

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**FORM 10-Q**

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

For the quarterly period ended March 31, 2025

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 001-35272

**MIDLAND STATES BANCORP, INC.**

(Exact name of registrant as specified in its charter)

**Illinois**

(State of other jurisdiction of incorporation or organization)

**37-1233196**

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

**1201 Network Centre Drive  
Effingham, IL**

(Address of principal executive offices)

**62401**  
(Zip Code)

**(217) 342-7321**

(Registrant's telephone number, including area code)

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

<u>Title of each class</u>	<u>Trading symbol(s)</u>	<u>Name of each exchange on which registered</u>
Common stock, \$0.01 par value	MSBI	The Nasdaq Stock Market LLC
Depository Shares, each representing a 1/40th interest in a share of 7.75% fixed rate reset non-cumulative perpetual preferred stock, Series A	MSBIP	The Nasdaq Stock Market LLC

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

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

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

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company   
Emerging growth company

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

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

As of July 22, 2025, the Registrant had 21,535,199 shares of outstanding common stock, \$0.01 par value.

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## GLOSSARY OF ABBREVIATIONS AND ACRONYMS

As used in this report, references to the "Company," "we," "our," "us," and similar terms refer to the consolidated entity consisting of Midland States Bancorp, Inc. and its wholly owned subsidiaries. Midland States Bancorp refers solely to the parent holding company and Midland States Bank (the "Bank") refers to our wholly owned banking subsidiary.

The acronyms and abbreviations identified below are used throughout this report, including the Notes to the Consolidated Financial Statements. You may find it helpful to refer to this page as you read this report.

2019 Incentive Plan	The Amended and Restated Midland States Bancorp, Inc. 2019 Long-Term Incentive Plan
ACL	Allowance for credit losses on loans
ASU	Accounting Standards Update
BaaS	Banking-as-a-Service
Basel III Rule	Basel III regulatory capital reforms required by the Dodd-Frank Act
BHCA	Bank Holding Company Act of 1956, as amended
CBLR	Community Bank Leverage Ratio
CFPB	Consumer Financial Protection Bureau
CISA	Cybersecurity and Infrastructure Security Agency
CRA	Community Reinvestment Act
CRA Proposal	Joint Proposal to Strengthen and Modernize Community Reinvestment Act Regulations
CRE	Commercial Real Estate
CRE Guidance	Concentrations in Commercial Real Estate Lending, Sound Risk Management Practices guidance
DFPR	Illinois Department of Financial and Professional Regulation
DIF	Deposit Insurance Fund
EAD	Exposure at default
Exchange Act	Securities Exchange Act of 1934
FASB	Financial Accounting Standards Board
FDIC	Federal Deposit Insurance Corporation
Federal Reserve	Board of Governors of the Federal Reserve System
FHA	Federal Housing Administration
FHLB	Federal Home Loan Bank
FinTech	Financial Technology
FOMC	Federal Open Market Committee
FRB	Federal Reserve Bank
GAAP	U.S. generally accepted accounting principles
GreenSky	GreenSky, LLC
Illinois CRA	Illinois Community Reinvestment Act
LendingPoint	LendingPoint, LLC
LGD	Loss given default
Midland Trust	Midland States Preferred Securities Trust
Nasdaq	Nasdaq Global Select Market
NII at Risk	Net Interest Income at Risk
OREO	Other real estate owned
PCAOB	Public Company Accounting Oversight Board
PCD	Purchased credit deteriorated
PD	Probability of default
Q-Factor	Qualitative factor
Regulatory Relief Act	Economic Growth, Regulatory Relief and Consumer Protection Act
SBA	Small Business Administration
SEC	U.S. Securities and Exchange Commission
SOFR	Secured Overnight Financing Rate
Treasury	U.S. Department of the Treasury

**PART I – FINANCIAL INFORMATION**  
**ITEM 1 – FINANCIAL STATEMENTS**  
**MIDLAND STATES BANCORP, INC.**  
**CONSOLIDATED BALANCE SHEETS**  
*(dollars in thousands, except per share data)*

	March 31, 2025 <i>(unaudited)</i>	December 31, 2024
<b>Assets</b>		
Cash and due from banks	\$ 101,272	\$ 114,055
Federal funds sold	734	711
Cash and cash equivalents	102,006	114,766
Investment securities available for sale, at fair value	1,364,201	1,207,574
Equity securities, at fair value	4,204	4,792
Loans	5,018,053	5,167,574
Allowance for credit losses on loans	(105,176)	(111,204)
Total loans, net	4,912,877	5,056,370
Loans held for sale	287,821	344,947
Premises and equipment, net	86,719	85,710
Other real estate owned	4,183	4,941
Nonmarketable equity securities	44,542	33,723
Accrued interest receivable	24,269	25,329
Loan servicing rights, at lower of cost or fair value	17,278	17,842
Goodwill	7,927	161,904
Other intangible assets, net	11,189	12,100
Company-owned life insurance	212,336	211,168
Credit enhancement asset	5,615	16,804
Other assets	199,637	208,839
Total assets	<u>\$ 7,284,804</u>	<u>\$ 7,506,809</u>
<b>Liabilities and Shareholders' Equity</b>		
Liabilities:		
Deposits:		
Noninterest-bearing demand deposits	\$ 1,090,707	\$ 1,055,564
Interest-bearing deposits	4,845,727	5,141,679
Total deposits	5,936,434	6,197,243
Short-term borrowings	40,224	87,499
Federal Home Loan Bank advances and other borrowings	498,000	258,000
Subordinated debt	77,754	77,749
Trust preferred debentures	51,358	51,205
Accrued interest payable and other liabilities	109,597	124,266
Total liabilities	<u>6,713,367</u>	<u>6,795,962</u>
Shareholders' Equity:		
Preferred stock, \$2.00 par value; 4,000,000 shares authorized; 115,000 Series A shares, \$1,000 per share liquidation preference, issued and outstanding at March 31, 2025 and December 31, 2024, respectively	110,548	110,548
Common stock, \$0.01 par value; 40,000,000 shares authorized; 21,503,036 and 21,494,485 shares issued and outstanding at March 31, 2025 and December 31, 2024, respectively	215	215
Capital surplus	435,299	434,346
Retained earnings	97,714	247,698
Accumulated other comprehensive loss, net of tax	(72,339)	(81,960)
Total shareholders' equity	<u>571,437</u>	<u>710,847</u>
Total liabilities and shareholders' equity	<u>\$ 7,284,804</u>	<u>\$ 7,506,809</u>

The accompanying notes are an integral part of the consolidated financial statements.

**MIDLAND STATES BANCORP, INC.**  
**CONSOLIDATED STATEMENTS OF INCOME — (UNAUDITED)**  
*(dollars in thousands, except per share data)*

	Three Months Ended March 31,	
	2025	2024
Interest income:		
Loans including fees:		
Taxable	\$ 77,668	\$ 92,846
Tax exempt	356	390
Loans held for sale	4,563	55
Investment securities:		
Taxable	14,975	10,179
Tax exempt	428	418
Nonmarketable equity securities	647	687
Federal funds sold and cash investments	718	951
Total interest income	<u>99,355</u>	<u>105,526</u>
Interest expense:		
Deposits	34,615	39,214
Short-term borrowings	700	836
Federal Home Loan Bank advances and other borrowings	3,163	3,036
Subordinated debt	1,387	1,280
Trust preferred debentures	1,200	1,389
Total interest expense	<u>41,065</u>	<u>45,755</u>
Net interest income	58,290	59,771
Provision for credit losses:		
Provision for credit losses on loans	10,850	19,942
Net interest income after provision for credit losses	<u>47,440</u>	<u>39,829</u>
Noninterest income:		
Wealth management revenue	7,350	7,132
Service charges on deposit accounts	3,305	3,116
Interchange revenue	3,151	3,358
Residential mortgage banking revenue	676	527
Income on company-owned life insurance	2,334	1,801
Credit enhancement (loss) income	(578)	16,654
Other income	1,525	5,253
Total noninterest income	<u>17,763</u>	<u>37,841</u>
Noninterest expense:		
Salaries and employee benefits	26,416	24,102
Occupancy and equipment	4,498	4,142
Data processing	6,919	6,722
FDIC insurance	1,463	1,274
Professional services	2,741	2,255
Marketing	793	737
Communications	329	342
Loan expense	1,335	1,231
Loan servicing fees	750	3,741
Impairment on goodwill	153,977	—
Amortization of intangible assets	911	1,089
Other expense	2,873	2,973
Total noninterest expense	<u>203,005</u>	<u>48,608</u>
(Loss) income before income taxes	(137,802)	29,062
Income tax expense	3,172	6,399
Net (loss) income	<u>(140,974)</u>	<u>22,663</u>
Preferred dividends	2,228	2,228
Net (loss) income available to common shareholders	<u>\$ (143,202)</u>	<u>\$ 20,435</u>
Per common share data:		
Basic (loss) earnings per common share	\$ (6.58)	\$ 0.92
Diluted (loss) earnings per common share	\$ (6.58)	\$ 0.92
Weighted average common shares outstanding	21,795,570	21,774,647
Weighted average diluted common shares outstanding	21,795,570	21,787,691

The accompanying notes are an integral part of the consolidated financial statements.

**MIDLAND STATES BANCORP, INC.**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME — (UNAUDITED)**  
*(dollars in thousands)*

	Three Months Ended March 31,	
	2025	2024
Net (loss) income	\$ (140,974)	\$ 22,663
Other comprehensive income:		
Investment securities available for sale:		
Unrealized gains (losses) that occurred during the period	11,397	(6,094)
Income tax effect	(3,043)	1,643
Change in investment securities available for sale, net of tax	8,354	(4,451)
Cash flow hedges:		
Net unrealized derivative losses on cash flow hedges	864	(1,647)
Reclassification adjustment for net losses realized in net income	837	1,352
Income tax effect	(434)	80
Change in cash flow hedges, net of tax	1,267	(215)
Other comprehensive income (loss), net of tax	9,621	(4,666)
Total comprehensive (loss) income	\$ (131,353)	\$ 17,997

*The accompanying notes are an integral part of the consolidated financial statements.*

**MIDLAND STATES BANCORP, INC.**  
**CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY — (UNAUDITED)**  
*(dollars in thousands, except per share data)*

	Preferred stock	Common stock	Capital surplus	Retained earnings	Accumulated other comprehensive (loss) income	Total shareholders' equity
Balances, December 31, 2024	\$ 110,548	\$ 215	\$ 434,346	\$ 247,698	\$ (81,960)	\$ 710,847
Net loss	—	—	—	(140,974)	—	(140,974)
Other comprehensive income	—	—	—	—	9,621	9,621
Common dividends declared (\$0.31 per share)	—	—	—	(6,782)	—	(6,782)
Preferred dividends declared (\$19.375 per share)	—	—	—	(2,228)	—	(2,228)
Share-based compensation expense	—	—	784	—	—	784
Issuance of common stock under employee benefit plans	—	—	169	—	—	169
Balances, March 31, 2025	<u>\$ 110,548</u>	<u>\$ 215</u>	<u>\$ 435,299</u>	<u>\$ 97,714</u>	<u>\$ (72,339)</u>	<u>\$ 571,437</u>
Balances, December 31, 2023	\$ 110,548	\$ 216	\$ 435,463	\$ 245,639	\$ (76,753)	\$ 715,113
Net income	—	—	—	22,663	—	22,663
Other comprehensive loss	—	—	—	—	(4,666)	(4,666)
Common dividends declared (\$0.31 per share)	—	—	—	(6,772)	—	(6,772)
Preferred dividends declared ( \$19.375 per share)	—	—	—	(2,228)	—	(2,228)
Common stock repurchased	—	(1)	(1,943)	—	—	(1,944)
Share-based compensation expense	—	—	701	—	—	701
Issuance of common stock under employee benefit plans	—	—	177	—	—	177
Balances, March 31, 2024	<u>\$ 110,548</u>	<u>\$ 215</u>	<u>\$ 434,398</u>	<u>\$ 259,302</u>	<u>\$ (81,419)</u>	<u>\$ 723,044</u>

*The accompanying notes are an integral part of the consolidated financial statements.*

**MIDLAND STATES BANCORP, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS — (UNAUDITED)**  
*(dollars in thousands)*

	Three Months Ended March 31,	
	2025	2024
<b>Cash flows from operating activities:</b>		
Net (loss) income	\$ (140,974)	\$ 22,663
<b>Adjustments to reconcile net income to net cash provided by operating activities:</b>		
Provision for credit losses	10,850	19,942
Depreciation on premises and equipment	1,238	1,231
Amortization of intangible assets	911	1,089
Amortization of operating lease right-of-use asset	405	402
Amortization of loan servicing rights	570	676
Share-based compensation expense	784	701
Increase in cash surrender value of life insurance	(1,991)	(1,801)
Gain on proceeds from company-owned life insurance	(343)	—
Investment securities (accretion) amortization, net	(2,877)	(1,296)
Gain on sales of other real estate owned	(16)	(22)
Origination of loans held for sale	(17,832)	(14,070)
Proceeds from sales of loans and leases held for sale	19,044	17,627
Gain on sale of loans held for sale	(603)	(442)
Impairment on goodwill	153,977	—
<b>Net change in operating assets and liabilities:</b>		
Accrued interest receivable	1,060	(569)
Credit enhancement asset	11,189	(980)
Other assets	6,428	3,078
Accrued expenses and other liabilities	(17,120)	(5,157)
Net cash provided by operating activities	<u>24,700</u>	<u>43,072</u>
<b>Cash flows from investing activities:</b>		
Purchases of investment securities available for sale	(181,409)	(172,715)
Maturities and payments on investment securities available for sale	42,543	42,464
Purchases of equity securities	(18)	(93)
Net decrease in loans	189,065	147,539
Purchases of premises and equipment	(1,846)	(527)
Purchases of nonmarketable equity securities	(37,237)	(58,162)
Proceeds from redemptions of nonmarketable equity securities	26,418	68,107
Proceeds from sales of other real estate owned	783	301
Proceeds from settlements of company-owned life insurance	1,166	—
Net cash provided by investing activities	<u>39,465</u>	<u>26,914</u>
<b>Cash flows from financing activities:</b>		
Net (decrease) increase in deposits	(260,809)	14,455
Net (decrease) increase in short-term borrowings	(47,275)	179,581
Net increase (decrease) in short-term FHLB borrowings	240,000	(166,000)
Proceeds from long-term FHLB borrowings	75,000	35,000
Payments made on long-term FHLB borrowings and other borrowings	(75,000)	(90,000)
Cash dividends paid on preferred stock	(2,228)	(2,228)
Cash dividends paid on common stock	(6,782)	(6,772)
Common stock repurchased	—	(1,944)
Proceeds from issuance of common stock under employee benefit plans	169	177
Net cash used in financing activities	<u>(76,925)</u>	<u>(37,731)</u>
Net (decrease) increase in cash and cash equivalents	(12,760)	32,255
<b>Cash and cash equivalents:</b>		
Beginning of period	114,766	135,061
End of period	<u>\$ 102,006</u>	<u>\$ 167,316</u>
<b>Supplemental disclosures of cash flow information:</b>		
<b>Cash payments for:</b>		
Interest paid on deposits and borrowed funds	\$ 43,557	\$ 46,187
Income tax paid (net of refunds)	754	985
<b>Supplemental disclosures of noncash investing and financing activities:</b>		
Transfer of loans to other real estate owned	9	51
Right of use assets obtained in exchange for lease obligations	837	222

The accompanying notes are an integral part of the consolidated financial statements.

**MIDLAND STATES BANCORP, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (UNAUDITED)**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES*****Nature of Operations***

Midland States Bancorp, Inc. is a diversified financial holding company headquartered in Effingham, Illinois. Our wholly owned banking subsidiary, Midland States Bank, has branches across Illinois and in Missouri, and provides a full range of commercial and consumer banking products and services, business equipment financing, merchant credit card services, trust and investment management services, and insurance and financial planning services.

Our principal business activity has been lending to and accepting deposits from individuals, businesses, municipalities and other entities. We have derived income principally from interest charged on loans and, to a lesser extent, from interest and dividends earned on investment securities. We have also derived income from noninterest sources, such as: fees received in connection with various lending and deposit services; wealth management services; mortgage loan originations, sales and servicing; and, from time to time, gains on sales of assets. Our principal expenses include interest expense on deposits and borrowings, operating expenses, such as salaries and employee benefits, occupancy and equipment expenses, data processing costs, professional fees and other noninterest expenses, provisions for credit losses and income tax expense.

***Basis of Presentation***

The accompanying unaudited condensed consolidated financial statements of the Company have been prepared in accordance with GAAP and guidance provided by the SEC for interim financial information. Accordingly, the condensed financial statements do not include all of the information and footnotes required by GAAP for completed financial statements. The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results may differ from these estimates.

The consolidated financial statements of the Company should be read in conjunction with the consolidated financial statements and related notes contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2024, filed with the SEC on July 1, 2025. Certain reclassifications of 2024 amounts have been made to conform to the 2025 presentation. All significant transactions and accounts between subsidiaries have been eliminated. Assets held for customers in a fiduciary or agency capacity are not assets of the Company and, accordingly, other than trust cash on deposit with the Bank, are not included in the accompanying unaudited balance sheets. Management has evaluated subsequent events for potential

recognition or disclosure. Operating results for the three months ended March 31, 2025 are not necessarily indicative of the results that may be expected for the year ending December 31, 2025 or any other period.

***Accounting Guidance Adopted in 2025***

***FASB ASU No. 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures*** - In December 2023, the FASB issued ASU No. 2023-09, which requires public entities to disclose in their rate reconciliation table additional categories of information about federal, state and foreign income taxes and to provide more details about the reconciling items in some categories, if items meet a quantitative threshold. The pronouncement also requires entities to disclose income taxes paid, net of refunds, disaggregated by federal, state, and foreign taxes for annual periods and to disaggregate the information by jurisdiction based on a quantitative threshold, among other things. The ASU is effective for fiscal years beginning after December 15, 2024. The adoption of this accounting pronouncement will have no material impact aside from additional disclosures presented in the Notes to Consolidated Financial Statements in the Annual Report on Form 10-K for the year ending December 31, 2025.

***Accounting Guidance Not Yet Adopted***

***FASB ASU No. 2024-03, Income Statement - Reporting Comprehensive Income - Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses*** - In November 2024, the FASB issued ASU 2024-03 in order to improve the disclosures about a public business entity's expenses and address requests from investors for more detailed information about the types of expenses in commonly presented expense captions. The amendments in ASU 2024-03 require disclosure, in the notes to the financial statements, of specified information about certain costs and expenses in interim and year-end reporting periods. The amendments in this ASU apply to all public business entities and are effective for annual reporting periods beginning after December 15, 2026, and interim reporting periods beginning after December 15, 2027. Early adoption is permitted. The amendments are to be applied either (1) prospectively to financial statements issued for reporting periods after the effective date or (2) retrospectively to any or all prior periods presented in the financial statements. The Company will update the related disclosures upon adoption.

**NOTE 2 – INVESTMENT SECURITIES**
***Investment Securities Available for Sale***

Investment securities available for sale at March 31, 2025 and December 31, 2024 were as follows:

	<b>March 31, 2025</b>			
(dollars in thousands)	<b>Amortized cost</b>	<b>Gross unrealized gains</b>	<b>Gross unrealized losses</b>	<b>Fair value</b>
<b>Investment securities available for sale</b>				
U.S. Treasury securities	\$ 1,000	\$ —	\$ —	\$ 1,000
U.S. government sponsored entities and U.S. agency securities	26,350	34	(1,284)	25,100
Mortgage-backed securities - agency <sup>(1)</sup>	1,088,322	2,102	(84,085)	1,006,339
Mortgage-backed securities - non-agency	96,787	1,428	(3,027)	95,188
Asset-backed student loans	47,675	38	(312)	47,401
State and municipal securities	75,176	246	(6,311)	69,111
Collateralized loan obligations	39,155	86	(29)	39,212
Corporate securities	85,555	191	(4,896)	80,850
Total available for sale securities	<u>\$ 1,460,020</u>	<u>\$ 4,125</u>	<u>\$ (99,944)</u>	<u>\$ 1,364,201</u>

(1) The amount of fair value hedging adjustment included in the amortized cost amount of the hedged investment securities available-for-sale as of March 31, 2025 was \$(1.6 million). See Note 7 - *Derivative Instruments* for additional information regarding these derivative financial instruments.

	<b>December 31, 2024</b>			
(dollars in thousands)	<b>Amortized cost</b>	<b>Gross unrealized gains</b>	<b>Gross unrealized losses</b>	<b>Fair value</b>
<b>Investment securities available for sale</b>				
U.S. government sponsored entities and U.S. agency securities	\$ 21,655	\$ 25	\$ (1,539)	\$ 20,141
Mortgage-backed securities - agency <sup>(1)</sup>	938,513	3,411	(94,868)	847,056
Mortgage-backed securities - non-agency	103,051	1,410	(3,449)	101,012
Asset-backed student loans	50,007	66	(100)	49,973
State and municipal securities	75,597	96	(6,632)	69,061
Collateralized loan obligations	40,365	92	(7)	40,450
Corporate securities	85,602	42	(5,763)	79,881
Total available for sale securities	<u>\$ 1,314,790</u>	<u>\$ 5,142</u>	<u>\$ (112,358)</u>	<u>\$ 1,207,574</u>

(1) The amount of fair value hedging adjustment included in the amortized cost amount of the hedged investment securities available-for-sale as of December 31, 2024 was \$1.9 million. See Note 7 - *Derivative Instruments* for additional information regarding these derivative financial instruments.

