assumptions different than those that we have used could result in material changes in our consolidated financial position or results of operations. There have been no material changes to our critical accounting policies as disclosed in our Annual Report on Form 10-K for the year ended December 31, 2023.

Item 3.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

See applicable disclosures set forth in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in Item 2 under the caption “Asset/liability management.”

Item 4.

CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures.

With the participation of management, our chief executive officer and chief financial officer, after evaluating the effectiveness of our disclosure controls and procedures (as defined in Exchange Act Rules 13a – 15(e) and 15d – 15(e)) for the period ended September 30, 2024, have concluded that, as of such date, our disclosure controls and procedures were effective.

(b) Changes in Internal Controls.

During the quarter ended September 30, 2024, there were no changes in our internal control over financial reporting that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Part II

Item 1A. Risk Factors

There have been no material changes to the risk factors disclosed in Item 1A. Risk Factors of our Annual Report on Form 10-K for the year ended December 31, 2023.

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

The Company maintains a Deferred Compensation and Stock Purchase Plan for Non-Employee Directors (the "Plan") pursuant to which non-employee directors can elect to receive shares of the Company's common stock in lieu of fees otherwise payable to the director for his or her service as a director. A director can elect to receive shares on a current basis or to defer receipt of the shares, in which case the shares are issued to a trust to be held for the account of the director and then generally distributed to the director after his or her retirement from the Board. Pursuant to this Plan, during the third quarter of 2024, the Company issued 343 shares of common stock to non-employee directors on a current basis and 1,802 shares of common stock to the trust for distribution to directors on a deferred basis. These shares were issued on July 1, 2024 representing aggregate fees of \$0.05 million. The shares on a current basis were issued at a price of \$27.00 per share and the shares on a deferred basis were issued at a price of \$24.30 per share, representing 90% of the fair value of the shares on the credit date. The price per share was the consolidated closing bid price per share of the Company's common stock as of the date of issuance, as determined in accordance with NASDAQ Marketplace Rules. The Company issued the shares pursuant to an exemption from registration under Section 4(2) of the Securities Act of 1933 due to the fact that the issuance of the shares was made on a private basis pursuant to the Plan.

The following table shows certain information relating to repurchases of common stock for the three-months ended September 30, 2024:

Period	Total Number of Shares Purchased (1)	Average Price Paid Per Share	Total Number of Shares Purchased as Part of a Publicly Announced Plan	Remaining Number of Shares Authorized for Purchase Under the Plan
July 2024	242	\$ 31.35	—	1,100,000
August 2024	101	33.88	—	1,100,000
September 2024	—	—	—	1,100,000
Total	343	\$ 32.10	—	1,100,000

(1) July and August represent shares withheld from the shares that would otherwise have been issued to certain officers in order to satisfy the tax withholding obligations resulting from the vesting of restricted stock.

Item 5. Other Information

During the period covered by this Quarterly Report on Form 10-Q, no director or officer of the Company adopted or terminated a "Rule 10b5-1 Trading Arrangement" or "Non-Rule 10b5-1 Trading Arrangement," as each term is defined in Item 408(a) of Regulation S-K.

Item 6. Exhibits

(a) The following exhibits (listed by number corresponding to the Exhibit Table as Item 601 in Regulation S-K) are filed with this report:

31.1	Certificate of the Chief Executive Officer of Independent Bank Corporation pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350).
31.2	Certificate of the Chief Financial Officer of Independent Bank Corporation pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350).
32.1	Certificate of the Chief Executive Officer of Independent Bank Corporation pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350).
32.2	Certificate of the Chief Financial Officer of Independent Bank Corporation pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350).
101.	INS Inline XBRL Instance Document (the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document)
101.	SCH Inline XBRL Taxonomy Extension Schema Document
101.	CAL Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.	DEF Inline XBRL Taxonomy Extension Definition Linkbase Document
101.	LAB Inline XBRL Taxonomy Extension Label Linkbase Document
101.	PRE Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover page interactive data file (formatted as inline XBRL and contained in Exhibit 101)

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.

Date	<u>November 5, 2024</u>	By	<u>/s/ Gavin A. Mohr</u> Gavin A. Mohr, Principal Financial Officer
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Date	<u>November 5, 2024</u>	By	<u>/s/ James J. Twarozynski</u> James J. Twarozynski, Principal Accounting Officer
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CERTIFICATION

I, William B. Kessel, certify that:

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

INDEPENDENT BANK CORPORATION

Date: November 5, 2024

/s/ William B. Kessel

William B. Kessel

President and Chief Executive Officer

CERTIFICATION

I, Gavin A. Mohr, certify that:

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

INDEPENDENT BANK CORPORATION

Date: November 5, 2024

/s/ Gavin A. Mohr

Gavin A. Mohr

Chief Financial Officer

CERTIFICATE OF THE
CHIEF EXECUTIVE OFFICER OF
INDEPENDENT BANK CORPORATION

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350):

I, William B. Kessel, President and Chief Executive Officer of Independent Bank Corporation, certify, to the best of my knowledge and belief, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350) that:

- (1) The quarterly report on Form 10-Q for the quarterly period ended September 30, 2024, which this statement accompanies, fully complies with requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and;
- (2) The information contained in this quarterly report on Form 10-Q for the quarterly period ended September 30, 2024, fairly presents, in all material respects, the financial condition and results of operations of Independent Bank Corporation.

INDEPENDENT BANK CORPORATION

Date: November 5, 2024

/s/ William B. Kessel

William B. Kessel

President and Chief Executive Officer

The signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Independent Bank Corporation and will be retained by Independent Bank Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

CERTIFICATE OF THE
CHIEF FINANCIAL OFFICER OF
INDEPENDENT BANK CORPORATION

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350):

I, Gavin A. Mohr, Chief Financial Officer of Independent Bank Corporation, certify, to the best of my knowledge and belief, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350) that:

- (1) The quarterly report on Form 10-Q for the quarterly period ended September 30, 2024, which this statement accompanies, fully complies with requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and;
- (2) The information contained in this quarterly report on Form 10-Q for the quarterly period ended September 30, 2024, fairly presents, in all material respects, the financial condition and results of operations of Independent Bank Corporation.

INDEPENDENT BANK CORPORATION

Date: November 5, 2024

/s/ Gavin A. Mohr

Gavin A. Mohr

Chief Financial Officer

The signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Independent Bank Corporation and will be retained by Independent Bank Corporation and furnished to the Securities and Exchange Commission or its staff upon request.