Excluding securities issued or backed by U.S. government or its sponsored entities and agencies, there were no investments in securities from one issuer that exceeded 10% of shareholders' equity as of March 31, 2025 and December 31, 2024.

The table below shows the amortized cost and fair value of the investment securities portfolio by contractual maturity for all securities other than mortgage-backed securities, at March 31, 2025. Expected maturities may differ from contractual

maturities if borrowers have the right to call or prepay obligations with or without call or prepayment penalties. Securities not due at a single maturity date are shown separately.

(dollars in thousands)	Amortized cost	Fair value
<b>Investment securities available for sale</b>		
Within one year	\$ 5,686	\$ 5,635
After one year through five years	60,338	57,238
After five years through ten years	105,919	98,427
After ten years	102,968	101,374
Mortgage-backed securities	1,185,109	1,101,527
Total available for sale securities	<u>\$ 1,460,020</u>	<u>\$ 1,364,201</u>

There were no sales of investment securities available for sale for the three months ended March 31, 2025 and 2024.

Unrealized losses and fair values for investment securities available for sale as of March 31, 2025 and December 31, 2024, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, are summarized as follows:

(dollars in thousands)	March 31, 2025					
	Less than 12 Months		12 Months or more		Total	
	Fair value	Unrealized loss	Fair value	Unrealized loss	Fair value	Unrealized loss
<b>Investment securities available for sale</b>						
U.S. government sponsored entities and U.S. agency securities	\$ 4,993	\$ 7	\$ 8,723	\$ 1,277	\$ 13,716	\$ 1,284
Mortgage-backed securities - agency	219,370	5,332	408,080	78,753	627,450	84,085
Mortgage-backed securities - non-agency	4,749	10	23,876	3,017	28,625	3,027
Asset-backed student loans	14,455	200	15,004	112	29,459	312
State and municipal securities	5,492	124	42,978	6,187	48,470	6,311
Collateralized loan obligations	8,701	9	3,275	20	11,976	29
Corporate securities	—	—	74,923	4,896	74,923	4,896
Total available for sale securities	<u>\$ 257,760</u>	<u>\$ 5,682</u>	<u>\$ 576,859</u>	<u>\$ 94,262</u>	<u>\$ 834,619</u>	<u>\$ 99,944</u>

(dollars in thousands)	December 31, 2024					
	Less than 12 Months		12 Months or more		Total	
	Fair value	Unrealized loss	Fair value	Unrealized loss	Fair value	Unrealized loss
<b>Investment securities available for sale</b>						
U.S. government sponsored entities and U.S. agency securities	\$ 4,973	\$ 27	\$ 8,488	\$ 1,512	\$ 13,461	\$ 1,539
Mortgage-backed securities - agency	300,427	9,735	385,332	85,133	685,759	94,868
Mortgage-backed securities - non-agency	12,433	33	24,153	3,416	36,586	3,449
Asset-backed student loans	17,734	99	2,130	1	19,864	100
State and municipal securities	21,209	365	43,131	6,267	64,340	6,632
Collateralized loan obligations	7,468	7	—	—	7,468	7
Corporate securities	23,833	1,910	52,271	3,853	76,104	5,763
Total available for sale securities	<u>\$ 388,077</u>	<u>\$ 12,176</u>	<u>\$ 515,505</u>	<u>\$ 100,182</u>	<u>\$ 903,582</u>	<u>\$ 112,358</u>

At March 31, 2025, 263 investment securities available for sale had unrealized losses with aggregate depreciation of 10.68% from their amortized cost basis. For all of the above investment securities, the unrealized losses were generally due to changes in interest rates and other market conditions, and unrealized losses were considered to be temporary as the fair value is expected to recover as the securities approach their respective maturity dates and principal is paid back in full. The Company does not intend to sell and it is likely that the Company will not be required to sell the securities prior to their anticipated recovery.

### NOTE 3 – LOANS

The following table presents total loans outstanding by portfolio class, as of March 31, 2025 and December 31, 2024:

(dollars in thousands)	March 31, 2025	December 31, 2024
Commercial:		
Commercial	\$ 772,876	\$ 818,496
Commercial other	496,686	541,324
Commercial real estate:		
Commercial real estate non-owner occupied	1,597,251	1,628,961
Commercial real estate owner occupied	441,910	440,806
Multi-family	486,141	454,249
Farmland	67,023	67,648
Construction and land development	264,966	299,842
Total commercial loans	4,126,853	4,251,326
Residential real estate:		
Residential first lien	312,367	315,775
Other residential	60,728	64,782
Consumer:		
Consumer	91,371	96,202
Consumer other	53,566	48,099
Lease financing	373,168	391,390
Total loans	\$ 5,018,053	\$ 5,167,574

Total loans include net deferred loan costs of \$0.6 million and \$1.4 million at March 31, 2025 and December 31, 2024, respectively, and unearned discounts of \$53.3 million and \$56.7 million within the lease financing portfolio at March 31, 2025 and December 31, 2024, respectively.

#### Classifications of Loan Portfolio

The Company monitors and assesses the credit risk of its loan portfolio using the classes set forth below. These classes also represent the segments by which the Company monitors the performance of its loan portfolio and estimates its allowance for credit losses on loans.

*Commercial*—Loans to varying types of businesses, including municipalities, school districts and nonprofit organizations, for the purpose of supporting working capital, operational needs and term financing of equipment. Repayment of such loans is generally provided through operating cash flows of the business. Commercial loans are predominately secured by equipment, inventory, accounts receivable, and other sources of repayment.

*Commercial real estate*—Loans secured by real estate occupied by the borrower for ongoing operations, including loans to borrowers engaged in agricultural production, and non-owner occupied real estate leased to one or more tenants, including commercial office, industrial, special purpose, retail and multi-family residential real estate loans.

*Construction and land development*—Secured loans for the construction of business and residential properties. Real estate construction loans often convert to a real estate commercial loan at the completion of the construction period. Secured development loans are made to borrowers for the purpose of infrastructure improvements to vacant land to create finished marketable residential and commercial lots/land. Most land development loans are originated with the intention that the loans

will be paid through the sale of developed lots/land by the developers within twelve months of the completion date. Interest reserves may be established on real estate construction loans.

*Residential real estate*—Loans, secured by residential properties, that generally do not qualify for secondary market sale; however, the risk to return and/or overall relationship are considered acceptable to the Company. This category also includes loans whereby consumers utilize equity in their personal residence, generally through a second mortgage, as collateral to secure the loan.

*Consumer*—Loans to consumers primarily for the purpose of home improvements or acquiring automobiles, recreational vehicles and boats. Consumer loans consist of relatively small amounts that are spread across many individual borrowers.

*Lease financing*—Our leasing business provides financing leases to varying types of businesses, nationwide, for purchases of business equipment. The financing is secured by a first priority interest in the financed assets and generally requires monthly payments.

Commercial, commercial real estate, and construction and land development loans are collectively referred to as the Company's commercial loan portfolio, while residential real estate, consumer loans and lease financing receivables are collectively referred to as the Company's other loan portfolio.

We have extended loans to certain of our directors, executive officers, principal shareholders and their affiliates. These loans were made in the ordinary course of business upon substantially the same terms as comparable transactions with non-insiders, including collateralization and interest rates prevailing at the time. The new loans, other additions, repayments and other reductions for the three months ended March 31, 2025 and 2024, are summarized as follows:

(dollars in thousands)	Three Months Ended March 31,	
	2025	2024
Beginning balance	\$ 40,410	\$ 20,990
New loans and other additions	2,358	—
Repayments and other reductions	(740)	(264)
Ending balance	\$ 42,028	\$ 20,726

The following table represents, by loan portfolio segment, a summary of changes in the allowance for credit losses on loans for the three months ended March 31, 2025 and 2024:

(dollars in thousands)	Commercial Loan Portfolio			Other Loan Portfolio			Total
	Commercial	Commercial real estate	Construction and land development	Residential real estate	Consumer	Lease financing	
<b>Changes in allowance for credit losses on loans for the three months ended March 31, 2025:</b>							
Balance, beginning of period	\$ 42,776	\$ 36,837	\$ 3,550	\$ 8,002	\$ 5,400	\$ 14,639	\$ 111,204
Provision for credit losses on loans	3,580	2,954	(529)	(74)	940	3,979	10,850
Charge-offs	(13,300)	(723)	—	(72)	(453)	(3,448)	(17,996)
Recoveries	498	1	—	18	48	553	1,118
Balance, end of period	\$ 33,554	\$ 39,069	\$ 3,021	\$ 7,874	\$ 5,935	\$ 15,723	\$ 105,176
<b>Changes in allowance for credit losses on loans for the three months ended March 31, 2024:</b>							
Balance, beginning of period	\$ 29,672	\$ 20,229	\$ 4,163	\$ 5,553	\$ 86,762	\$ 12,940	\$ 159,319
Provision for credit losses on loans	1,776	1,677	8,466	82	5,931	2,010	19,942
Charge-offs	(4,860)	(691)	—	(35)	(11,757)	(1,665)	(19,008)
Recoveries	116	152	—	55	87	181	591
Balance, end of period	\$ 26,704	\$ 21,367	\$ 12,629	\$ 5,655	\$ 81,023	\$ 13,466	\$ 160,844

The Company utilizes a combination of models which measure probability of default and loss given default in determining expected future credit losses.

The probability of default is the risk that the borrower will be unable or unwilling to repay its debt in full or on time. The risk of default is derived by analyzing the obligor's capacity to repay the debt in accordance with contractual terms. Probability of default is generally associated with financial characteristics such as inadequate cash flow to service debt, declining revenues or operating margins, high leverage, declining or marginal liquidity, and the inability to successfully implement a business plan. In addition to these quantifiable factors, the borrower's willingness to repay also must be evaluated.

The probability of default is forecasted, for most commercial and retail loans, using a regression model that determines the likelihood of default within the twelve month time horizon. The regression model uses forward-looking economic forecasts including variables such as gross domestic product, housing price index, and real disposable income to predict default rates.

The loss given default component is the percentage of defaulted loan balance that is ultimately charged off. As a method for estimating the allowance, a form of migration analysis is used that combines the estimated probability of loans experiencing default events and the losses ultimately associated with the loans experiencing those defaults. Multiplying one by the other gives the Company its loss rate, which is then applied to the loan portfolio balance to determine expected future losses.

Within the model, the loss given default approach produces segmented loss given default estimates using a loss curve methodology, which is based on historical net losses from charge-off and recovery information. The main principle of a loss curve model is that the loss follows a steady timing schedule based on how long the defaulted loan has been on the books.

The Company's expected loss estimate is anchored in historical credit loss experience, with an emphasis on all available portfolio data. The Company's historical look-back period includes January 2012 through the current period on a monthly basis. When historical credit loss experience is not sufficient for a specific portfolio, the Company may supplement its own portfolio data with external models or data.

Historical data is evaluated in multiple components of the expected credit loss, including the reasonable and supportable forecast and the post-reversion period of each loan segment. The historical experience is used to infer probability of default and loss given default in the reasonable and supportable forecast period. In the post-reversion period, long-term average loss rates are segmented by loan pool.

Qualitative reserves reflect management's overall estimate of the extent to which current expected credit losses on collectively evaluated loans will differ from historical loss experience. The analysis takes into consideration other analytics performed within the organization, such as enterprise and concentration management, along with other credit-related analytics as deemed appropriate. Management attempts to quantify qualitative reserves whenever possible.

The Company segments the loan portfolio into pools based on the following risk characteristics: financial asset type, collateral type, loan characteristics, credit characteristics, outstanding loan balances, contractual terms and prepayment assumptions, industry of borrower and concentrations, historical or expected credit loss patterns, and reasonable and supportable forecast periods. Within the probability of default segmentation, credit metrics are identified to further segment the financial assets. The Company utilizes risk ratings for the commercial portfolios and days past due for the consumer and the lease financing portfolios.

The Company has defined five transitioning risk states for each asset pool within the expected credit loss model. The below table illustrates the transition matrix:

<b>Risk state</b>	<b>Commercial loans risk rating</b>	<b>Consumer loans and equipment finance loans and leases days past due</b>
1	0-5	0-14
2	6	15-29
3	7	30-59
4	8	60-89
Default	9+ and nonaccrual	90+ and nonaccrual

### Expected Credit Losses

In calculating expected credit losses, the Company individually evaluates loans on nonaccrual status, loans past due 90 days or more and still accruing interest, and loans that do not share similar risk characteristics with other loans in the pool.

The following table presents the amortized cost basis of individually evaluated loans on nonaccrual status as of March 31, 2025 and December 31, 2024:

(dollars in thousands)	March 31, 2025			December 31, 2024		
	Nonaccrual with allowance	Nonaccrual with no allowance	Total nonaccrual	Nonaccrual with allowance	Nonaccrual with no allowance	Total nonaccrual
<b>Commercial:</b>						
Commercial	\$ 9,705	\$ —	\$ 9,705	\$ 2,678	\$ 7,074	\$ 9,752
Commercial other	4,120	—	4,120	3,439	—	3,439
<b>Commercial real estate:</b>						
Commercial real estate non-owner occupied	19,669	13,867	33,536	9,173	24,187	33,360
Commercial real estate owner occupied	9,317	9,285	18,602	1,407	16,871	18,278
Multi-family	44,476	8,140	52,616	2,363	51,770	54,133
Farmland	1,492	—	1,492	1,148	—	1,148
Construction and land development	39	8,399	8,438	39	8,399	8,438
Total commercial loans	88,818	39,691	128,509	20,247	108,301	128,548
<b>Residential real estate:</b>						
Residential first lien	2,960	481	3,441	2,501	491	2,992
Other residential	468	—	468	446	—	446
<b>Consumer:</b>						
Consumer	67	—	67	20	—	20
Lease financing	7,004	—	7,004	8,132	—	8,132
Total loans	\$ 99,317	\$ 40,172	\$ 139,489	\$ 31,346	\$ 108,792	\$ 140,138

There was no interest income recognized on nonaccrual loans during the three months ended March 31, 2025 and 2024 while the loans were in nonaccrual status. Additional interest income that would have been recorded on nonaccrual loans had they been current in accordance with their original terms was \$3.4 million and \$1.3 million for the three months ended March 31, 2025 and 2024, respectively.

### Collateral Dependent Financial Assets

A collateral dependent financial asset is a loan that relies solely on the operation or sale of the collateral for repayment. In evaluating the overall risk associated with a loan, the Company considers character, overall financial condition and resources, and payment record of the borrower; the prospects for support from any financially responsible guarantors; and the nature and degree of protection provided by the cash flow and value of any underlying collateral. However, as other sources of repayment become inadequate over time, the significance of the collateral's value increases and the loan may become collateral dependent.

The table below presents the amortized cost basis of individually evaluated, collateral dependent loans by loan class, for borrowers experiencing financial difficulty, as of March 31, 2025 and December 31, 2024:

(dollars in thousands)	Type of Collateral			Total
	Real Estate	Blanket Lien	Equipment	
<b>March 31, 2025</b>				
Commercial:				
Commercial	\$ —	\$ 6,693	\$ 575	\$ 7,268
Commercial real estate:				
Non-owner occupied	24,424	—	—	24,424
Owner occupied	9,542	7,491	—	17,033
Multi-family	52,616	—	—	52,616
Construction and land development	8,399	—	—	8,399
Lease financing	—	—	274	274
Total collateral dependent loans	\$ 94,981	\$ 14,184	\$ 849	\$ 110,014
<b>December 31, 2024</b>				
Commercial:				
Commercial	\$ —	\$ 7,074	\$ —	\$ 7,074
Commercial real estate:				
Non-owner occupied	24,188	—	—	24,188
Owner occupied	9,284	7,587	—	16,871
Multi-family	54,133	—	—	54,133
Construction and land development	8,399	—	—	8,399
Lease financing	—	—	465	465
Total collateral dependent loans	\$ 96,004	\$ 14,661	\$ 465	\$ 111,130

The aging status of the recorded investment in loans by portfolio as of March 31, 2025 was as follows:

(dollars in thousands)	Accruing loans			Total past due	Nonaccrual	Current	Total
	30-59 days past due	60-89 days past due	Past due 90 days or more				
<b>Commercial:</b>							
Commercial	\$ 3,955	\$ 18	\$ —	\$ 3,973	\$ 9,705	\$ 759,198	\$ 772,876
Commercial other	13,037	3,321	5,670	22,028	4,120	470,538	496,686
<b>Commercial real estate:</b>							
Commercial real estate non-owner occupied	7,173	—	—	7,173	33,536	1,556,542	1,597,251
Commercial real estate owner occupied	906	—	257	1,163	18,602	422,145	441,910
Multi-family	5,527	—	—	5,527	52,616	427,998	486,141
Farmland	289	—	—	289	1,492	65,242	67,023
Construction and land development	1,649	—	—	1,649	8,438	254,879	264,966
Total commercial loans	32,536	3,339	5,927	41,802	128,509	3,956,542	4,126,853
<b>Residential real estate:</b>							
Residential first lien	59	192	—	251	3,441	308,675	312,367
Other residential	218	—	—	218	468	60,042	60,728
<b>Consumer:</b>							
Consumer	198	20	—	218	67	91,086	91,371
Consumer other	429	437	—	866	—	52,700	53,566
Lease financing	8,805	1,988	274	11,067	7,004	355,097	373,168
Total loans	\$ 42,245	\$ 5,976	\$ 6,201	\$ 54,422	\$ 139,489	\$ 4,824,142	\$ 5,018,053

The aging status of the recorded investment in loans by portfolio as of December 31, 2024 was as follows:

(dollars in thousands)	Accruing loans			Total past due	Nonaccrual	Current	Total
	30-59 days past due	60-89 days past due	Past due 90 days or more				
<b>Commercial:</b>							
Commercial	\$ 4,562	\$ 349	\$ —	\$ 4,911	\$ 9,752	\$ 803,833	\$ 818,496
Commercial other	9,578	6,284	10,769	26,631	3,439	511,254	541,324
<b>Commercial real estate:</b>							
Commercial real estate non-owner occupied	11,732	—	—	11,732	33,360	1,583,869	1,628,961
Commercial real estate owner occupied	985	—	—	985	18,278	421,543	440,806
Multi-family	—	—	—	—	54,133	400,116	454,249
Farmland	48	—	—	48	1,148	66,452	67,648
Construction and land development	—	—	—	—	8,438	291,404	299,842
Total commercial loans	26,905	6,633	10,769	44,307	128,548	4,078,471	4,251,326
<b>Residential real estate:</b>							
Residential first lien	21	650	—	671	2,992	312,112	315,775
Other residential	91	38	—	129	446	64,207	64,782
<b>Consumer:</b>							
Consumer	314	40	—	354	20	95,828	96,202
Consumer other	345	211	—	556	—	47,543	48,099
Lease financing	4,679	3,754	—	8,433	8,132	374,825	391,390
Total loans	\$ 32,355	\$ 11,326	\$ 10,769	\$ 54,450	\$ 140,138	\$ 4,972,986	\$ 5,167,574

### Loan Restructurings

The Company may offer various types of concessions when a borrower is experiencing financial difficulties that result in a direct change in the timing or amount of contractual cash flows including principal forgiveness, interest rate reductions, other-than-insignificant payment delays, term extensions, and combinations of the listed modifications. Commercial loans modified in a loan restructuring often involve temporary interest-only payments, term extensions, and converting revolving credit lines to term loans. Additional collateral, a co-borrower, or a guarantor is often requested.

Loans modified in a loan restructuring for the Company may have the financial effect of increasing the specific allowance associated with the loan. An allowance for loans that have been modified in a loan restructuring is measured based on the probability of default and loss given default model, the loan's observable market price, or the estimated fair value of the collateral, less any selling costs, if the loan is collateral dependent. Management exercises significant judgment in developing these estimates.

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

The following table represents, by loan portfolio segment, a summary of the loan restructuring for the three months ended March 31, 2025 and 2024:

(dollars in thousands)	Three Months Ended March 31,			
	2025		2024	
	Balance	Count	Balance	Count
<b>Commercial:</b>				
Commercial	\$ 973	1	\$ —	—
Commercial other	306	2	746	4
Total commercial loans	1,279	3	746	4
<b>Residential real estate:</b>				
Residential first lien	150	3	—	—
Other residential	11	1	—	—
Lease financing	—	—	716	3
Total loan restructurings	\$ 1,440	7	\$ 1,462	7
	<b>Balance</b>	<b>Count</b>	<b>Balance</b>	<b>Count</b>
Interest Rate Reduction	\$ 306	2	\$ —	—
Term Extension	1,134	5	1,462	7
Payment Deferral	—	—	—	—
Total loan restructurings	\$ 1,440	7	\$ 1,462	7

The Company has not committed to lend any additional amounts to the borrowers that have been granted a loan modification.

The Company closely monitors the performance of loans that are modified to borrowers experiencing financial difficulty to understand the effectiveness of our modification efforts. The following table presents the payment performance of such loans that have been modified in the last twelve months:

(dollars in thousands)	30-59 days past due	60-89 days past due	Past due 90 days or more	Total past due	Current	Total
<b>Commercial:</b>						
Commercial	\$ —	\$ —	\$ —	\$ —	\$ 2,302	\$ 2,302
Commercial other	17	—	25	42	569	611
<b>Commercial real estate:</b>						
Commercial real estate non-owner occupied	—	—	10,557	10,557	21,321	31,878
Commercial real estate owner occupied	—	—	—	—	6,068	6,068
Multi-family	—	—	—	—	—	—
Farmland	—	—	—	—	—	—
Construction and land development	—	—	—	—	7,271	7,271
Total commercial loans	17	—	10,582	10,599	37,531	48,130
<b>Residential real estate:</b>						
Residential first lien	264	—	—	264	282	546
Other residential	37	—	—	37	51	88
<b>Consumer:</b>						
Consumer	—	—	—	—	42	42
Consumer other	—	—	—	—	—	—
Lease financing	383	—	—	383	635	1,018
Total loan restructurings	\$ 701	\$ —	\$ 10,582	\$ 11,283	\$ 38,541	\$ 49,824

### **Credit Quality Monitoring**

The Company maintains loan policies and credit underwriting standards as part of the process of managing credit risk. These standards include making loans generally within the Company's four geographic regions. In addition, our specialty finance division does nationwide bridge lending for FHA and HUD developments and originates loans for multifamily, assisted and senior living and multi-use properties. Our equipment leasing business provides financing to business customers across the country.

The Company has a loan approval process involving underwriting and individual and group loan approval authorities to consider credit quality and loss exposure at loan origination. The loans in the Company's commercial loan portfolio are risk rated at origination based on the grading system set forth below. All loan authority is based on the aggregate credit to a borrower and its related entities.

The Company's consumer loan portfolio is primarily comprised of both secured and unsecured loans that are relatively small and are evaluated at origination on a centralized basis against standardized underwriting criteria. The ongoing measurement of credit quality of the consumer loan portfolio is largely done on an exception basis. If payments are made on schedule, as agreed, then no further monitoring is performed. However, if delinquency occurs, the delinquent loans are turned over to the Company's Consumer Collections Group for resolution. Credit quality for the entire consumer loan portfolio is measured by the periodic delinquency rate, nonaccrual amounts and actual losses incurred.

Loans in the commercial loan portfolio tend to be larger and more complex than those in the other loan portfolio, and therefore, are subject to more intensive monitoring. All loans in the commercial loan portfolio have an assigned relationship manager, and most borrowers provide periodic financial and operating information that allows the relationship managers to stay abreast of credit quality during the life of the loans. The risk ratings of loans in the commercial loan portfolio are reassessed at least annually, with loans below an acceptable risk rating reassessed more frequently and reviewed by various individuals within the Company at least quarterly.

The Company maintains a centralized independent loan review function that monitors the approval process and ongoing asset quality of the loan portfolio, including the accuracy of loan grades. The Company also maintains an independent appraisal review function that participates in the review of all appraisals obtained by the Company.

### ***Credit Quality Indicators***

The Company uses a ten grade risk rating system to monitor the ongoing credit quality of its commercial loan portfolio. These loan grades rank the credit quality of a borrower by measuring liquidity, debt capacity, and coverage and payment behavior as shown in the borrower's financial statements. The risk grades also measure the quality of the borrower's management and the repayment support offered by any guarantors.

The Company considers all loans with Risk Grades 1 - 6 as acceptable credit risks and structures and manages such relationships accordingly. Periodic financial and operating data combined with regular loan officer interactions are deemed adequate to monitor borrower performance. Loans with Risk Grades of 7 are considered "watch credits" categorized as special mention and the frequency of loan officer contact and receipt of financial data is increased to stay abreast of borrower performance. Loans with Risk Grades of 8 - 10 are considered problematic and require special care. Risk Grade 8 is categorized as substandard, 9 as substandard - nonaccrual and 10 as doubtful. Further, loans with Risk Grades of 7 - 10 are managed regularly through a number of processes, procedures and committees, including oversight by a loan administration committee comprised of executive and senior management of the Company, which includes highly structured reporting of financial and operating data, intensive loan officer intervention and strategies to exit, as well as potential management by the Company's Special Assets Group. Loans not graded in the commercial loan portfolio are monitored by aging status and payment activity.

As discussed previously in *Loan Restructurings*, the Company does provide various types of concessions when a borrower is experiencing financial difficulties that result in a direct change in the timing or amount of contractual cash flows. Modified loans with terms at least as favorable to the lender as the terms for other customers with similar collection risks and with terms that are more than minor compared to the original terms are treated as a new loan to the borrower.

The following tables present the recorded investment of the commercial loan portfolio by risk category as of March 31, 2025 and December 31, 2024:

			March 31, 2025								
			Term Loans					Revolving loans	Total		
			Amortized Cost Basis by Origination Year								
(dollars in thousands)			2025	2024	2023	2022	2021	Prior			
Commercial	Commercial	Acceptable credit quality	\$ 99,917	\$ 94,469	\$ 99,266	\$ 33,772	\$ 56,675	\$ 58,869	\$ 306,767	\$ 749,735	
		Special mention	—	—	—	—	—	51	178	229	
		Substandard	—	126	2,561	288	1,085	1,480	7,667	13,207	
		Substandard – nonaccrual	—	84	837	4,271	513	3,218	782	9,705	
		Doubtful	—	—	—	—	—	—	—	—	
		Not graded	—	—	—	—	—	—	—	—	
		Subtotal	99,917	94,679	102,664	38,331	58,273	63,618	315,394	772,876	
		Commercial other	Acceptable credit quality	23,371	91,507	84,933	118,294	49,716	30,710	87,045	485,576
			Special mention	—	69	1,877	1,567	1,817	174	—	5,504
			Substandard	—	200	30	—	—	126	1,130	1,486
Substandard – nonaccrual	—		115	1,626	1,321	471	427	160	4,120		
Doubtful	—		—	—	—	—	—	—	—		
Not graded	—		—	—	—	—	—	—	—		
Subtotal	23,371	91,891	88,466	121,182	52,004	31,437	88,335	496,686			
Commercial real estate	Non-owner occupied	Acceptable credit quality	93,119	364,235	177,254	424,203	226,709	193,686	11,418	1,490,624	
		Special mention	—	7,918	4,014	9,851	176	4,244	—	26,203	
		Substandard	—	62	2,031	7,821	4,118	32,856	—	46,888	
		Substandard – nonaccrual	—	74	7,737	7,868	4,456	13,401	—	33,536	
		Doubtful	—	—	—	—	—	—	—	—	
	Not graded	—	—	—	—	—	—	—	—		
	Subtotal	93,119	372,289	191,036	449,743	235,459	244,187	11,418	1,597,251		
	Owner occupied	Acceptable credit quality	50,398	60,242	48,334	93,495	71,750	93,791	628	418,638	
		Special mention	—	847	—	—	—	161	—	1,008	
		Substandard	333	510	—	—	—	2,819	—	3,662	
Substandard – nonaccrual		—	387	—	17,239	264	408	304	18,602		
Doubtful		—	—	—	—	—	—	—	—		
Not graded	—	—	—	—	—	—	—	—			
Subtotal	50,731	61,986	48,334	110,734	72,014	97,179	932	441,910			
Multi-family	Acceptable credit quality	10,562	40,213	14,622	211,478	75,030	35,158	679	387,742		
	Special mention	—	—	7,650	32,868	—	—	—	40,518		
	Substandard	—	—	—	—	5,224	41	—	5,265		
	Substandard – nonaccrual	—	27,354	8,890	—	—	16,372	—	52,616		
	Doubtful	—	—	—	—	—	—	—	—		
Not graded	—	—	—	—	—	—	—	—			
Subtotal	10,562	67,567	31,162	244,346	80,254	51,571	679	486,141			
Farmland	Acceptable credit quality	11,051	2,108	8,081	4,120	8,930	28,324	1,505	64,119		
	Special mention	—	—	—	—	—	—	—	—		
	Substandard	—	—	1,210	—	13	189	—	1,412		
	Substandard – nonaccrual	—	—	—	344	—	1,100	48	1,492		
	Doubtful	—	—	—	—	—	—	—	—		
Not graded	—	—	—	—	—	—	—	—			
Subtotal	11,051	2,108	9,291	4,464	8,943	29,613	1,553	67,023			
Construction and land development	Acceptable credit quality	41,568	80,744	28,246	57,083	12,009	1,188	25,034	245,872		
	Special mention	—	1,571	—	—	—	—	—	1,571		
	Substandard	—	5,700	—	—	—	—	—	5,700		
	Substandard – nonaccrual	—	—	—	—	8,399	39	—	8,438		
	Doubtful	—	—	—	—	—	—	—	—		
	Not graded	367	2,216	456	325	—	21	—	3,385		
Subtotal	41,935	90,231	28,702	57,408	20,408	1,248	25,034	264,966			
Total	Acceptable credit quality	329,986	733,518	460,736	942,445	500,819	441,726	433,076	3,842,306		
	Special mention	—	10,405	13,541	44,286	1,993	4,630	178	75,033		
	Substandard	333	6,598	5,832	8,109	10,440	37,511	8,797	77,620		
	Substandard – nonaccrual	—	28,014	19,090	31,043	14,103	34,965	1,294	128,509		
	Doubtful	—	—	—	—	—	—	—	—		
Not graded	367	2,216	456	325	—	21	—	3,385			
Total commercial loans			\$ 330,686	\$ 780,751	\$ 499,655	\$ 1,026,208	\$ 527,355	\$ 518,853	\$ 443,345	\$ 4,126,853	

December 31, 2024

			Term Loans					Revolving loans	Total			
			Amortized Cost Basis by Origination Year									
(dollars in thousands)			2024	2023	2022	2021	2020	Prior				
Commercial	Commercial	Acceptable credit quality	\$ 103,345	\$ 100,478	\$ 66,135	\$ 59,613	\$ 28,661	\$ 39,895	\$ 343,577	\$ 741,704		
		Special mention	54,838	—	—	—	—	60	277	55,175		
		Substandard	464	2,964	626	1,311	196	1,239	5,065	11,865		
		Substandard – nonaccrual	—	635	4,601	514	12	3,202	788	9,752		
		Doubtful	—	—	—	—	—	—	—	—		
		Not graded	—	—	—	—	—	—	—	—		
		Subtotal	158,647	104,077	71,362	61,438	28,869	44,396	349,707	818,496		
		Commercial other	Acceptable credit quality	101,877	94,515	133,745	59,701	25,688	14,016	103,794	533,336	
		Special mention	1	2,132	1,100	964	197	94	—	4,488		
		Substandard	—	31	—	—	—	—	30	61		
Substandard – nonaccrual	119	646	1,406	682	93	394	99	3,439				
Doubtful	—	—	—	—	—	—	—	—				
Not graded	—	—	—	—	—	—	—	—				
Subtotal	101,997	97,324	136,251	61,347	25,978	14,504	103,923	541,324				
Commercial real estate	Non-owner occupied	Acceptable credit quality	404,475	179,499	460,447	261,886	79,830	130,160	6,729	1,523,026		
		Special mention	12,392	4,079	—	178	3,988	274	—	20,911		
		Substandard	62	2,061	8,149	4,190	4,463	32,739	—	51,664		
		Substandard – nonaccrual	80	7,737	7,861	4,509	—	13,173	—	33,360		
		Doubtful	—	—	—	—	—	—	—	—		
		Not graded	—	—	—	—	—	—	—	—		
		Subtotal	417,009	193,376	476,457	270,763	88,281	176,346	6,729	1,628,961		
		Owner occupied	Acceptable credit quality	61,613	43,344	95,334	101,717	46,914	62,723	629	412,274	
		Special mention	849	—	—	—	—	214	—	1,063		
		Substandard	469	5,469	381	—	—	2,872	—	9,191		
Substandard – nonaccrual	317	—	16,971	264	1	421	304	18,278				
Doubtful	—	—	—	—	—	—	—	—				
Not graded	—	—	—	—	—	—	—	—				
Subtotal	63,248	48,813	112,686	101,981	46,915	66,230	933	440,806				
Multi-family	Multi-family	Acceptable credit quality	49,292	14,682	224,849	60,428	27,417	9,519	978	387,165		
		Special mention	—	7,650	—	—	—	—	—	7,650		
		Substandard	—	—	—	5,258	—	43	—	5,301		
		Substandard – nonaccrual	27,354	8,890	—	899	—	16,990	—	54,133		
		Doubtful	—	—	—	—	—	—	—	—		
		Not graded	—	—	—	—	—	—	—	—		
		Subtotal	76,646	31,222	224,849	66,585	27,417	26,552	978	454,249		
		Farmland	Farmland	Acceptable credit quality	4,157	9,540	4,557	16,794	10,046	19,588	1,690	66,372
				Special mention	—	—	—	—	—	—	—	—
				Substandard	—	—	—	13	—	115	—	128
Substandard – nonaccrual	—			—	—	—	—	1,100	48	1,148		
Doubtful	—			—	—	—	—	—	—	—		
Not graded	—			—	—	—	—	—	—	—		
Subtotal	4,157			9,540	4,557	16,807	10,046	20,803	1,738	67,648		
Construction and land development	Construction and land development			Acceptable credit quality	71,889	27,121	106,277	25,780	—	1,153	38,829	271,049
				Special mention	11,409	—	—	—	—	—	—	11,409
				Substandard	5,848	—	—	—	—	—	—	5,848
		Substandard – nonaccrual	—	—	—	8,399	—	39	—	8,438		
		Doubtful	—	—	—	—	—	—	—	—		
		Not graded	2,232	470	374	—	—	22	—	3,098		
		Subtotal	91,378	27,591	106,651	34,179	—	1,214	38,829	299,842		
		Total	Total	Acceptable credit quality	796,648	469,179	1,091,344	585,919	218,556	277,054	496,226	3,934,926
				Special mention	79,489	13,861	1,100	1,142	4,185	642	277	100,696
				Substandard	6,843	10,525	9,156	10,772	4,659	37,008	5,095	84,058
Substandard – nonaccrual	27,870			17,908	30,839	15,267	106	35,319	1,239	128,548		
Doubtful	—			—	—	—	—	—	—	—		
Not graded	2,232	470	374	—	—	22	—	3,098				
Total commercial loans		\$ 913,082	\$ 511,943	\$ 1,132,813	\$ 613,100	\$ 227,506	\$ 350,045	\$ 502,837	\$ 4,251,326			

The following table presents the gross charge-offs by class of loan and year of origination on the commercial loan portfolio for the three months ended March 31, 2025 and 2024:

(dollars in thousands)		Term Loans by Origination Year						Revolving Loans	Total
		2025	2024	2023	2022	2021	Prior		
<b>For the three months ended March 31, 2025</b>									
Commercial	Commercial	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 64	\$ —	\$ 64
	Commercial Other	—	42	792	1,015	227	78	11,082	13,236
Commercial Real Estate	Multi-family	—	—	—	—	—	723	—	723
Total gross commercial charge-offs		\$ —	\$ 42	\$ 792	\$ 1,015	\$ 227	\$ 865	\$ 11,082	\$ 14,023
(dollars in thousands)		Term Loans by Origination Year						Revolving Loans	Total
		2024	2023	2022	2021	2020	Prior		
<b>For the three months ended March 31, 2024</b>									
Commercial	Commercial	\$ —	\$ —	\$ 2,450	\$ —	\$ 10	\$ 1	\$ 102	\$ 2,563
	Commercial Other	—	866	1,074	294	20	43	—	2,297
Commercial Real Estate	Owner occupied	—	—	—	—	138	553	—	691
Total gross commercial charge-offs		\$ —	\$ 866	\$ 3,524	\$ 294	\$ 168	\$ 597	\$ 102	\$ 5,551

The Company evaluates the credit quality of its other loan portfolios, which includes residential real estate, consumer and lease financing loans, based primarily on the aging status of the loan and payment activity. Accordingly, loans on nonaccrual status and loans past due 90 days or more and still accruing interest are considered to be nonperforming for purposes of credit quality evaluation. The following tables present the recorded investment of our other loan portfolio based on the credit risk profile of loans that are performing and loans that are nonperforming as of March 31, 2025 and December 31, 2024:

(dollars in thousands)			March 31, 2025							Revolving Loans	Total
			Term Loans Amortized Cost Basis by Origination Year								
			2025	2024	2023	2022	2021	Prior			
Residential real estate	Residential first lien	Performing	\$ 2,767	\$ 30,127	\$ 41,063	\$ 68,239	\$ 34,997	\$ 131,696	\$ 37	\$ 308,926	
		Nonperforming	—	—	137	196	307	2,801	—	3,441	
		Subtotal	2,767	30,127	41,200	68,435	35,304	134,497	37	312,367	
	Other residential	Performing	642	2,295	2,143	816	239	1,960	52,165	60,260	
		Nonperforming	—	—	—	—	—	154	314	468	
		Subtotal	642	2,295	2,143	816	239	2,114	52,479	60,728	
Consumer	Consumer	Performing	2,814	20,174	19,647	15,124	22,290	10,135	1,120	91,304	
		Nonperforming	—	—	34	4	—	25	4	67	
		Subtotal	2,814	20,174	19,681	15,128	22,290	10,160	1,124	91,371	
	Consumer other	Performing	—	—	370	34,350	8,045	10,801	—	53,566	
		Nonperforming	—	—	—	—	—	—	—	—	
		Subtotal	—	—	370	34,350	8,045	10,801	—	53,566	
Leases financing		Performing	26,563	84,352	89,919	94,268	38,173	32,615	—	365,890	
		Nonperforming	—	484	2,220	3,332	685	557	—	7,278	
		Subtotal	26,563	84,836	92,139	97,600	38,858	33,172	—	373,168	
Total		Performing	32,786	136,948	153,142	212,797	103,744	187,207	53,322	879,946	
		Nonperforming	—	484	2,391	3,532	992	3,537	318	11,254	
Total other loans			\$ 32,786	\$ 137,432	\$ 155,533	\$ 216,329	\$ 104,736	\$ 190,744	\$ 53,640	\$ 891,200	

			December 31, 2024								
			Term Loans								
			Amortized Cost Basis by Origination Year								
(dollars in thousands)			2024	2023	2022	2021	2020	Prior	Revolving loans	Total	
Residential real estate	Residential first lien	Performing	\$ 29,754	\$ 41,263	\$ 69,334	\$ 35,539	\$ 27,282	\$ 109,572	\$ 39	\$ 312,783	
		Nonperforming	—	137	196	312	139	2,208	—	2,992	
		Subtotal	29,754	41,400	69,530	35,851	27,421	111,780	39	315,775	
	Other residential	Performing	2,620	2,218	874	257	308	1,822	56,237	64,336	
		Nonperforming	—	—	—	—	—	148	298	446	
		Subtotal	2,620	2,218	874	257	308	1,970	56,535	64,782	
Consumer	Consumer	Performing	22,405	21,182	16,636	23,632	3,542	7,874	911	96,182	
		Nonperforming	—	—	5	—	—	12	3	20	
		Subtotal	22,405	21,182	16,641	23,632	3,542	7,886	914	96,202	
	Consumer other	Performing	—	536	29,939	7,510	3,677	6,437	—	48,099	
		Nonperforming	—	—	—	—	—	—	—	—	
		Subtotal	—	536	29,939	7,510	3,677	6,437	—	48,099	
Leases financing		Performing	94,432	96,171	106,809	44,213	24,774	16,859	—	383,258	
		Nonperforming	77	3,720	3,017	992	239	87	—	8,132	
		Subtotal	94,509	99,891	109,826	45,205	25,013	16,946	—	391,390	
Total		Performing	149,211	161,370	223,592	111,151	59,583	142,564	57,187	904,658	
		Nonperforming	77	3,857	3,218	1,304	378	2,455	301	11,590	
Total other loans			\$ 149,288	\$ 165,227	\$ 226,810	\$ 112,455	\$ 59,961	\$ 145,019	\$ 57,488	\$ 916,248	

The following table presents the gross charge-offs by class of loan and year of origination on the other loan portfolio for the three months ended March 31, 2025 and 2024:

(dollars in thousands)		Term Loans by Origination Year						Revolving Loans	Total
		2025	2024	2023	2022	2021	Prior		
<b>For the three months ended March 31, 2025</b>									
Residential real estate	Residential first lien	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 27	\$ —	\$ 27
	Other residential	—	—	—	25	—	1	19	45
Consumer	Consumer	—	1	5	2	—	1	4	13
	Consumer other	4	52	17	15	5	347	—	440
Lease financing		—	143	1,706	1,231	209	159	—	3,448
<b>Total gross other charge-offs</b>		<b>\$ 4</b>	<b>\$ 196</b>	<b>\$ 1,728</b>	<b>\$ 1,273</b>	<b>\$ 214</b>	<b>\$ 535</b>	<b>\$ 23</b>	<b>\$ 3,973</b>
		<b>Term Loans by Origination Year</b>							
(dollars in thousands)		2024	2023	2022	2021	2020	Prior	Revolving Loans	Total
		<b>For the three months ended March 31, 2024</b>							
Residential real estate	Residential first lien	\$ —	\$ —	\$ 11	\$ —	\$ —	\$ —	\$ —	\$ 11
	Other residential	—	—	16	—	—	—	8	24
Consumer	Consumer	—	—	—	—	6	27	—	33
	Consumer other	—	2,657	5,726	1,375	862	1,104	—	11,724
Lease financing		—	123	1,371	114	37	20	—	1,665
<b>Total gross other charge-offs</b>		<b>\$ —</b>	<b>\$ 2,780</b>	<b>\$ 7,124</b>	<b>\$ 1,489</b>	<b>\$ 905</b>	<b>\$ 1,151</b>	<b>\$ 8</b>	<b>\$ 13,457</b>

#### NOTE 4 – PREMISES, EQUIPMENT AND LEASES

A summary of premises, equipment and leases at March 31, 2025 and December 31, 2024 is as follows:

(dollars in thousands)	March 31, 2025	December 31, 2024
Land	\$ 15,986	\$ 15,986
Buildings and improvements	84,685	83,296
Furniture and equipment	36,966	36,526
Lease right-of-use assets	9,246	8,830
<b>Total</b>	<b>146,883</b>	<b>144,638</b>
Accumulated depreciation	(60,164)	(58,928)
<b>Premises and equipment, net</b>	<b>\$ 86,719</b>	<b>\$ 85,710</b>

Depreciation expense for the three months ended March 31, 2025 and 2024 was \$1.2 million for each period.

The Company has entered into operating leases, primarily for banking offices and operating facilities, which have remaining lease terms of 9 months to 13 years, some of which may include options to extend the lease terms for up to an additional 10 years. The options to extend are included in the remaining lease term if they are reasonably certain to be exercised. The Company had operating lease right-of-use assets of \$9.2 million and \$8.8 million as of March 31, 2025 and December 31, 2024, respectively, included in premises and equipment on our consolidated balance sheets. The operating lease liabilities of the Company were \$10.5 million and \$10.1 million as of March 31, 2025 and December 31, 2024, respectively, and are included in accrued interest payable and other liabilities on our consolidated balance sheets.

Information related to operating leases for the three months ended March 31, 2025 and 2024 was as follows:

(dollars in thousands)	Three Months Ended March 31,	
	2025	2024
Operating lease cost	\$ 498	\$ 476
Operating cash flows from leases	518	572
Right-of-use assets obtained in exchange for lease obligations	837	222
Weighted average remaining lease term	6.7 years	7.6 years
Weighted average discount rate	3.72 %	3.44 %

The projected minimum rental payments under the terms of the leases as of March 31, 2025 were as follows:

(dollars in thousands)	Amount
Year ending December 31:	
2025 remaining	\$ 1,310
2026	2,003
2027	1,892
2028	1,840
2029	1,640
Thereafter	3,254
Total future minimum lease payments	11,939
Less imputed interest	(1,420)
Total operating lease liabilities	\$ 10,519

#### NOTE 5 - OPERATING LEASES - LESSOR

The Company provides financing for various types of equipment through operating leasing arrangements. The equipment leased to others is carried at cost less accumulated depreciation in other assets on our consolidated balance sheets. The Company had equipment leased to others of \$26.8 million and \$30.7 million at March 31, 2025 and December 31, 2024, respectively, net of accumulated depreciation of \$18.5 million and \$18.1 million at March 31, 2025 and December 31, 2024, respectively. The Company recorded lease income of \$3.1 million and \$4.5 million related to lease payments for operating leases in other income on our consolidated statements of income for the three months ended March 31, 2025 and 2024, respectively. Depreciation expense related to leased equipment was \$2.3 million and \$3.6 million for the three months ended March 31, 2025 and 2024, respectively.

The Company performs assessment of the recoverability of long-lived assets when events or changes in circumstances indicate their carrying values may not be recoverable.

The future lease payments receivable from operating leases as of March 31, 2025 are as follows:

(dollars in thousands)	Amount
Year ending December 31:	
2025 remaining	\$ 7,873
2026	3,471
2027	2,354
2028	1,245
2029	698
Thereafter	48
Total future minimum lease payments	\$ 15,689

**NOTE 6 – GOODWILL**

The carrying amount of goodwill by segment at March 31, 2025 and December 31, 2024 is summarized as follows:

(dollars in thousands)	2025	2024
Banking	\$ 3,181	\$ 157,158
Wealth management	4,746	4,746
Total goodwill	<u>\$ 7,927</u>	<u>\$ 161,904</u>

The Company performed a quantitative impairment test on its Banking reporting unit as of December 31, 2024, and engaged a third-party service provider to assist Management with the determination of the fair value of the Company. The resulting calculation indicated that the fair value of the Banking reporting unit exceeded its carrying amount by approximately 7% as of December 31, 2024, which resulted in a determination of no impairment loss.

During the first quarter of 2025, Management determined that a triggering event had occurred at its Banking reporting unit as a result of further deteriorated credit quality coupled with the trends in the Company's stock price. The Company performed a quantitative impairment test on its Banking reporting unit as of March 31, 2025, and engaged a third-party service provider to assist with the determination of the fair value. The resulting calculation indicated that the carrying amount exceeded the fair value of the Company's Banking reporting unit. As a result of the assessment, the Company recognized \$154.0 million of goodwill impairment expense. The impairment did not impact our regulatory capital ratios, tangible common equity ratio, or our liquidity position.

Significant judgment is necessary in the determination of the fair value of a reporting unit. The income valuation methodology requires an estimation of future cash flows, considering the after-tax results of operations, the extent and timing of credit losses, and appropriate discount and growth rates. Actual future cash flows may differ from forecasted results based on the assumptions used.

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

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

**NOTE 7 – DERIVATIVE INSTRUMENTS**

The Company enters into derivative instruments, which may include interest rate swaps and interest rate options, in connection with our risk-management activities. Our primary objective for using derivative financial instruments is to manage interest rate risk associated with our fixed-rate and variable-rate assets and liabilities.

***Interest Rate Risk***

We monitor our mix of fixed-rate and variable-rate assets and liabilities and may enter into interest rate swaps, forwards, and options to achieve a more desired mix of fixed-rate and variable-rate assets and liabilities. We execute these trades to modify our exposure to interest rate risk by converting certain fixed-rate instruments to a variable-rate and certain variable-rate instruments to a fixed-rate. We use a mix of both derivatives that qualify for hedge accounting treatment and economic hedges that do not qualify for hedge accounting treatment.

Derivatives qualifying for hedge accounting treatment can include receive-fixed swaps designated as fair value hedges of specific fixed-rate unsecured debt obligations, receive-fixed swaps designated as fair value hedges of specific fixed-rate FHLB advances, and pay-fixed swaps designated as fair value hedges of securities within our available-for-sale portfolio. Other derivatives qualifying for hedge accounting consist of interest rate floor contracts designated as cash flow hedges of the expected future cash flows in the form of interest receipts on a portion of our commercial and commercial real estate loans. Both the fair value hedges and cash flow hedges were determined to be effective during all periods presented and the Company expects the hedges to remain effective during the remaining terms of the swaps.

We have the ability to execute economic hedges, which could consist of interest rate swaps, interest rate caps, forwards, and options to mitigate interest rate risk.

We also enter into interest rate lock commitments and forward commitments that are executed as part of our mortgage business that do not meet the accounting definition of hedges, as well as interest rate swap contracts sold to commercial customers who wish to modify their interest rate sensitivity. These swaps are offset by contracts simultaneously purchased by the Company from other financial dealer institutions with mirror-image terms. Because of the mirror-image terms of the offsetting contracts, in addition to collateral provisions which mitigate the impact of non-performance risk, changes in the fair value subsequent to initial recognition have a minimal effect on earnings.

### Balance Sheet Presentation

The following table summarizes the fair value of derivative instruments reported on our consolidated balance sheet. The amounts are presented on a gross basis, are segregated by derivatives that are designated and qualifying as hedging instruments or those that are not, and are further segregated by type of contract within those two categories. Derivative assets and derivative liabilities are included in other assets and other liabilities, respectively, on the consolidated balance sheet.

Notional amounts are reference amounts from which contractual obligations are derived and are not recorded on the balance sheet. In our view, derivative notional is not an accurate measure of our derivative exposure when viewed in isolation from other factors, such as market rate fluctuations and counterparty credit risk.

(dollars in thousands)	March 31, 2025			December 31, 2024		
	Fair Value		Notional amount	Fair Value		Notional amount
	Assets	Liabilities		Assets	Liabilities	
Derivatives designated as accounting hedges						
Interest rate contracts						
Fair value hedges						
Investment securities available for sale	\$ 1,263	\$ 2,750	\$ 285,818	\$ 2,653	\$ 654	\$ 167,363
Cash flow hedges						
Investment securities available for sale	1,197	—	90,000	—	—	—
Pools of commercial and commercial real estate loans	2,285	3,125	300,000	—	4,502	200,000
FHLB advances, brokered CDs and other borrowings	439	347	125,000	863	281	75,000
Total derivatives designated as accounting hedges	\$ 5,184	\$ 6,222	\$ 800,818	\$ 3,516	\$ 5,437	\$ 442,363
Derivatives not designated as accounting hedges						
Interest rate contracts						
Swaps	\$ 150	\$ 150	\$ 53,952	\$ 218	\$ 218	\$ 54,390
Interest rate lock commitments	226	—	8,570	71	—	3,907
Forward commitments to sell mortgage-backed securities	—	53	10,750	32	—	10,198
Total derivatives not designated as accounting hedges	\$ 376	\$ 203	\$ 73,272	\$ 321	\$ 218	\$ 68,495

The following table presents amounts recorded in the consolidated balance sheets related to cumulative basis adjustments for fair value hedges.

(dollars in thousands)	Carrying amount of the hedged items		Cumulative amount of fair value hedging adjustment included in the carrying amount of the hedged items	
	March 31, 2025	December 31, 2024	March 31, 2025	December 31, 2024
	Investment securities available for sale	\$ 373,958	\$ 286,982	\$ 1,837

### Statement of Income Presentation

The following table summarizes the effect of derivative instruments in fair value hedging relationships on the consolidated statements of income.

(dollars in thousands)	Location of gain (loss) recognized in income on derivative	Gain (loss) recognized in income on derivative		Location of gain (loss) recognized in income on related hedged item	Gain (loss) recognized in income on related hedged items	
		2025	2024		2025	2024
<b>Three Months Ended March 31,</b>						
<b>Gain (loss) on fair value hedging relationships</b>						
Interest rate contracts						
Fixed-rate mortgage-backed securities	Interest income on investment securities available for sale	\$ (3,486)	\$ 1,015	Interest income on investment securities available for sale	\$ 3,491	\$ (1,018)

The following table summarizes the effect of derivative instruments in cash flow hedging relationships on the consolidated statements of income.

(dollars in thousands)	Gain (loss) recognized in AOCI on derivative		Location of gain (loss) recognized in income on derivative	Gain (loss) reclassified from AOCI into income	
	2025	2024		2025	2024
<b>Three Months Ended March 31,</b>					
<b>Gain (loss) on cash flow hedging relationships</b>					
Interest rate contracts					
Pools of commercial and commercial real estate loans	\$ 1,117	\$ (3,070)	Interest income on loans	\$ (1,005)	\$ (1,546)
Investment securities available for sale	446	—	Interest income on investment securities	28	—
FHLB advances, brokered CDs and other borrowings	(699)	1,423	Interest expense	140	194
Total loss on cash flow hedging relationships	\$ 864	\$ (1,647)		\$ (837)	\$ (1,352)

During the next 12 months, we estimate \$1.5 million of losses will be reclassified into pretax earnings from derivatives designated as cash flow hedges.

The following table summarizes the effect of derivative instruments not designated as accounting hedges on the consolidated statements of income.

(dollars in thousands)	Location of gain recognized in income on derivative	Three Months Ended March 31,	
		2025	2024
<b>Three Months Ended March 31,</b>			
<b>Gain on derivative instruments not designated as accounting hedges</b>			
Interest rate contracts	Residential mortgage banking revenue	\$ 70	\$ 117
Total gain on derivative instruments not designated as accounting hedges		\$ 70	\$ 117

### Credit Enhancement Derivatives

The Company has recognized derivative instruments associated with agreements entered into with third-party providers that support loan programs for which the Company originates and holds loans on its balance sheet. Th third-party agreements include contractual credit enhancements that transfer certain risks and benefits to or from the Company, resulting in recognition of a derivative. The value of this derivative consists primarily of two components: (1) the credit loss reimbursement value, representing the present value of expected future payments from the third party for loan losses, and (2) the interest yield guarantee value, representing the present value of cash flows the Company expects to receive to ensure a minimum yield on the portfolio when actual borrower payments fall short.

The fair value of the derivatives was \$5.6 million and \$16.8 million as of March 31, 2025 and December 31, 2024, respectively. The Company utilizes a third-party valuation specialist to estimate fair value using the income approach, based on the present value of expected future cash flows. The valuation relies on Level 3 unobservable inputs, including assumptions

regarding credit loss rates, borrower prepayments, program yield performance, and discount rates. Changes in fair value are recorded in noninterest income, and the Company does not apply hedge accounting to these instruments

The following table summarizes the most significant inputs and assumptions in determining the value of the credit enhancement derivatives as well as the resulting fair value as of March 31, 2025 and December 31, 2024:

	March 31, 2025	December 31, 2024
Weighted average interest rate	9.50 %	9.50 %
Implied/selected cohort default rate (CDR)	15.00 %	15.00 %
Selected LGD	85.00 %	85.00 %
Annual expected loss	12.75 %	12.75 %
Credit mark	(21.86)%	(20.66)%
Interest mark	11.80 %	10.04 %
Fair value of derivative	10.06 %	10.61 %

## NOTE 8 – DEPOSITS

The following table summarizes the classification of deposits as of March 31, 2025 and December 31, 2024:

(dollars in thousands)	March 31, 2025	December 31, 2024
Noninterest-bearing demand	\$ 1,090,707	\$ 1,055,564
Interest-bearing:		
Checking	2,161,282	2,378,256
Money market	1,154,403	1,173,630
Savings	522,663	507,305
Time	1,007,379	1,082,488
Total deposits	<u>\$ 5,936,434</u>	<u>\$ 6,197,243</u>

## NOTE 9 – FHLB ADVANCES AND OTHER BORROWINGS

The following table summarizes our FHLB advances and other borrowings as of March 31, 2025 and December 31, 2024:

(dollars in thousands)	March 31, 2025	December 31, 2024
FHLB advances – fixed rate, fixed term at rates averaging 4.50% at March 31, 2025 and December 31, 2024 - maturing through October 2029	\$ 133,000	\$ 133,000
FHLB advances – putable fixed rate at rates averaging 3.69% at both March 31, 2025 and December 31, 2024 – maturing through July 2034 with call provisions through May 2025	125,000	125,000
FHLB advances – Short term fixed rate at rates averaging 4.44% at March 31, 2025	240,000	—
Total FHLB advances and other borrowings	<u>\$ 498,000</u>	<u>\$ 258,000</u>

The Company's advances from the FHLB are collateralized by a blanket collateral agreement of qualifying mortgage and home equity line of credit loans and certain commercial real estate loans totaling approximately \$3.10 billion and \$3.23 billion at March 31, 2025 and December 31, 2024, respectively. Based on this collateral, the Company was eligible to borrow \$1.02 billion from the FHLB at March 31, 2025.

**NOTE 10 – SUBORDINATED DEBT**

The following table summarizes the Company's subordinated debt at March 31, 2025 and December 31, 2024:

(dollars in thousands)	Subordinated debt		
	Fixed to Float		Total
	Issued September 2019	Issued September 2019	
<b>At March 31, 2025</b>			
Outstanding amount	\$ 50,750	\$ 27,250	\$ 78,000
Carrying amount	50,750	27,004	77,754
Current rate	7.91 %	5.50 %	
<b>At December 31, 2024</b>			
Outstanding amount	\$ 50,750	\$ 27,250	\$ 78,000
Carrying amount	50,750	26,999	77,749
Current rate	7.94 %	5.50 %	
Maturity date	9/30/2029	9/30/2034	
Optional redemption date	9/30/2024	9/30/2029	
Fixed to variable conversion date	9/30/2024	9/30/2029	
Variable rate	3-month SOFR plus 3.61%	3-month SOFR plus 4.05%	
Interest payment terms	Semiannually through 9/30/2024; Quarterly for all subsequent periods	Semiannually through 9/30/2029; Quarterly for all subsequent periods	

The value of subordinated debentures have been reduced by the debt issuance costs, which are being amortized on a straight line basis through the earlier of the redemption option or maturity date. All of the subordinated debentures above may be included in Tier 2 capital (with certain limitations applicable) under current regulatory guidelines and interpretations.

**NOTE 11 - ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)**

The following table summarizes the changes within each classification of AOCI, net of tax:

(dollars in thousands)	Unrealized gains and losses on investment securities available for sale	Unrealized gains and losses on cash flow hedges	Total
<b>Changes in AOCI for the three months ended March 31, 2025</b>			
Balance, beginning of period	\$ (79,021)	\$ (2,939)	\$ (81,960)
Other comprehensive income before reclassifications	8,354	650	9,004
Amounts reclassified from AOCI to income <sup>(1)</sup>	—	617	617
Balance, end of period	<u>\$ (70,667)</u>	<u>\$ (1,672)</u>	<u>\$ (72,339)</u>
<b>Changes in AOCI for the three months ended March 31, 2024</b>			
Balance, beginning of period	\$ (71,556)	\$ (5,197)	\$ (76,753)
Other comprehensive loss before reclassifications	(4,451)	(1,202)	(5,653)
Amounts reclassified from AOCI to income <sup>(1)</sup>	—	987	987
Balance, end of period	<u>\$ (76,007)</u>	<u>\$ (5,412)</u>	<u>\$ (81,419)</u>

(1) See table below for details about reclassifications to income.

The following table summarizes the significant amounts reclassified out of each component of AOCI:

(dollars in thousands)	Three Months Ended March 31,		Affected line item in the statement of income
	2025	2024	
Details about AOCI components	Amounts reclassified from AOCI		
Gains and losses on cash flow hedges	(837)	(1,352)	Interest income (expense)
	220	365	Income tax (expense) benefit
	<u>\$ (617)</u>	<u>\$ (987)</u>	Net income

**NOTE 12 – EARNINGS PER COMMON SHARE**

Earnings per common share is calculated utilizing the two-class method. Basic earnings per common share is calculated by dividing the sum of distributed earnings to common shareholders and undistributed earnings allocated to common shareholders by the weighted average number of common shares outstanding. Diluted earnings per common share is calculated by dividing the sum of distributed earnings to common shareholders and undistributed earnings allocated to common shareholders by the weighted average number of shares adjusted for the dilutive effect of common stock awards. Presented below are the calculations for basic and diluted earnings per common share for the three months ended March 31, 2025 and 2024:

(dollars in thousands, except per share data)	Three Months Ended March 31,	
	2025	2024
Net (loss) income	\$ (140,974)	\$ 22,663
Preferred dividends declared	(2,228)	(2,228)
Net (loss) income available to common shareholders	(143,202)	20,435
Common shareholder dividends	(6,666)	(6,666)
Unvested restricted stock award dividends	(116)	(106)
Undistributed earnings to unvested restricted stock awards	—	(209)
Undistributed (loss) earnings to common shareholders	\$ (149,984)	\$ 13,454
<b>Basic</b>		
Distributed earnings to common shareholders	\$ 6,666	\$ 6,666
Undistributed (loss) earnings to common shareholders	(149,984)	13,454
Total common shareholders (loss) earnings, basic	\$ (143,318)	\$ 20,120
<b>Diluted</b>		
Distributed earnings to common shareholders	\$ 6,666	\$ 6,666
Undistributed (loss) earnings to common shareholders	(149,984)	13,454
Total common shareholders (loss) earnings	(143,318)	20,120
Add back:		
Undistributed earnings reallocated from unvested restricted stock awards	—	—
Total common shareholders (loss) earnings, diluted	\$ (143,318)	\$ 20,120
Weighted average common shares outstanding, basic	21,795,570	21,774,647
Dilutive effect of options	—	13,044
Weighted average common shares outstanding, diluted	21,795,570	21,787,691
Basic (loss) earnings per common share	\$ (6.58)	\$ 0.92
Diluted (loss) earnings per common share	(6.58)	0.92
Antidilutive stock options <sup>(1)</sup>	253,061	235,652

(1) The diluted earnings per common share computation excludes antidilutive stock options because the exercise prices of these stock options exceeded the average market prices of the Company's common shares for those respective periods. For periods in which a net loss is recognized all contingently issuable shares are reported as antidilutive.

**NOTE 13 – FAIR VALUE OF FINANCIAL INSTRUMENTS**

Fair value is defined as the exchange price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date reflecting assumptions that a market participant would use when pricing an asset or liability. The hierarchy uses three levels of inputs to measure the fair value of assets and liabilities as follows:

- Level 1: Unadjusted quoted prices for identical assets or liabilities traded in active markets.
- Level 2: Significant other observable inputs other than Level 1, including quoted prices for similar assets and liabilities in active markets, quoted prices in less active markets, or other observable inputs that can be corroborated by observable market data.

- Level 3: Significant unobservable inputs that reflect a company's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The Company used the following methods and significant assumptions to estimate the fair value of each type of financial instrument:

**Investment securities.** The fair value of investment securities available for sale are determined by quoted market prices, if available (Level 1). For investment securities available for sale where quoted prices are not available, fair values are calculated based on market prices of similar securities (Level 2). For investment securities available for sale where quoted prices or market prices of similar securities are not available, fair values are calculated using discounted cash flows or other market indicators (Level 3). Securities classified as Level 3 are not actively traded, and as a result, fair value is determined utilizing third-party valuation services through consensus pricing. There were no transfers between Levels 1, 2 or 3 during the period presented for assets measured at fair value on a recurring basis. The fair value of equity securities is determined using quoted prices or market prices for similar securities (Level 2).

**Residential loans held for sale.** The fair value of residential loans held for sale is determined using quoted prices for a similar asset, adjusted for specific attributes of that loan (Level 2).

**Credit enhancement asset.** The fair value of the credit enhancement asset is calculated using the Income Approach Valuation Method (Level 3).

**Derivative instruments.** The fair value of derivative instruments are determined based on derivative valuation models using observable market data as of the measurement date (Level 2).

**Nonperforming loans.** All of our nonaccrual loans are considered nonperforming and are reviewed individually for the amount of impairment, if any. We measure collateral dependent nonperforming loans based on the estimated fair value of such collateral. In cases where the Company has an agreed upon selling price for the collateral, the fair value is set at the selling price (Level 1). The fair value of each loan's collateral is generally based on estimated market prices from an independently prepared appraisal, which is then adjusted for the cost related to liquidating such collateral (Level 2). When adjustments are made to an appraised value to reflect various factors such as the age of the appraisal or known changes in the market or the collateral, such valuation inputs are considered unobservable (Level 3). The nonperforming loans categorized as Level 3 also include unsecured loans and other secured loans whose fair values are based significantly on unobservable inputs such as the strength of a guarantor, cash flows discounted at the effective loan rate, and management's judgment.

**Consumer loans held for sale.** The fair value of consumer loans held for sale was derived from a purchase agreement with a third party (Level 3).

**Other Real Estate Owned.** OREO is initially recorded at fair value at the date of foreclosure less estimated costs of disposal, which establishes a new cost basis. After foreclosure, OREO is held for sale and is carried at the lower of cost or fair value less estimated costs of disposal. Fair value for OREO is based on an appraisal performed upon foreclosure. Adjustments are routinely made in the appraisal process by the independent appraisers to adjust for differences between comparable sales and income data available. Property is evaluated regularly to ensure the recorded amount is supported by its fair value less estimated costs to dispose. After the initial foreclosure appraisal, fair value is generally determined by an annual appraisal unless known events warrant adjustments to the recorded value (Level 2). When adjustments are made to an appraised value to reflect various factors such as the age of the appraisal or known changes in the market or the collateral, such valuation inputs are considered unobservable (Level 3).

Appraisals for both collateral-dependent loans and other real estate owned 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 the Company. Once received, a member of the Company's asset quality or collections department reviews the assumptions and approaches utilized in the appraisal.

Assets and liabilities measured and recorded at fair value, including financial assets for which the Company has elected the fair value option, on a recurring and nonrecurring basis at March 31, 2025 and December 31, 2024, are summarized below:

(dollars in thousands)	March 31, 2025			
	Carrying amount	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets and liabilities measured at fair value on a recurring basis:				
<b>Assets</b>				
Investment securities available for sale:				
U.S. Treasury securities	\$ 1,000	\$ 1,000	\$ —	\$ —
U.S. government sponsored entities and U.S. agency securities	25,100	—	25,100	—
Mortgage-backed securities - agency	1,006,339	—	1,006,339	—
Mortgage-backed securities - non-agency	95,188	—	95,188	—
Asset-backed student loans	47,401	—	47,401	—
State and municipal securities	69,111	—	69,111	—
Collateralized loan obligations	39,212	—	39,212	—
Corporate securities	80,850	—	80,850	—
Equity securities	4,204	4,204	—	—
Residential loans held for sale	7,510	—	7,510	—
Credit enhancement asset	5,615	—	—	5,615
Derivative assets	5,260	—	5,260	—
Total	\$ 1,386,790	\$ 5,204	\$ 1,375,971	\$ 5,615
<b>Liabilities</b>				
Derivative liabilities	\$ 6,125	\$ —	\$ 6,125	\$ —
Total	\$ 6,125	\$ —	\$ 6,125	\$ —
Assets measured at fair value on a non-recurring basis:				
Nonperforming loans	\$ 106,354	\$ —	\$ —	\$ 106,354
Consumer loans held for sale	280,311	—	—	280,311
Other real estate owned	4,183	—	—	4,183

	December 31, 2024			
(dollars in thousands)	Carrying amount	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets and liabilities measured at fair value on a recurring basis:				
<b>Assets</b>				
Investment securities available for sale:				
U.S. government sponsored entities and U.S. agency securities	\$ 20,141	\$ —	\$ 20,141	\$ —
Mortgage-backed securities - agency	847,056	—	847,056	—
Mortgage-backed securities - non-agency	101,012	—	101,012	—
Asset-backed student loans	49,973	—	49,973	—
State and municipal securities	69,061	—	69,061	—
Collateralized loan obligations	40,450	—	40,450	—
Corporate securities	79,881	—	79,881	—
Equity securities	4,792	4,792	—	—
Loans held for sale	8,228	—	8,228	—
Credit enhancement asset	16,804	—	—	16,804
Derivative assets	3,837	—	3,837	—
Total	\$ 1,241,235	\$ 4,792	\$ 1,219,639	\$ 16,804
<b>Liabilities</b>				
Derivative liabilities	\$ 5,655	\$ —	\$ 5,655	\$ —
Total	\$ 5,655	\$ —	\$ 5,655	\$ —
Assets measured at fair value on a non-recurring basis:				
Nonperforming loans	\$ 120,222	\$ —	\$ —	\$ 120,222
Consumer loans held for sale	336,719	—	—	336,719
Other real estate owned	4,941	—	—	4,941

The following table presents losses recognized on assets measured on a nonrecurring basis for the three months ended March 31, 2025 and 2024:

(dollars in thousands)	Three Months Ended March 31,	
	2025	2024
Nonperforming loans	\$ 2,012	\$ 4,834
Total losses on assets measured on a nonrecurring basis	\$ 2,012	\$ 4,834

The following tables present quantitative information about significant unobservable inputs used in fair value measurements of Level 3 assets measured on a nonrecurring basis at March 31, 2025 and December 31, 2024:

(dollars in thousands)	Fair value	Valuation technique	Unobservable input / assumptions	Range (weighted average) <sup>(1)</sup>
<b>March 31, 2025</b>				
Nonperforming loans	\$ 106,354	Fair value of collateral	Discount for type of property, age of appraisal, and/or current status	0.00% - 99.89% (11.48%)
Other real estate loans	4,183	Fair value of collateral	Discount for type of property, age of appraisal, and/or current status	0.00% - 97.00% (50.68%)
Consumer loans held for sale <sup>(2)</sup>	280,311	Discounted cash flow	Discount rate	11.09%
<b>December 31, 2024</b>				
Nonperforming loans	\$ 120,222	Fair value of collateral	Discount for type of property, age of appraisal, and/or current status	0.00% - 34.15% (0.67%)
Other real estate loans	4,941	Fair value of collateral	Discount for type of property, age of appraisal, and/or current status	0.00% - 43.54% (10.68%)
Consumer loans held for sale <sup>(2)</sup>	336,719	Discounted cash flow	Discount rate	8.98%

(1) Unobservable inputs were weighted by the relative fair value of the instruments.

(2) There was one pool of loans at December 31, 2024 with write-downs during 2024, so no range or weighted average is reported.

ASC Topic 825, *Financial Instruments*, requires disclosure of the estimated fair value of certain financial instruments and the methods and significant assumptions used to estimate such fair values. Additionally, certain financial instruments and all nonfinancial instruments are excluded from the applicable disclosure requirements.

The Company has elected the fair value option for newly originated residential loans held for sale. These loans are intended for sale and are hedged with derivative instruments. We have elected the fair value option to mitigate accounting mismatches in cases where hedge accounting is complex and to achieve operational simplification.

The following table presents the difference between the aggregate fair value and the aggregate remaining principal balance for loans for which the fair value option has been elected as of March 31, 2025 and December 31, 2024:

(dollars in thousands)	March 31, 2025			December 31, 2024		
	Aggregate fair value	Difference	Contractual principal	Aggregate fair value	Difference	Contractual principal
Residential loans held for sale	\$ 7,510	\$ 359	\$ 7,151	\$ 8,228	\$ 282	\$ 7,946

The following table presents the amount of gains (losses) from fair value changes included in income before income taxes for financial assets carried at fair value for the three months ended March 31, 2025 and 2024:

(dollars in thousands)	Three Months Ended March 31,	
	2025	2024
Residential loans held for sale	\$ 87	\$ 18

The carrying values and estimated fair value of certain financial instruments not carried at fair value at March 31, 2025 and December 31, 2024 were as follows:

(dollars in thousands)	March 31, 2025				
	Carrying amount	Fair value	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
<b>Assets</b>					
Cash and due from banks	\$ 101,272	\$ 101,272	\$ 101,272	\$ —	\$ —
Federal funds sold	734	734	734	—	—
Loans	5,018,053	4,946,836	—	—	4,946,836
Accrued interest receivable	24,269	24,269	—	24,269	—
<b>Liabilities</b>					
Deposits	\$ 5,936,434	\$ 5,922,941	\$ —	\$ 5,922,941	\$ —
Short-term borrowings	40,224	40,224	—	40,224	—
FHLB and other borrowings	498,000	496,592	—	496,592	—
Subordinated debt	77,754	71,462	—	71,462	—
Trust preferred debentures	51,358	50,470	—	50,470	—
<b>December 31, 2024</b>					
(dollars in thousands)	Carrying amount	Fair value	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
<b>Assets</b>					
Cash and due from banks	\$ 114,055	\$ 114,055	\$ 114,055	\$ —	\$ —
Federal funds sold	711	711	711	—	—
Loans	5,167,574	4,979,885	—	—	4,979,885
Accrued interest receivable	25,329	25,329	—	25,329	—
<b>Liabilities</b>					
Deposits	\$ 6,197,243	\$ 6,183,807	\$ —	\$ 6,183,807	\$ —
Short-term borrowings	87,499	87,499	75,000	12,499	—
FHLB and other borrowings	258,000	253,520	—	253,520	—
Subordinated debt	77,749	69,827	—	69,827	—
Trust preferred debentures	51,205	49,056	—	49,056	—

The methods utilized to measure fair value of financial instruments at March 31, 2025 and December 31, 2024 represent an approximation of exit price; however, an actual exit price may differ.

#### NOTE 14 – COMMITMENTS, CONTINGENCIES AND CREDIT RISK

In the normal course of business, there are outstanding various contingent liabilities such as claims and legal actions, which are not reflected in the consolidated financial statements. No other material losses are anticipated as a result of these actions or claims.

We are a party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of our customers. These financial instruments include commitments to extend credit and standby letters of credit. Those instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized in the balance

sheet. The contract amounts of those instruments reflect the extent of involvement we have in particular classes of financial instruments.

Our exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit and standby letters of credit is represented by the contractual amount of those instruments. The Bank used the same credit policies in making commitments and conditional obligations as it does for on-balance sheet instruments. The commitments are principally tied to variable rates. Loan commitments as of March 31, 2025 and December 31, 2024 were as follows:

(dollars in thousands)	March 31, 2025	December 31, 2024
Commitments to extend credit	\$ 782,808	\$ 754,202
Financial guarantees – standby letters of credit	19,139	22,298

#### NOTE 15 – SEGMENT INFORMATION

The Company's reportable segments are determined by the Chief Executive Officer, who is the designated chief operating decision maker, based upon information provided about the Company's products and services offered, primarily distinguished between Banking, Wealth Management and Corporate. They are also distinguished by the level of information provided to the chief operating decision maker, who uses such information to review performance of various components of the business, which are then aggregated if operating performance, products and services, and customers are similar. The chief operating decision maker analyzes the financial performance of the Company's segments, allocates resources and assesses compensation of certain employees by evaluating revenue streams, significant expenses and budget to actual results. The performance of the Banking segment is assessed by monitoring the margin between interest income and interest expense related to loans, investments, deposits and other borrowings. Pretax profit and loss is used to assess the performance of the Wealth Management segment. Interest expense, provisions for credit losses and payroll provide the significant expenses in the Banking segment, while payroll provides the significant expenses in the Wealth Management segment.

The Banking segment provides a wide range of financial products and services to consumers and businesses, including commercial, commercial real estate, mortgage and other consumer loan products; commercial equipment financing; mortgage loan sales and servicing; letters of credit; various types of deposit products, including checking, savings and time deposit accounts; merchant services; and corporate treasury management services.

The Wealth Management segment consists of trust and fiduciary services, brokerage and retirement planning services.

The Corporate segment includes the holding company financing and investment activities, administrative expenses, as well as the elimination of intercompany transactions.

Reported segments and the financial information of the reported segments are not necessarily comparable with similar information reported by other financial institutions. Additionally, because of the interrelationships of the various segments, the information presented is not indicative of how the segments would perform if they operated as independent entities. Changes in management structure or allocation methodologies and procedures may result in future changes to previously reported segment financial data. The accounting policies of the segments are substantially the same as those described in the "Summary of Significant Accounting Policies" in Note 1 of the Company's 2024 Annual Report on Form 10-K.

Transactions between segments consist primarily of borrowed funds and servicing fees. Noninterest income and expense directly attributable to a segment are assigned to it with various shared service costs such as human resources, accounting, finance, risk management and information technology expense assigned to the Banking segment.

Selected business segment financial information for the three months ended March 31, 2025 and 2024 were as follows:

(dollars in thousands)	Banking	Wealth Management	Corporate	Total
<b>Three Months Ended March 31, 2025</b>				
Interest income	\$ 99,355	\$ —	\$ —	\$ 99,355
Interest expense	38,730	17	2,318	41,065
Net interest income (expense)	60,625	(17)	(2,318)	58,290
Provision for credit losses	10,850	—	—	10,850
Wealth management revenue	—	7,350	—	7,350
Other noninterest income	11,350	—	(937)	10,413
Total noninterest income	11,350	7,350	(937)	17,763
Salaries and employee benefits	22,914	3,502	—	26,416
Depreciation expense	1,228	10	—	1,238
Amortization of intangible assets	644	267	—	911
Other noninterest expense	173,513	1,716	(789)	174,440
Total noninterest expense	198,299	5,495	(789)	203,005
Income (loss) before income taxes (benefit)	(137,174)	1,838	(2,466)	(137,802)
Income taxes (benefit)	3,107	760	(695)	3,172
Net income (loss)	\$ (140,281)	\$ 1,078	\$ (1,771)	\$ (140,974)
Total assets	\$ 7,290,894	\$ 33,541	\$ (39,631)	\$ 7,284,804
<b>Three Months Ended March 31, 2024</b>				
Interest income	\$ 105,518	\$ —	\$ 8	\$ 105,526
Interest expense	43,451	8	2,296	45,755
Net interest income (expense)	62,067	(8)	(2,288)	59,771
Provision for credit losses	19,942	—	—	19,942
Wealth management revenue	—	7,132	—	7,132
Other noninterest income	31,145	—	(436)	30,709
Total noninterest income	31,145	7,132	(436)	37,841
Salaries and employee benefits	20,782	3,320	—	24,102
Depreciation expense	1,217	14	—	1,231
Amortization of intangible assets	801	288	—	1,089
Other noninterest expense	21,039	1,790	(643)	22,186
Total noninterest expense	43,839	5,412	(643)	48,608
Income (loss) before income taxes (benefit)	29,431	1,712	(2,081)	29,062
Income taxes (benefit)	6,505	690	(796)	6,399
Net income (loss)	\$ 22,926	\$ 1,022	\$ (1,285)	\$ 22,663
Total assets	\$ 7,742,227	\$ 33,103	\$ (11,622)	\$ 7,763,708

- (1) Other noninterest expense for Banking includes occupancy and equipment, data processing, FDIC insurance, professional services, marketing, communications, loan expense and other miscellaneous expenses. Other noninterest expense for Wealth Management includes occupancy and equipment, data processing, professional services, marketing, communications and other miscellaneous expenses. Other noninterest expense for Corporate includes data processing, professional services, marketing and other miscellaneous expenses.

**NOTE 16 – REVENUE FROM CONTRACTS WITH CUSTOMERS**

The Company's revenue from contracts with customers in the scope of Topic 606 is recognized within noninterest income in the consolidated statements of income. The following presents noninterest income, segregated by revenue streams in-scope and out-of-scope of Topic 606, for the three months ended March 31, 2025 and 2024.

(dollars in thousands)	Three Months Ended March 31,	
	2025	2024
<b>Noninterest income - in-scope of Topic 606</b>		
<i>Wealth management revenue:</i>		
Trust management/administration fees	\$ 6,444	\$ 6,267
Investment advisory and brokerage fees	483	423
Other	423	442
<i>Service charges on deposit accounts:</i>		
Nonsufficient fund fees	1,953	1,822
Other	1,352	1,294
<i>Interchange revenues</i>	3,151	3,358
<i>Other income:</i>		
Merchant services revenue	338	344
Other	293	98
<b>Noninterest income - out-of-scope of Topic 606</b>	<b>3,326</b>	<b>23,793</b>
Total noninterest income	\$ 17,763	\$ 37,841

Topic 606 does not apply to revenue associated with financial instruments, including revenue from loans and investment securities. In addition, certain noninterest income streams such as commercial FHA revenue, residential mortgage banking revenue, credit enhancement income, and gain on sales of investment securities, net, are also not in scope of Topic 606. Topic 606 is applicable to noninterest income streams such as wealth management revenue, service charges on deposit accounts, interchange revenue, gain on sales of other real estate owned, and certain other noninterest income streams. The noninterest income streams considered in-scope by Topic 606 are discussed below.

***Wealth Management Revenue***

Wealth management revenue is primarily comprised of fees earned from the management and administration of trusts and other customer assets. The Company also earns investment advisory fees through its SEC registered investment advisory subsidiary. The Company's performance obligation in both of these instances is generally satisfied over time and the resulting fees are recognized monthly, based upon the month-end market value of the assets under management and contractually determined fee schedules. Payment is generally received a few days after month end through a direct charge to each customer's account. The Company does not earn performance-based incentives. Optional services such as real estate sales and tax return preparation services are also available to existing trust and asset management customers. The Company's performance obligation for these transactional-based services is generally satisfied, and related revenue recognized, at a point in time (i.e., as incurred). Payment is received shortly after services are rendered. Fees generated from transactions executed by the Company's third party broker dealer are remitted to the Company on a monthly basis for that month's transactional activity.

***Service Charges on Deposit Accounts***

Service charges on deposit accounts consist of fees received under depository agreements with customers to provide access to deposited funds, serve as custodian of deposited funds, and when applicable, pay interest on deposits. These service charges primarily include non-sufficient fund fees and other account related service charges. Non-sufficient fund fees are earned when a depositor presents an item for payment in excess of available funds, and the Company, at its discretion, provides the necessary funds to complete the transaction. The Company generates other account related service charge revenue by providing depositors proper safeguard and remittance of funds as well as by delivering optional services for depositors, such as check imaging or treasury management, that are performed upon the depositor's request. The Company's performance obligation for the proper safeguard and remittance of funds, monthly account analysis and any other monthly service fees is generally satisfied, and the related revenue recognized, over the period in which the service is provided. Payment for service charges on deposit accounts is typically received immediately or in the following month through a direct charge to a customer's account.

***Interchange Revenue***

Interchange revenue includes debit / credit card income and ATM user fees. Card income is primarily comprised of interchange fees earned for standing ready to authorize and providing settlement on card transactions processed through the MasterCard interchange network. The levels and structure of interchange rates are set by MasterCard and can vary based on cardholder purchase volumes. Interchange fees from cardholder transactions represent a percentage of the underlying transaction value and are recognized daily, concurrently with completion of the Company's performance obligation, the transaction processing services provided to the cardholder. Payment is typically received immediately or in the following month. ATM fees are primarily generated when a Company cardholder withdraws funds from a non-Company ATM or a non-Company cardholder withdraws funds from a Company ATM. The Company satisfies its performance obligation for each transaction at the point in time when the ATM withdrawal is processed.

***Other Noninterest Income***

The other noninterest income revenue streams within the scope of Topic 606 consist of merchant services revenue, safe deposit box rentals, wire transfer fees, paper statement fees, check printing commissions, gain on sales of other real estate owned and other noninterest related fees. Revenue from the Company's merchant services business consists principally of transaction and account management fees charged to merchants for the electronic processing of transactions. These fees are net of interchange fees paid to the credit card issuing bank, card company assessments, and revenue sharing amounts. Account management fees are considered earned at the time the merchant's transactions are processed or other services are performed. Fees related to the other components of other noninterest income within the scope of Topic 606 are largely transactional based, and therefore, the Company's performance obligation is satisfied and related revenue recognized, at the point in time the customer uses the selected service to execute a transaction.

## ITEM 2 – MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following is Management's discussion and analysis of certain significant factors which have affected the financial condition and results of operations of the Company as reflected in the unaudited consolidated balance sheet as of March 31, 2025, as compared to December 31, 2024, and unaudited consolidated operating results for the three months ended March 31, 2025 and 2024. These comments should be read in conjunction with the Company's unaudited consolidated financial statements and accompanying notes appearing elsewhere herein and the audited financial statements and accompanying notes provided in our Annual Report on Form 10-K for the year ended December 31, 2024, filed with the SEC on July 1, 2025.

In addition to the historical information contained herein, this Quarterly Report on Form 10-Q includes “forward-looking statements” within the meaning of such term under the Private Securities Litigation Reform Act of 1995. These statements are subject to many risks and uncertainties, including interest rates and other general economic, business and political conditions, including the rate of inflation; changes in the financial markets; changes in business plans as circumstances warrant; risks related to legal proceedings; risks related to mergers and acquisitions and the integration of acquired businesses; changes to U.S. tax laws, regulations and guidance; and other risks detailed from time to time in filings made by the Company with the SEC. Readers should note that the forward-looking statements included herein are not a guarantee of future events, and that actual events may differ materially from those made in or suggested by the forward-looking statements. Forward-looking statements generally can be identified by the use of forward-looking terminology such as “will,” “propose,” “may,” “plan,” “seek,” “expect,” “intend,” “estimate,” “anticipate,” “believe,” or “continue,” or similar terminology. Any forward-looking statements presented herein are made only as of the date of this document, and we do not undertake any obligation to update or revise any forward-looking statements to reflect changes in assumptions, the occurrence of unanticipated events, or otherwise.

### CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of our consolidated financial statements requires Management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses. These estimates are based upon historical experience and on various other assumptions that management believes are reasonable under current circumstances. These estimates form the basis for making judgments about the carrying value of certain assets and liabilities that are not readily available from other sources. Actual results may differ from these estimates under different assumptions or conditions. The estimates and judgments that management believes have the most effect on the Company’s reported financial position and results of operations are set forth in “Note 1 – Summary of Significant Accounting Policies” of the Notes to Consolidated Financial Statements, included in our Annual Report on Form 10-K for the year ended December 31, 2024. There have been no significant changes to the Company's critical accounting policies as disclosed in the Company's Annual Report on Form 10-K for the year ended December 31, 2024, except as indicated in "Accounting Standards Adopted in 2025" in Note 1 to the Consolidated Financial Statements in the report.

#### Allowance for Credit Losses on Loans

Management’s evaluation process used to determine the appropriateness of the allowance for credit losses on loans is subject to the use of estimates, assumptions, and judgments. The evaluation process combines many factors: management’s ongoing review and grading of the loan portfolio leveraging probability of default and loss given default, consideration of historical loan loss and delinquency experience, trends in past due and nonaccrual loans, risk characteristics of the various classifications of loans, concentrations of loans to specific borrowers or industries, existing economic conditions and forecasts, the fair value of underlying collateral, and other qualitative and quantitative factors which could affect future credit losses. Because current economic conditions and forecasts can change and future events are inherently difficult to predict, the anticipated amount of estimated credit losses on loans, and therefore the appropriateness of the allowance for credit losses on loans, could change significantly. It is difficult to estimate how potential changes in any one economic factor or input might affect the overall allowance because a wide variety of factors and inputs are considered in estimating the allowance and changes in those factors and inputs considered may not occur at the same rate and may not be consistent across all product types. Additionally, changes in factors and inputs may be directionally inconsistent, such that improvement in one factor may offset deterioration in others. As an integral part of their examination process, various regulatory agencies also review the allowance for credit losses on loans. Such agencies may require additions to the allowance for credit losses on loans or may require that certain loan balances be charged-off or downgraded into criticized loan categories when their credit evaluations differ from those of management, based on their judgments about information available to them at the time of their examination. The Company believes the level of the allowance for credit losses on loans is appropriate.

## Goodwill

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

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

The Company performed a quantitative impairment test on its Banking reporting unit as of December 31, 2024, and engaged a third-party service provider to assist Management with the determination of the fair value. The resulting calculation indicated that the fair value exceeded the carrying amount of the Company's Banking reporting unit by approximately 7% as of December 31, 2024, which resulted in a determination of no impairment loss.

The method employed was a discounted cash flow analysis. Significant judgment is necessary in the determination of the fair value of a reporting unit. The income valuation methodology requires an estimation of future cash flows, considering the after-tax results of operations, the extent and timing of credit losses, and appropriate discount and growth rates. Actual future cash flows may differ from forecasted results based on the assumptions used.

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

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

Subsequently, during the first quarter of 2025, Management determined that a triggering event had occurred at its Banking reporting unit as a result of further deteriorated credit quality coupled with the trends in the Company's stock price. The Company performed a quantitative impairment test on its Banking reporting unit as of March 31, 2025, and, with the assistance of a third-party service provider, utilized a discounted cash flow analysis to calculate the fair value. Projected near-term earnings were lowered resulting from higher projected provisions for loan losses and lower projected noninterest income. In addition, the interim quantitative impairment test performed as of March 31, 2025 used a 15.9% discount rate (vs. 13.4% at December 31, 2024) as the Company specific risk premium increased from 2.5% to 6.0%. The resulting calculation indicated that the carrying amount exceeded the fair value of the Company's Banking reporting unit. As a result of the assessment, the Company recognized goodwill impairment expense \$154.0 million in the first quarter of 2025. This non-cash impairment expense did not impact our regulatory capital ratios, tangible common equity ratio or our liquidity position.

## Third-party loan origination and servicing programs

Prior to March 31, 2025, the Company operated three significant programs to originate and service unsecured commercial and consumer loans. Loan options under the programs included traditional fully-amortizing loans and promotional loans with no interest, or "same-as-cash", features if the loan was fully repaid in the promotional window. The loans were

originated at par in the Company's name and had terms ranging from five months to 25 years with a much shorter effective life due to amortization and prepayments. As of March 31, 2025, the Company is operating only one such program.

The program is governed by multiple interrelated agreements including the loan agreements between the Company and the customer, the Company and the program sponsor, and the Company and the servicer. Key characteristics of the program with a sponsor include:

- The program sponsor guarantees a targeted return which is paid first by customer payments and, if necessary, supplemented by the program sponsor.
- Excess yield on the portfolio after realized charge-offs and above an agreed upon target rate due to the Company is paid to the program sponsor as a "performance fee."
- In the event charge-offs exceed the amount available as a performance fee the program sponsor reimburses the Company for all excess charge-offs.

Under U.S. GAAP, agreements with multiple counterparties, such as the customer, servicer and program sponsor, are generally required to be accounted for separately even if the agreements are highly interrelated. As a result, we account for the program as multiple units of account with the following impacts:

- The loans are accounted for as one unit of account under U.S. GAAP including revenue recognition and inclusion in our CECL allowance methodology.
- The agreement that governs the yield maintenance or credit enhancement from the program sponsor is a separate unit of account and meets the definition of a derivative under U.S. GAAP and is accounted for at fair value in our financial statements. The primary drivers of the derivative value include estimated prepayment activity on promotional loans that would trigger reimbursement from the third-party program sponsor to us and estimated excess yield above projected credit losses that would lead to performance fee payments from us to the third-party program sponsor. The credit risk of the third-party and discount rates used in the calculation also impact the value of the derivative. Changes in the fair value of the derivative are recorded as gains or losses in noninterest income.
- Noninterest income each period includes actual amounts received during the period from the program sponsor for interest income guarantees and credit enhancements described above, offset by amounts paid during the period for performance fees as defined in our agreement with the program sponsor.
- Noninterest expense each period includes actual amounts paid during the period for servicing fees as defined in our agreement with the servicer.

At March 31, 2025 and December 31, 2024, loans outstanding in this program were \$53.3 million and \$62.3 million, respectively.

#### **Factors Affecting Comparability**

**Goodwill impairment.** During the first quarter of 2025, Management determined that a triggering event had occurred at its Banking reporting unit as a result of further deteriorated credit quality coupled with the trends in the stock price. The Company performed a quantitative impairment test on its Banking reporting unit as of March 31, 2025, and engaged a third-party service provider to assist Management with the determination of the fair value. The resulting calculation indicated that the carrying amount exceeded the fair value of the Company's Banking reporting unit. As a result of the assessment, the Company recognized \$154.0 million of goodwill impairment expense. The impairment expense did not impact our regulatory capital ratios, tangible common equity ratio or our liquidity position.

**Sale of non-core consumer loan portfolios.** During the fourth quarter of 2024, the Company sold our \$87.1 million LendingPoint portfolio, recognizing net charge-offs of \$17.3 million on the sale. We also committed to a plan to sell our GreenSky consumer loan portfolio and recognized net charge-offs of \$35.0 million when these loans were transferred to held for sale. On April 9, 2025, we sold participation interests in \$317.5 million of our GreenSky consumer loan portfolio, with the intent to retain the remaining portion of the portfolio.

## Results of Operations

**Overview.** The following table sets forth condensed income statement information of the Company for the three months ended March 31, 2025 and 2024:

(dollars in thousands, except per share data)	Three Months Ended March 31,	
	2025	2024
<b>Income Statement Data:</b>		
Interest income	\$ 99,355	\$ 105,526
Interest expense	41,065	45,755
Net interest income	58,290	59,771
Provision for credit losses	10,850	19,942
Noninterest income	17,763	37,841
Noninterest expense	203,005	48,608
(Loss) income before income taxes	(137,802)	29,062
Income tax expense	3,172	6,399
Net (loss) income	(140,974)	22,663
Preferred dividends	2,228	2,228
Net (loss) income available to common shareholders	\$ (143,202)	\$ 20,435
<b>Per Share Data:</b>		
Basic (loss) earnings per common share	\$ (6.58)	\$ 0.92
Diluted (loss) earnings per common share	\$ (6.58)	\$ 0.92
<b>Performance Metrics:</b>		
Return on average assets	(7.66)%	1.17 %
Return on average shareholders' equity	(79.89)%	11.54 %

During the three months ended March 31, 2025, we generated net loss of \$141.0 million, or diluted loss per common share of \$6.58, compared to net income of \$22.7 million, or diluted earnings per common share of \$0.92, in the three months ended March 31, 2024. Earnings for the first quarter of 2025 compared to the first quarter of 2024 decreased primarily due to a \$154.4 million increase in noninterest expense, a \$1.5 million decrease in net interest income and a \$20.1 million decrease in noninterest income. These results were partially offset by a \$9.1 million decrease in provision for credit losses, and a \$3.2 million decrease in income tax expense.

**Net Interest Income and Margin.** Our primary source of revenue is net interest income, which is the difference between interest income from interest-earning assets (primarily loans and securities) and interest expense of funding sources (primarily interest-bearing deposits and borrowings). Net interest income is influenced by many factors, primarily the volume and mix of interest-earning assets, funding sources and interest rate fluctuations. Noninterest-bearing sources of funds, such as demand deposits and shareholders' equity, also support interest-earning assets. Net interest margin is calculated as net interest income divided by average interest-earning assets. Net interest margin is presented on a tax-equivalent basis, which means that tax-free interest income has been adjusted to a pretax-equivalent income, assuming a federal income tax rate of 21% for 2025 and 2024.

The Federal Open Market Committee concluded its May 2025 meeting with the Federal Reserve maintaining its target range for the federal funds rate at 4.25%-4.50%, as expected. This was the third consecutive meeting that the Federal Reserve held interest rates steady, based in part on concerns over the potential impact of tariffs. The FOMC updated its statement to reflect its view that risks to both of its mandates, the potential for higher unemployment and higher inflation, have risen. We believe that a healthy labor market, with unemployment low at 4.2%, likely gives the Fed some flexibility to further assess the potential impact of tariffs on inflation and the economy before implementing changes to the federal funds rate. Inflation has been approaching the Federal Reserve's 2.0% target, but tariffs are expected to result in at least a one-time rise in prices. The central bank's preferred gauge, personal consumption expenditure, showed headline inflation at 2.3%.

At its June 2025 meeting, the FOMC kept interest rates steady amid expectations of higher inflation and lower economic growth ahead, and still pointed to two potential reductions later this year. The FOMC kept its key borrowing rate targeted in a range between 4.25%-4.50%, where it has been since December.

During the three months ended March 31, 2025, net interest income, on a tax-equivalent basis, decreased to \$58.5 million compared to \$60.0 million for the three months ended March 31, 2024. The tax-equivalent net interest margin increased to 3.49% for the first quarter of 2025 compared to 3.39% in the first quarter of 2024.

*Average Balance Sheet, Interest and Yield/Rate Analysis.* The following tables present the average balance sheets, interest income, interest expense and the corresponding average yields earned and rates paid for the three months ended March 31, 2025 and 2024. The average balances are principally daily averages and, for loans, include both performing and nonperforming balances. Interest income on loans includes the effects of discount accretion and net deferred loan origination costs accounted for as yield adjustments.

(tax-equivalent basis, dollars in thousands)	Three Months Ended March 31,					
	2025			2024		
	Average balance	Interest & fees	Yield/Rate	Average balance	Interest & fees	Yield/Rate
<b>Interest-earning assets:</b>						
Federal funds sold and cash investments	\$ 68,671	\$ 718	4.24 %	\$ 69,316	\$ 951	5.52 %
<i>Investment securities:</i>						
Taxable investment securities	1,253,976	14,975	4.84	933,785	10,179	4.38
Investment securities exempt from federal income tax <sup>(1)</sup>	57,911	542	3.80	54,931	529	3.87
Total securities	1,311,887	15,517	4.80	988,716	10,708	4.36
<i>Loans:</i>						
Loans <sup>(2)</sup>	5,014,364	77,668	6.28	5,964,454	92,846	6.26
Loans exempt from federal income tax <sup>(1)</sup>	43,030	450	4.24	47,578	494	4.17
Total loans	5,057,394	78,118	6.26	6,012,032	93,340	6.24
Loans held for sale	326,348	4,563	5.67	3,405	55	6.56
Nonmarketable equity securities	35,614	647	7.37	35,927	687	7.69
Total interest-earning assets	6,799,914	99,563	5.94	7,109,396	105,741	5.98
<b>Noninterest-earning assets</b>	667,940			671,671		
Total assets	\$ 7,467,854			\$ 7,781,067		
<b>Interest-bearing liabilities:</b>						
<i>Deposits:</i>						
Checking and money market deposits	\$ 3,509,814	\$ 25,140	2.90 %	\$ 3,605,946	\$ 29,237	3.26 %
Savings deposits	516,784	329	0.26	555,668	477	0.34
Time deposits	821,706	6,831	3.37	852,440	7,310	3.45
Brokered time deposits	225,703	2,315	4.16	181,064	2,190	4.86
Total interest-bearing deposits	5,074,007	34,615	2.77	5,195,118	39,214	3.04
Short-term borrowings	73,767	700	3.85	65,182	836	5.16
FHLB advances and other borrowings	299,578	3,163	4.28	313,121	3,036	3.90
Subordinated debt	77,752	1,387	7.23	93,583	1,280	5.50
Trust preferred debentures	51,283	1,200	9.49	50,707	1,389	11.02
Total interest-bearing liabilities	5,576,387	41,065	2.99	5,717,711	45,755	3.22
<b>Noninterest-bearing liabilities:</b>						
Noninterest-bearing deposits	1,052,181			1,151,542		
Other noninterest-bearing liabilities	123,613			121,908		
Total noninterest-bearing liabilities	1,175,794			1,273,450		
<b>Shareholders' equity</b>	715,673			789,906		
Total liabilities and shareholders' equity	\$ 7,467,854			\$ 7,781,067		
Net interest income / net interest margin <sup>(3)</sup>		\$ 58,498	3.49 %		\$ 59,986	3.39 %

(1) Interest income and average rates for tax-exempt loans and securities are presented on a tax-equivalent basis, assuming a federal income tax rate of 21%. Tax-equivalent adjustments totaled \$0.2 million for both the three months ended March 31, 2025 and 2024.

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

(3) Net interest margin during the periods presented represents: (i) the difference between interest income on interest-earning assets and the interest expense on interest-bearing liabilities, divided by (ii) average interest-earning assets for the period.

*Interest Rates and Operating Interest Differential.* Increases and decreases in interest income and interest expense result from changes in average balances (volume) of interest-earning assets and interest-bearing liabilities, as well as changes in average interest rates. The following table shows the effect that these factors had on the interest earned on our interest-earning assets and the interest incurred on our interest-bearing liabilities. The effect of changes in volume is determined by multiplying the change in volume by the previous period's average rate. Similarly, the effect of rate changes is calculated by multiplying the change in average rate by the previous period's volume. Changes which are not due solely to volume or rate have been allocated proportionally to the change due to volume and the change due to rate.

(tax-equivalent basis, dollars in thousands)	Three Months Ended March 31, 2025 compared with Three Months Ended March 31, 2024		
	Change due to:		Interest Variance
	Volume	Rate	
<b>Earning assets:</b>			
Federal funds sold and cash investments	\$ 173	\$ (406)	\$ (233)
<b>Investment securities:</b>			
Taxable investment securities	3,674	1,122	4,796
Investment securities exempt from federal income tax	29	(16)	13
Total securities	3,703	1,106	4,809
<b>Loans:</b>			
Loans	(16,693)	1,515	(15,178)
Loans exempt from federal income tax	(50)	6	(44)
Total loans	(16,743)	1,521	(15,222)
Loans held for sale	4,868	(360)	4,508
Nonmarketable equity securities	(9)	(31)	(40)
Total earning assets	(8,008)	1,830	(6,178)
<b>Interest-bearing liabilities:</b>			
Checking and money market deposits	(851)	(3,246)	(4,097)
Savings deposits	(31)	(117)	(148)
Time deposits	(289)	(190)	(479)
Brokered time deposits	488	(363)	125
Total interest-bearing deposits	(683)	(3,916)	(4,599)
Short-term borrowings	92	(228)	(136)
FHLB advances and other borrowings	(150)	277	127
Subordinated debt	(261)	368	107
Trust preferred debentures	9	(198)	(189)
Total interest-bearing liabilities	(993)	(3,697)	(4,690)
<b>Net interest income</b>	<b>\$ (7,015)</b>	<b>\$ 5,527</b>	<b>\$ (1,488)</b>

**Interest Income.** Interest income, on a tax-equivalent basis, decreased \$6.2 million to \$99.6 million in the three months ended March 31, 2025, as compared to the same quarter in 2024, primarily due to a decrease in average earning assets. The yield on earning assets decreased four basis points to 5.94% from 5.98%.

Average earning assets decreased to \$6.80 billion in the first quarter of 2025 from \$7.11 billion in the same quarter of 2024. Average loans decreased \$954.6 million, which was partially offset by increases in investment securities and loans held for sale of \$323.2 million and \$322.9 million, respectively.

Average loans decreased \$954.6 million in the first quarter of 2025 compared to the same quarter of 2024. Average consumer loans decreased \$772.4 million. In the fourth quarter of 2024, the Company accelerated the reduction of our non-core consumer loan portfolio through sales. In December 2024, we sold our LendingPoint portfolio, and committed to a plan to sell the majority of our GreenSky consumer loan portfolio, transferring these loans to held for sale. In the first quarter of 2024, the average balances of the LendingPoint and GreenSky portfolios were \$123.8 million and \$643.0 million, respectively. Average equipment finance loan and lease balances decreased \$190.7 million to \$784.1 million as the Company continued to reduce its concentration of this product within the overall loan portfolio.

The \$326.3 million of average loans held for sale in the first quarter of 2025 included \$320.9 million of GreenSky consumer loans. The Company completed the sale of this portfolio in April 2025.

**Interest Expense.** Interest expense decreased \$4.7 million to \$41.1 million for the three months ended March 31, 2025 from the comparable period in 2024. The cost of interest-bearing liabilities decreased to 2.99% for the first quarter of 2025, compared to 3.22% for the first quarter of 2024, due to the decrease in deposit costs as a result of the rate decreases announced by the Federal Reserve.

Interest expense on deposits decreased \$4.6 million to \$34.6 million for the three months ended March 31, 2025 from the comparable period in 2024. The decrease was primarily due to a decrease in rates paid on deposits. Average balances of interest-bearing deposit accounts decreased \$121.1 million, or 2.3%, to \$5.07 billion for the three months ended March 31, 2025 compared to the same period one year earlier. Decreases in interest checking account, savings account and time account balances of \$96.1 million, \$38.9 million and \$30.7 million, respectively, were partially offset by an increase in brokered time deposits of \$44.6 million.

**Provision for Credit Losses.** The Company's provision for credit losses was \$10.9 million for the three months ended March 31, 2025, compared to \$19.9 million for the three months ended March 31, 2024. The Company recorded a specific reserve of \$8.0 million on one large construction and land development loan in the first quarter of 2024.

The provision for credit losses on loans recognized during the three months ended March 31, 2025 was made at a level deemed necessary by management to absorb estimated losses in the loan portfolio. A detailed evaluation of the adequacy of the allowance for credit losses is completed quarterly by management, the results of which are used to determine provision for credit losses. Management estimates the allowance balance required using past loan loss experience, the nature and volume of the portfolio, information about specific borrower situations and estimated collateral values, economic conditions and reasonable and supportable forecasts along with other qualitative and quantitative factors.

**Noninterest Income.** Noninterest income decreased 53.1% for the three months ended March 31, 2025, compared to the same period one year prior. The following table sets forth the major components of our noninterest income for the three months ended March 31, 2025 and 2024:

(dollars in thousands)	Three Months Ended March 31,		Increase (decrease)
	2025	2024	
<i>Noninterest income:</i>			
Wealth management revenue	\$ 7,350	\$ 7,132	\$ 218
Service charges on deposit accounts	3,305	3,116	189
Interchange revenue	3,151	3,358	(207)
Residential mortgage banking revenue	676	527	149
Income on company-owned life insurance	2,334	1,801	533
Credit enhancement (loss) income	(578)	16,654	(17,232)
Other income	1,525	5,253	(3,728)
<b>Total noninterest income</b>	<b>\$ 17,763</b>	<b>\$ 37,841</b>	<b>\$ (20,078)</b>

*Wealth management revenue.* Wealth management revenue increased \$0.2 million, or 3.1%, for the three months ended March 31, 2025, as compared to the same period in 2024. Assets under administration increased to \$4.10 billion at March 31, 2025 from \$3.89 billion at March 31, 2024.

*Income on company-owned life insurance.* Income on company-owned life insurance increased \$0.5 million for the three months ended March 31, 2025, as compared to the same period in 2024 primarily due to death benefits of \$0.3 million received in the first quarter of 2025.

*Credit enhancement income.* The Company is party to third-party loan origination programs. As part of these programs, the third-party providers offer various credit enhancements with respect to loans originated under the programs, including contributions to reserve accounts, yield maintenance and certain other payments. Credit enhancement income declined \$17.2 million in the first quarter of 2025 compared to the first quarter of 2024 as a result of loan payoffs and a cessation in loans originated through the GreenSky and LendingPoint programs.

*Other noninterest income.* Other income decreased \$3.7 million for the three months ended March 31, 2025, as compared to the same period in 2024. The Company recognized incremental servicing revenues related to the GreenSky portfolio of \$0.3 million in the first quarter of 2025 compared to \$3.7 million in the same period of 2024.

**Noninterest Expense.** The following table sets forth the major components of noninterest expense for the three months ended March 31, 2025 and 2024:

(dollars in thousands)	Three Months Ended March 31,		Increase (decrease)
	2025	2024	
<i>Noninterest expense:</i>			
Salaries and employee benefits	\$ 26,416	\$ 24,102	\$ 2,314
Occupancy and equipment	4,498	4,142	356
Data processing	6,919	6,722	197
FDIC insurance	1,463	1,274	189
Professional services	2,741	2,255	486
Marketing	793	737	56
Communications	329	342	(13)
Loan expense	1,335	1,231	104
Loan servicing fees	750	3,741	(2,991)
Impairment on goodwill	153,977	—	153,977
Amortization of intangible assets	911	1,089	(178)
Other expense	2,873	2,973	(100)
Total noninterest expense	<u>\$ 203,005</u>	<u>\$ 48,608</u>	<u>\$ 154,397</u>

*Salaries and employee benefits.* For the three months ended March 31, 2025, salaries and employee benefits expense increased \$2.3 million, as compared to the same period in 2024. Of this increase, \$1.4 million was related to severance expense as the Company reduced its headcount by 25 employees. The Company employed 892 employees at March 31, 2025.

*Occupancy and equipment expense.* The \$0.4 million increase in expense for the three months ended March 31, 2025, as compared to the same period in 2024, is primarily related to the investments made to upgrade ATM fleet that was completed in the fourth quarter of 2024.

*Professional services expense.* The \$0.5 million increase in professional services expense for the three months ended March 31, 2025, respectively, as compared to the same period in 2024, was primarily the result of increased audit and consulting fees related to the evaluation of the accounting and reporting of the Company's third-party lending and servicing programs.

*Loan expense.* The \$0.1 million increase in loan expense for the three months ended March 31, 2025, as compared to the same period in 2024, is primarily for loan collection expenses due to the elevated volume of nonperforming loans and assets.

*Loan servicing fees.* Loan servicing fees expense represents servicing fees paid to third parties associated with our third party lending programs. Servicing fees in the first quarters of 2025 and 2024 were \$0.1 million and \$3.7 million, respectively, as a result of loan payoffs and a cessation in loans originated through the GreenSky and LendingPoint programs.

*Income Tax Expense.* Income tax expense was \$3.2 million for the three months ended March 31, 2025, as compared to \$6.4 million for the three months ended March 31, 2024. The goodwill impairment recognized in the first quarter of 2025 was not deductible for tax purposes.

## Financial Condition

*Assets.* Total assets were \$7.28 billion at March 31, 2025, as compared to \$7.51 billion at December 31, 2024.

*Loans.* The loan portfolio is the largest category of our assets. The principal segments of our loan portfolio are discussed below:

*Commercial loans.* We provide a mix of variable and fixed rate commercial loans. The loans are typically made to small- and medium-sized manufacturing, wholesale, retail and service businesses for working capital needs, business expansions and farm operations. Commercial loans generally include lines of credit and loans with maturities of five years or less. The loans are generally made with business operations as the primary source of repayment, but may also include collateralization by inventory, accounts receivable and equipment, and generally include personal guarantees. The commercial loan category also includes loans originated by the equipment financing business that are secured by the underlying equipment.

*Commercial real estate loans.* Our commercial real estate loans consist of both real estate occupied by the borrower for ongoing operations and non-owner occupied real estate properties. The real estate securing our existing commercial real estate loans includes a wide variety of property types, such as owner occupied offices, warehouses and production facilities, office buildings, hotels, mixed-use residential and commercial facilities, retail centers, multifamily properties, skilled nursing and assisted living facilities. Our commercial real estate loan portfolio also includes farmland loans. Farmland loans are generally made to a borrower actively involved in farming rather than to passive investors.

*Construction and land development loans.* Our construction and land development loans are comprised of residential construction, commercial construction and land acquisition and development loans. Interest reserves are generally established on real estate construction loans.

The following table presents the balance and associated percentage of the major property types within our commercial real estate and construction and land development loan portfolios at March 31, 2025 and December 31, 2024:

(dollars in thousands)	March 31, 2025		December 31, 2024	
	Balance	Percent	Balance	Percent
Multi-Family	\$ 555,479	19.4 %	\$ 547,016	18.9 %
Skilled Nursing	332,552	11.6	400,902	13.8
Retail	466,172	16.3	460,283	15.9
Industrial/Warehouse	238,342	8.3	235,674	8.2
Hotel/Motel	268,061	9.4	228,764	7.9
Office	142,593	5.0	146,295	5.1
All other	854,092	30.0	872,572	30.2
Total commercial real estate and construction and land development loans	\$ 2,857,291	100.0 %	\$ 2,891,506	100.0 %

Loans secured by office space totaled \$142.6 million and \$146.3 million at March 31, 2025 and December 31, 2024, respectively, primarily located in suburban locations in Illinois and Missouri.

*Residential real estate loans.* Our residential real estate loans are loans secured by residential properties that generally do not qualify for secondary market sale.

*Consumer loans.* Our consumer loans include direct personal loans, indirect automobile loans, lines of credit and installment loans originated through home improvement specialty retailers and contractors. Personal loans are generally secured by automobiles, boats and other types of personal property and are made on an installment basis.

*Lease financing.* Our equipment leasing business provides financing leases to varying types of businesses nationwide for purchases of business equipment and software. The financing is secured by a first priority interest in the financed asset and generally requires monthly payments.

The following table presents the balance and associated percentage of each major category in our loan portfolio at March 31, 2025 and December 31, 2024:

(dollars in thousands)	March 31, 2025		December 31, 2024	
	Balance	Percent	Balance	Percent
Loans:				
Commercial	1,269,562	25.3 %	1,359,820	26.3 %
Commercial real estate	2,592,325	51.7	2,591,664	50.1
Construction and land development	264,966	5.3	299,842	5.8
Residential real estate	373,095	7.4	380,557	7.4
Consumer	144,937	2.9	144,301	2.8
Lease financing	373,168	7.4	391,390	7.6
Total loans, gross	5,018,053	100.0 %	5,167,574	100.0 %
Allowance for credit losses on loans	(105,176)		(111,204)	
Total loans, net	\$ 4,912,877		\$ 5,056,370	

The Company's loan portfolio is assigned to the following internal business sectors:

- **Community bank** represents predominately in-market loans originated through our banking center network.
- **Specialty Finance** provides bridge loan financing for commercial real estate projects, primarily multi-family and healthcare. These projects can include construction and seek short term financing in anticipation of obtaining permanent secondary market financing. The loans are typically outside of the Company's primary market areas.
- **Equipment finance** portfolio includes loans and leases originated to varying types of businesses throughout the United States for purchases of business equipment and software.
- **Non-core and other** includes our third-party origination and servicing programs, capital market credits, and FHA warehouse lines of credit.

The following tables present our outstanding loans by business sector at March 31, 2025 and December 31, 2024:

(dollars in thousands)	March 31, 2025					Total
	Community bank	Specialty finance	Equipment finance	Non-core and other		
Commercial	\$ 611,095	\$ 197,954	\$ 390,276	\$ 70,237		\$ 1,269,562
Commercial real estate	2,048,429	543,896	—	—		2,592,325
Construction and land development	138,898	126,068	—	—		264,966
Residential real estate	373,095	—	—	—		373,095
Consumer	78,258	—	—	66,679		144,937
Lease financing	—	—	373,168	—		373,168
<b>Total</b>	<b>\$ 3,249,775</b>	<b>\$ 867,918</b>	<b>\$ 763,444</b>	<b>\$ 136,916</b>		<b>\$ 5,018,053</b>

(dollars in thousands)	December 31, 2024					Total
	Community bank	Specialty finance	Equipment finance	Non-core and other		
Commercial	\$ 582,546	\$ 269,620	\$ 416,969	\$ 90,685		\$ 1,359,820
Commercial real estate	1,950,498	641,166	—	—		2,591,664
Construction and land development	184,185	115,657	—	—		299,842
Residential real estate	380,557	—	—	—		380,557
Consumer	82,075	—	—	62,226		144,301
Lease financing	—	—	391,390	—		391,390
<b>Total</b>	<b>\$ 3,179,861</b>	<b>\$ 1,026,443</b>	<b>\$ 808,359</b>	<b>\$ 152,911</b>		<b>\$ 5,167,574</b>

Total loans decreased \$149.5 million, or 2.9%, to \$5.02 billion at March 31, 2025, as compared to December 31, 2024. Community bank portfolio increased \$69.9 million, or 2.2%, during the first quarter of 2025. This growth partially offset the strategic declines in the Specialty finance and Equipment finance portfolios of \$158.5 million and \$44.9 million, respectively.

The following table shows the contractual maturities of our loan portfolio and the distribution between fixed and adjustable interest rate loans at March 31, 2025:

(dollars in thousands)	March 31, 2025								Total
	Within One Year		One Year to Five Years		Five Years to 15 Years		After 15 Years		
	Fixed Rate	Adjustable Rate	Fixed Rate	Adjustable Rate	Fixed Rate	Adjustable Rate	Fixed Rate	Adjustable Rate	
Commercial	\$ 98,027	\$ 330,896	\$ 472,080	\$ 149,366	\$ 88,230	\$ 87,394	\$ —	\$ 43,569	\$ 1,269,562
Commercial real estate	492,689	272,492	1,021,815	297,282	267,019	218,676	5,416	16,936	2,592,325
Construction and land development	46,720	98,270	30,177	55,066	1,979	31,475	88	1,191	264,966
Total commercial loans	637,436	701,658	1,524,072	501,714	357,228	337,545	5,504	61,696	4,126,853
Residential real estate	4,441	2,604	7,605	18,098	21,836	36,837	182,030	99,644	373,095
Consumer	4,706	801	103,962	1	32,861	2,606	—	—	144,937
Lease financing	23,141	—	286,944	—	63,083	—	—	—	373,168
<b>Total loans</b>	<b>\$ 669,724</b>	<b>\$ 705,063</b>	<b>\$ 1,922,583</b>	<b>\$ 519,813</b>	<b>\$ 475,008</b>	<b>\$ 376,988</b>	<b>\$ 187,534</b>	<b>\$ 161,340</b>	<b>\$ 5,018,053</b>

### Loan Quality

We use what we believe is a comprehensive methodology to monitor credit quality and prudently manage credit concentration within our loan portfolio. Our underwriting policies and practices govern the risk profile, credit and geographic concentration for our loan portfolio. We also have what we believe to be a comprehensive methodology to monitor these credit quality standards, including a risk classification system that identifies potential problem loans based on risk characteristics by loan type as well as the early identification of deterioration at the individual loan level.

*Analysis of the Allowance for Credit Losses on Loans.* The allowance for credit losses on loans was \$105.2 million, or 2.10% of total loans, at March 31, 2025, compared to \$111.2 million, or 2.15% of total loans, at December 31, 2024. The following table allocates the allowance for credit losses on loans by loan category:

(dollars in thousands)	March 31, 2025		December 31, 2024	
	Allowance	Percent <sup>(1)</sup>	Allowance	Percent <sup>(1)</sup>
Commercial	\$ 33,554	2.64 %	\$ 42,776	3.15 %
Commercial real estate	39,069	1.51	36,837	1.42
Construction and land development	3,021	1.14	3,550	1.18
Total commercial loans	75,644	1.83	83,163	1.96
Residential real estate	7,874	2.11	8,002	2.10
Consumer	5,935	4.09	5,400	3.74
Lease financing	15,723	4.21	14,639	3.74
Total allowance for credit losses on loans	\$ 105,176	2.10 %	\$ 111,204	2.15 %

(1) Represents the percentage of the allowance to total loans in the respective category.

We measure expected credit losses over the life of each loan utilizing a combination of models which measure probability of default and loss given default, among other things. The measurement of expected credit losses is impacted by loan and borrower attributes and certain macroeconomic variables. Models are adjusted to reflect the impact of certain current macroeconomic variables as well as their expected changes over a reasonable and supportable forecast period.

In estimating expected credit losses as of March 31, 2025, we utilized certain forecasted macroeconomic variables from Oxford Economics in our models. The forecasted projections included, among other things, (i) U.S. gross domestic product ranging from 2.5% to 2.6% over the next four quarters; (ii) the 10-year treasury rate ranging from 4.2% to 4.3% over the next four quarters; and (iii) Illinois unemployment rate averaging 5.5% through the fourth quarter of 2025.

We qualitatively adjust the model results based on this scenario for various risk factors that are not considered within our modeling processes but are nonetheless relevant in assessing the expected credit losses within our loan pools. These Q-Factor adjustments are based upon management judgment and current assessment as to the impact of risks related to changes in lending policies and procedures; economic and business conditions; loan portfolio attributes and credit concentrations; and external factors, among other things, that are not already fully captured within the modeling inputs, assumptions and other processes. Management assesses the potential impact of such items within a range of severely negative impact to positive impact and adjusts the modeled expected credit loss by an aggregate adjustment percentage based upon the assessment. The qualitative factor adjustment at March 31, 2025, was approximately 63 basis points of total loans, increasing slightly from 62 basis points at December 31, 2024. The Q-Factor adjustment at March 31, 2025 was based primarily on declining credit quality indicators and increased collateral valuation risks within the commercial real estate secured loan segments.

The allowance allocated to commercial loans totaled \$33.6 million, or 2.64% of total commercial loans, at March 31, 2025, compared to \$42.8 million, or 3.15%, at December 31, 2024. Charge-offs related to the non-core loan program of \$11.1 million resulted in the significant decrease in the allowance allocated to commercial loans. Excluding these charge-offs, modeled expected credit losses increased \$1.5 million. Qualitative factor adjustments related to commercial loans decreased \$0.3 million and specific allocations for commercial loans that were evaluated for expected credit losses on an individual basis increased \$0.6 million.

The allowance allocated to commercial real estate loans totaled \$39.1 million, or 1.51% of total commercial real estate loans, at March 31, 2025, increasing \$2.3 million, from \$36.8 million, or 1.42% of total commercial real estate loans, at December 31, 2024. Modeled expected credit losses and qualitative factor adjustments increased \$0.5 and \$0.1 million, respectively. Specific allocations for loans that were individually evaluated increased \$1.7 million due to allowances required on three in-market, multi-family projects. The commercial real estate portfolio does not include significant exposure to urban office properties.

The allowance allocated to construction and land development loans totaled \$3.0 million, or 1.14% of total construction and land development loans, at March 31, 2025, decreasing \$0.6 million, from \$3.6 million, or 1.18% of total constructions loans, at December 31, 2024. Modeled expected credit losses decreased \$0.2 million and qualitative factor adjustments related to construction loans decreased \$0.3 million. There were no specific allocations for construction loans that were evaluated for expected credit losses on an individual basis at March 31, 2025 or December 31, 2024.

The allowance allocated to residential real estate loans totaled \$7.9 million, or 2.11% of total residential real estate loans, at March 31, 2025, decreasing \$0.1 million, from \$8.0 million, or 2.10% of total residential real estate loans, at December 31, 2024. Qualitative factor adjustments decreased \$0.1 million. There were no specific allocations for residential real estate loans that were evaluated for expected credit losses on an individual basis at March 31, 2025 or December 31, 2024.

The allowance allocated to consumer loans totaled \$5.9 million, or 4.09% of total consumer loans, at March 31, 2025, compared to \$5.4 million, or 3.74%, at December 31, 2024. Modeled expected credit losses decreased \$0.1 million. Qualitative factor adjustments increased \$0.6 million.

The allowance allocated to the lease portfolio totaled \$15.7 million, or 4.21% of total commercial leases, at March 31, 2025, increasing \$1.1 million, from \$14.6 million, or 3.74% of total commercial leases at December 31, 2024. Modeled expected credit losses increased \$1.3 million as recent charge-off activity led to an increase in loss given default factors in the model. Qualitative factor adjustments and specific allocation reserves each decreased \$0.1 million.

The following table provides an analysis of the allowance for credit losses on loans, provision for credit losses on loans and net charge-offs for the three months ended March 31, 2025 and 2024:

(dollars in thousands)	Three Months Ended March 31,	
	2025	2024
Balance, beginning of period	\$ 111,204	\$ 159,319
Charge-offs:		
Commercial	13,300	4,860
Commercial real estate	723	691
Construction and land development	—	—
Residential real estate	72	35
Consumer	453	11,757
Lease financing	3,448	1,665
Total charge-offs	17,996	19,008
Recoveries:		
Commercial	498	116
Commercial real estate	1	152
Construction and land development	—	—
Residential real estate	18	55
Consumer	48	87
Lease financing	553	181
Total recoveries	1,118	591
Net charge-offs	16,878	18,417
Provision for credit losses on loans	10,850	19,942
Balance, end of period	\$ 105,176	\$ 160,844
Gross loans, end of period	\$ 5,018,053	\$ 5,933,158
Average total loans	\$ 5,057,394	\$ 6,012,032
Net charge-offs to average loans annualized	1.35 %	1.23 %
Allowance for credit losses to total loans	2.10 %	2.71 %

Individual loans considered to be uncollectible are charged-off against the allowance. Factors used in determining the amount and timing of charge-offs on loans include consideration of the loan type, length of delinquency, sufficiency of collateral value, lien priority and the overall financial condition of the borrower. Collateral value is determined using updated appraisals and/or other market comparable information. Charge-offs are generally taken on loans when the collectability of a loan balance is unlikely. Recoveries on loans previously charged-off are added to the allowance.

The following tables present charge-offs by business sector for the three months ended March 31, 2025 and 2024:

(dollars in thousands)	Three months ended March 31, 2025				
	Community bank	Specialty finance	Equipment finance	Non-core and other	Total charge-offs
Commercial	\$ 37	\$ 64	\$ 2,117	\$ 11,082	\$ 13,300
Commercial real estate	723	—	—	—	723
Construction and land development	—	—	—	—	—
Residential real estate	72	—	—	—	72
Consumer	183	—	—	270	453
Lease financing	—	—	3,448	—	3,448
<b>Total</b>	<b>\$ 1,015</b>	<b>\$ 64</b>	<b>\$ 5,565</b>	<b>\$ 11,352</b>	<b>\$ 17,996</b>

(dollars in thousands)	Three months ended March 31, 2024				
	Community bank	Specialty finance	Equipment finance	Non-core and other	Total charge-offs
Commercial	\$ 149	\$ 8	\$ 2,253	\$ 2,450	\$ 4,860
Commercial real estate	691	—	—	—	691
Construction and land development	—	—	—	—	—
Residential real estate	35	—	—	—	35
Consumer	235	—	—	11,522	11,757
Lease financing	—	—	1,665	—	1,665
<b>Total</b>	<b>\$ 1,110</b>	<b>\$ 8</b>	<b>\$ 3,918</b>	<b>\$ 13,972</b>	<b>\$ 19,008</b>

Charge-offs in the first quarter of 2025 were \$18.0 million compared to \$19.0 million in the first quarter of 2024. Our equipment finance business saw charge-offs increase \$1.6 million in the first quarter of 2025 compared to the same period one year prior, due primarily to continued weakness within the trucking sector. The non-core commercial loan charge-offs of \$11.1 million were reserved for in the prior quarter.

*Nonperforming Loans.* The following table sets forth our nonperforming assets by asset categories as of the dates indicated. Nonperforming loans include nonaccrual loans and loans past due 90 days or more and still accruing interest. The balances of nonperforming loans reflect the net investment in these assets.

(dollars in thousands)	March 31, 2025	December 31, 2024
Nonperforming loans:		
Commercial	\$ 19,495	\$ 23,960
Commercial real estate	106,503	106,919
Construction and land development	8,438	8,438
Residential real estate	3,909	3,438
Consumer	67	20
Lease financing	7,278	8,132
Total nonperforming loans	145,690	150,907
Other real estate owned and other repossessed assets	5,574	6,502
Nonperforming assets	\$ 151,264	\$ 157,409
Nonperforming loans to total loans	2.90 %	2.92 %
Nonperforming assets to total assets	2.08 %	2.10 %
Allowance for credit losses to nonperforming loans	72.19 %	73.69 %

The following table presents the change in our non-performing loans for the three months ended March 31, 2025:

<b>(dollars in thousands)</b>	<b>Three months ended March 31, 2025</b>	
Balance, beginning of period	\$	150,907
New nonperforming loans		14,967
Return to performing status		(553)
Payments received		(3,184)
Transfer to OREO and other repossessed assets		(28)
Charge-offs		(16,419)
Balance, end of period	\$	145,690

Non-performing loans were \$145.7 million at March 31, 2025, compared to \$150.9 million at December 31, 2024. The Company continues to prioritize improving its credit quality by improving its loan underwriting standards and pursuing opportunities to resolve nonperforming loans.

We did not recognize interest income on nonaccrual loans during the years ended March 31, 2025 or 2024 while the loans were in nonaccrual status. Additional interest income that would have been recorded on nonaccrual loans had they been current in accordance with their original terms was \$3.4 million and \$1.3 million for the three months ended March 31, 2025 and 2024, respectively.

**Investment Securities.** Our investment strategy aims to maximize earnings while maintaining liquidity in securities with minimal credit risk. The types and maturities of securities purchased are primarily based on our current and projected liquidity and interest rate sensitivity positions. In the periods presented, all investment securities of the Company are classified as available for sale and, therefore, the book value of investment securities is equal to the fair market value.

The following table sets forth the book value and percentage of each category of investment securities at March 31, 2025 and December 31, 2024.

(dollars in thousands)	March 31, 2025		December 31, 2024	
	Balance	Percent	Balance	Percent
<b>Investment securities available for sale:</b>				
U.S. Treasury securities	\$ 1,000	0.1 %	\$ —	— %
U.S. government sponsored entities and U.S. agency securities	25,100	1.8	20,141	1.7
Mortgage-backed securities - agency	1,006,339	73.7	847,056	70.1
Mortgage-backed securities - non-agency	95,188	7.0	101,012	8.4
Asset-backed student loans	47,401	3.5	49,973	4.1
State and municipal securities	69,111	5.1	69,061	5.7
Collateralized loan obligations	39,212	2.9	40,450	3.4
Corporate securities	80,850	5.9	79,881	6.6
Total investment securities, available for sale, at fair value	\$ 1,364,201	100.0 %	\$ 1,207,574	100.0 %

The following table sets forth the book value, maturities and weighted average yields for our investment portfolio at March 31, 2025.

(dollars in thousands)	Balance	Percent	Weighted average yield
<b>Investment securities available for sale:</b>			
<i>U.S. Treasury securities:</i>			
Maturing within one year	\$ 1,000	0.1 %	4.31 %
Maturing in one to five years	—	—	—
Maturing in five to ten years	—	—	—
Maturing after ten years	—	—	—
Total U.S. Treasury securities	\$ 1,000	0.1 %	4.31 %
<i>U.S. government sponsored entities and U.S. agency securities:</i>			
Maturing within one year	\$ —	— %	— %
Maturing in one to five years	8,723	0.6	1.15
Maturing in five to ten years	14,991	1.1	5.27
Maturing after ten years	1,386	0.1	5.61
Total U.S. government sponsored entities and U.S. agency securities	\$ 25,100	1.8 %	3.85 %
<i>Mortgage-backed securities - agency:</i>			
Maturing within one year	\$ —	— %	— %
Maturing in one to five years	32,678	2.4	1.94
Maturing in five to ten years	7,288	0.5	3.39
Maturing after ten years	966,373	70.8	4.55
Total mortgage-backed securities - agency	\$ 1,006,339	73.7 %	4.46 %
<i>Mortgage-backed securities - non-agency:</i>			
Maturing within one year	\$ —	— %	— %
Maturing in one to five years	—	—	—
Maturing in five to ten years	12,760	0.9	6.06
Maturing after ten years	82,428	6.1	4.83
Total mortgage-backed securities - non-agency	\$ 95,188	7.0 %	4.99 %

<i>Asset-backed student loans:</i>				
Maturing within one year	\$	3,778	0.3 %	5.14 %
Maturing in one to five years		—	—	—
Maturing in five to ten years		1,778	0.1	5.23
Maturing after ten years		41,845	3.1	5.25
Total asset-backed student loans	\$	47,401	3.5 %	5.24 %
<i>State and municipal securities <sup>(1)</sup>:</i>				
Maturing within one year	\$	857	0.1 %	2.26 %
Maturing in one to five years		8,799	0.6	2.64
Maturing in five to ten years		24,380	1.7	2.40
Maturing after ten years		35,075	2.7	4.87
Total state and municipal securities	\$	69,111	5.1 %	3.68 %
<i>Collateralized loan obligations:</i>				
Maturing within one year	\$	—	— %	— %
Maturing in one to five years		—	—	—
Maturing in five to ten years		16,144	1.2	5.95
Maturing after ten years		23,068	1.7	6.31
Total collateralized loan obligations	\$	39,212	2.9 %	6.16 %
<i>Corporate securities:</i>				
Maturing within one year	\$	—	— %	— %
Maturing in one to five years		39,716	2.9	5.60
Maturing in five to ten years		41,134	3.0	3.65
Maturing after ten years		—	—	—
Total corporate securities	\$	80,850	5.9 %	4.61 %
Total investment securities, available for sale	\$	1,364,201	100.0 %	4.53 %

(1) Weighted average yield for tax-exempt securities are presented on a tax-equivalent basis assuming a federal income tax rate of 21%.

The table below presents the credit ratings for our investment securities classified as available for sale, at fair value, at March 31, 2025.

(dollars in thousands)	Amortized cost	Fair Value	Average credit rating					
			AAA	AA+/-	A+/-	BBB+/-	<BBB-	Not Rated
<b>Investment securities available for sale:</b>								
U.S. Treasury securities	\$ 1,000	\$ 1,000	\$ —	\$ 1,000	\$ —	\$ —	\$ —	\$ —
U.S. government sponsored entities and U.S. agency securities	26,350	25,100	—	25,100	—	—	—	—
Mortgage-backed securities - agency	1,088,322	1,006,339	—	1,006,339	—	—	—	—
Mortgage-backed securities - non-agency	96,787	95,188	—	95,188	—	—	—	—
Asset-backed student loans	47,675	47,401	—	47,401	—	—	—	—
State and municipal securities	75,176	69,111	8,480	57,563	334	—	—	2,734
Collateralized loan obligations	39,155	39,212	39,212	—	—	—	—	—
Corporate securities	85,555	80,850	—	—	15,732	62,669	—	2,449
Total investment securities, available for sale	\$ 1,460,020	\$ 1,364,201	\$ 47,692	\$ 1,232,591	\$ 16,066	\$ 62,669	\$ —	\$ 5,183

**Credit enhancement asset.** The Company has recognized derivative instruments associated with agreements entered into with third-party providers that support loan programs for which the Company originates and holds loans on its balance sheet. These third-party agreements include contractual credit enhancements that transfer certain risks and benefits to or from the Company, resulting in recognition of a derivative. The value of these derivatives consists primarily of two components: (1) the credit loss reimbursement value, representing the present value of expected future payments from the third party for loan losses, and (2) the interest yield guarantee value, representing the present value of cash flows the Company expects to receive to ensure a minimum yield (e.g., Prime + 2%) on the portfolio when actual borrower payments fall short. Under certain programs, additional features such as reimbursement for waived promotional interest are also included in the derivative valuation. At March 31, 2025, the Company had only one such agreement in place.

The fair value of these derivative instruments was \$5.6 million and \$16.8 million as of March 31, 2025 and December 31, 2024, respectively. During the first quarter of 2025, charge-offs of \$11.1 million were recognized on the third-party loan origination program. These charge-offs were fully recovered from the third-party partner, as required by the credit enhancements offered through the program agreement, resulting in a decrease in the credit enhancement derivative of \$11.2 million in the first quarter of 2025.

**Liabilities.** At March 31, 2025, liabilities totaled \$6.71 billion compared to \$6.80 billion at December 31, 2024.

**Deposits.** We emphasize developing total client relationships with our customers in order to increase our retail and commercial core deposit bases, which are our primary funding sources. Our deposits consist of noninterest-bearing and interest-bearing demand, savings and time deposit accounts.

Total deposits decreased \$260.8 million to \$5.94 billion at March 31, 2025, as compared to December 31, 2024. Decreases in interest-bearing checking account, money market account and time deposit account balances of \$217.0 million, \$19.2 million and \$75.1 million, respectively, during this period, were partially offset by increases in noninterest-bearing demand account and savings account balances. Brokered time deposit account balances decreased to \$188.6 million at March 31, 2025 from \$259.5 million at December 31, 2024, accounting for the decrease in time deposit account balances.

(dollars in thousands)	March 31, 2025		December 31, 2024	
	Balance	Percent	Balance	Percent
Noninterest-bearing demand	\$ 1,090,707	18.4 %	\$ 1,055,564	17.0 %
Interest-bearing:				
Checking	2,161,282	36.4	2,378,256	38.4
Money market	1,154,403	19.4	1,173,630	18.9
Savings	522,663	8.8	507,305	8.2
Time	1,007,379	17.0	1,082,488	17.5
Total deposits	\$ 5,936,434	100.0 %	\$ 6,197,243	100.0 %

The following table sets forth the maturity of uninsured time deposits as of March 31, 2025:

(dollars in thousands)	Amount
Three months or less	\$ 42,508
Three to six months	14,121
Six to 12 months	20,015
After 12 months	5,813
Total	\$ 82,457

## Capital Resources and Liquidity Management

**Capital Resources.** Shareholders' equity is influenced primarily by earnings, dividends, issuances and redemptions of common and preferred stock and changes in accumulated other comprehensive income caused primarily by fluctuations in unrealized holding gains or losses, net of taxes, on available-for-sale investment securities, fair value hedges and cash flow hedges.

Shareholders' equity decreased \$139.4 million to \$571.4 million at March 31, 2025, as compared to December 31, 2024. The change in shareholders' equity was the result of the net loss of \$141.0 million, dividends to common shareholders of \$6.8 million, dividends to preferred shareholders of \$2.2 million and decrease in accumulated other comprehensive losses of \$9.6 million.

**Liquidity Management.** Liquidity refers to the measure of our ability to meet the cash flow requirements of depositors and borrowers, while at the same time meeting our operating, capital and strategic cash flow needs, all at a reasonable cost. We continuously monitor our liquidity position to ensure that assets and liabilities are managed in a manner that will meet all short-term and long-term cash requirements. We manage our liquidity position to meet the daily cash flow needs of customers, while maintaining an appropriate balance between assets and liabilities to meet the return on investment objectives of our shareholders.

Integral to our liquidity management is the administration of short-term borrowings. To the extent we are unable to obtain sufficient liquidity through core deposits, we seek to meet our liquidity needs through wholesale funding or other borrowings on either a short- or long-term basis.

Securities sold under agreements to repurchase, which are classified as secured borrowings, generally mature within one to four days from the transaction date. Securities sold under agreements to repurchase are reflected at the amount of cash received in connection with the transaction, which represents the amount of the Bank's obligation. The Bank may be required to provide additional collateral based on the fair value of the underlying securities. Investment securities with a carrying amount of \$15.0 million and \$20.9 million at March 31, 2025 and December 31, 2024, respectively, were pledged for securities sold under agreements to repurchase.

The table below presents our sources of liquidity as of March 31, 2025 and December 31, 2024:

(dollars in thousands)	March 31, 2025	December 31, 2024
Cash and cash equivalents	\$ 102,006	\$ 114,766
Unpledged securities	880,920	672,399
FHLB committed liquidity	1,015,704	1,290,246
FRB discount window availability	504,205	538,835
<b>Total Estimated Liquidity</b>	<b>\$ 2,502,835</b>	<b>\$ 2,616,246</b>
<b>Conditional Funding Based on Market Conditions</b>		
Additional credit facility	\$ 392,000	\$ 360,000
Brokered CDs (additional capacity)	400,000	350,000
ICS One Way Buy (additional capacity)	350,000	—

The Company is a corporation separate and apart from the Bank and, therefore, must provide for its own liquidity. The Company's main source of funding is dividends declared and paid to it by the Bank. There are statutory, regulatory and debt covenant limitations that affect the ability of the Bank to pay dividends to the Company. Management believed at March 31, 2025, that these limitations will not impact our ability to meet our ongoing short-term cash obligations.

### Regulatory Capital Requirements

We are subject to various regulatory capital requirements administered by the federal and state banking regulators. Failure to meet regulatory capital requirements may result in certain mandatory and possible additional discretionary actions by regulators that, if undertaken, could have a direct material effect on our financial statements. Under capital adequacy guidelines and the regulatory framework for "prompt corrective action", we must meet specific capital guidelines that involve quantitative measures of our assets, liabilities and certain off-balance sheet items as calculated under regulatory accounting policies.

The Company adopted the five-year CECL transition option in 2020 provided for by the Office of the Comptroller of the Currency, the Federal Reserve, and the FDIC in March 2020. This transition terminated December 31, 2024.

At March 31, 2025, the Company and the Bank exceeded the regulatory minimums and met the regulatory definition of well-capitalized. The following table presents the Company's and the Bank's capital ratios and the minimum requirements at March 31, 2025:

Ratio	Actual	Minimum Regulatory Requirements <sup>(1)</sup>	Well Capitalized
Total risk-based capital ratio			
Midland States Bancorp, Inc.	13.51 %	10.50 %	N/A
Midland States Bank	12.83	10.50	10.00 %
Tier 1 risk-based capital ratio			
Midland States Bancorp, Inc.	11.16	8.50	N/A
Midland States Bank	11.57	8.50	8.00
Common equity tier 1 risk-based capital ratio			
Midland States Bancorp, Inc.	8.32	7.00	N/A
Midland States Bank	11.57	7.00	6.50
Tier 1 leverage ratio			
Midland States Bancorp, Inc.	9.11	4.00	N/A
Midland States Bank	9.45	4.00	5.00

(1) Total risk-based capital ratio, Tier 1 risk-based capital ratio and Common equity tier 1 risk-based capital ratio include the capital conservation buffer of 2.5%.

## Quantitative and Qualitative Disclosures About Market Risk

**Market Risk.** Market risk represents the risk of loss due to changes in market values of assets and liabilities. We incur market risk in the normal course of business through exposures to market interest rates, equity prices, and credit spreads. We are primarily exposed to interest rate risk as a result of offering a wide array of financial products to our customers and secondarily to price risk from investments in securities.

**Interest Rate Risk.** Interest rate risk is the risk to earnings arising from changes in market interest rates. Interest rate risk arises from timing differences in the repricings and maturities of interest-earning assets and interest-bearing liabilities (reprice risk), changes in the expected maturities of assets and liabilities arising from embedded options, such as borrowers' ability to prepay residential mortgage loans at any time and depositors' ability to redeem certificates of deposit before maturity (option risk), changes in the shape of the yield curve where interest rates increase or decrease in a nonparallel fashion (yield curve risk), and changes in spread relationships between different yield curves, such as U.S. Treasuries and SOFR (basis risk).

Interest rate risk management is an active process that encompasses monitoring loan and deposit flows complemented by investment, funding and hedging activities. Effective management of interest rate risk begins with understanding the dynamic characteristics of assets and liabilities and determining the appropriate interest rate risk posture given business forecasts, management objectives, market expectations, and policy constraints.

Changes in market interest rates may result in changes in the fair market value of our financial instruments, cash flows, and net interest income. We seek to achieve a stable net interest income profile while managing volatility arising from shifts in market interest rates. Our Board of Directors' Risk Policy and Compliance Committee oversees interest rate risk, as well as the establishment of risk measures, limits, and policy guidelines for managing the amount of interest rate risk and its effect on net interest income. The Committee meets quarterly to monitor the level of interest rate risk sensitivity to ensure compliance with the board of directors' approved risk limits.

An asset sensitive position refers to a balance sheet position in which an increase in short-term interest rates is expected to generate higher net interest income, as rates earned on our interest-earning assets would reprice upward more quickly than rates paid on our interest-bearing liabilities, thus expanding our net interest margin. Conversely, a liability sensitive position refers to a balance sheet position in which an increase in short-term interest rates is expected to generate lower net interest income, as rates paid on our interest-bearing liabilities would reprice upward more quickly than rates earned on our interest-earning assets, thus compressing our net interest margin.

Interest rate risk measurement is calculated and reported to the Risk Policy and Compliance Committee at least quarterly. The information reported includes period-end results and identifies any policy limits exceeded, along with an assessment of the policy limit breach and the action plan and timeline for resolution, mitigation, or assumption of the risk.

We use NII at Risk to model interest rate risk utilizing various assumptions for assets, liabilities, and derivatives. NII at Risk uses net interest income simulation analysis which involves forecasting net interest earnings under a variety of scenarios

including changes in the level of interest rates, the shape of the yield curve, and spreads between market interest rates. The sensitivity of net interest income to changes in interest rates is measured using numerous interest rate scenarios including shocks, gradual ramps, curve flattening, curve steepening as well as forecasts of likely interest rates scenarios. Modeling the sensitivity of net interest earnings to changes in market interest rates is highly dependent on numerous assumptions incorporated into the modeling process. To the extent that actual performance is different than what was assumed, actual net interest earnings sensitivity may be different than projected. We use various ad-hoc reports to continuously refine, stress and validate these assumptions. Assumptions and methodologies regarding administered rate liabilities (e.g., savings accounts, money market accounts and interest-bearing checking accounts), balance trends, and repricing relationships reflect our best estimate of expected behavior and these assumptions are reviewed periodically.

The following table shows NII at Risk at the dates indicated:

(dollars in thousands)	Net interest income sensitivity (Shocks)			
	Immediate change in rates			
	-200	-100	+100	+200
March 31, 2025:				
Dollar change	\$ 8,078	\$ 3,490	\$ (1,619)	\$ (3,430)
Percent change	3.6 %	1.6 %	(0.7)%	(1.5)%
December 31, 2024:				
Dollar change	\$ 2,395	\$ 1,395	\$ (2,727)	\$ (5,596)
Percent change	1.1 %	0.6 %	(1.2)%	(2.5)%

We report NII at Risk to isolate the change in income related solely to interest-earning assets and interest-bearing liabilities. The NII at Risk results included in the table above reflect the analysis used quarterly by management. It models -200, -100, +100 and +200 basis point parallel shifts in market interest rates. We were within board policy limits for all scenarios at March 31, 2025.

Tolerance levels for risk management require the continuing development of remedial plans to maintain residual risk within approved levels as we adjust the balance sheet. NII at Risk reported at March 31, 2025 projects that our earnings exhibit increasing profitability in a declining rate environment, consistent with our modeling at December 31, 2024. Throughout the course of 2024, the bank exhibited similar trends to the industry concerning its beta assumptions related to its non-maturity deposit portfolio. Coupled with the Federal Reserve lowering rates in the second half of 2024, the Bank continued its strategy of layering on protection to lower short-term rates through deposit pricing, securities purchase selection and hedging. These aspects are reflective of the bank becoming more biased to lower rates year over year.

**Price Risk.** Price risk represents the risk of loss arising from adverse movements in the prices of financial instruments that are carried at fair value and are subject to fair value accounting. We have price risk from investment securities, derivative instruments, and equity investments.

### ITEM 3 – QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The quantitative and qualitative disclosures about market risk are included under “Item 2 – Management’s Discussion and Analysis of Financial Condition and Results of Operations – Quantitative and Qualitative Disclosures about Market Risk”.

## ITEM 4 – CONTROLS AND PROCEDURES

Evaluation of disclosure controls and procedures. The Company’s management, including our President and Chief Executive Officer and our Chief Financial Officer, have evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act), as of the end of the period covered by this report. Based on such evaluation, our President and Chief Executive Officer and our Chief Financial Officer have concluded that these controls and procedures are not effective as of the end of the period covered by this Quarterly Report on Form 10-Q. This conclusion was reached as a result of the continued remediation of previously identified material weaknesses in our internal controls over financial reporting as further described in Item 9A in the 2024 Annual Report on Form 10-K.

Notwithstanding the material weaknesses that have not been fully remediated, the Company’s management, including the Chief Executive Officer and our Chief Financial Officer, has concluded that the consolidated financial statements, included in this Form 10-Q, as of and for the three months ended March 31, 2025, fairly present, in all material respects, the Company’s financial condition, results of operations and cash flows for the periods presented in conformity with generally accepted accounting principles for interim financial statements.

Changes in internal control over financial reporting. There have not been any changes in the Company’s internal control over financial reporting (as such term is defined in Rule 13a-15(f) under the Exchange Act) during the fiscal quarter to which this report relates that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting. During the three months ended March 31, 2025, the Company continued to remediate the material weaknesses in its internal control over financial reporting as previously identified and disclosed in Item 9A in the 2024 Annual Report on Form 10-K. Management continues to put controls in place to remediate the previously identified material weaknesses and the material weaknesses will not be remediated until the necessary controls are in place and operating effectively for a sufficient amount of time.

## PART II – OTHER INFORMATION

### ITEM 1 – LEGAL PROCEEDINGS

There are no material pending legal proceedings, other than ordinary routine litigation incidental to the business, to which we or any of our subsidiaries is a party or of which any of our property is the subject. However, given the nature, scope and complexity of the extensive legal and regulatory landscape applicable to our business, we, like all banking organizations, are subject to various legal proceedings from time to time, including those referenced in "Note 14 - Commitments, Contingencies and Credit Risk" to our consolidated financial statements.

### ITEM 1A– RISK FACTORS

There have been no material changes from the risk factors previously disclosed in the “Risk Factors” section included in our Annual Report on Form 10-K for the year ended December 31, 2024.

**ITEM 2 – UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS****Unregistered Sales of Equity Securities**

None.

**Issuer Purchases of Equity Securities**

The following table sets forth information regarding the Company’s repurchase of shares of its outstanding common stock during the first quarter of 2025.

<b>Period</b>	<b>Total number of shares purchased<sup>(1)</sup></b>	<b>Average price paid per share</b>	<b>Total number of shares purchased as part of publicly announced plans or programs</b>	<b>Approximate dollar value of shares that may yet be purchased under the plans or programs<sup>(2)</sup></b>
January 1 - 31, 2025	—	\$ —	—	\$ —
February 1 - 28, 2025	543	21.42	—	—
March 1 - 31, 2025	—	—	—	—
Total	543	\$ 21.42	—	\$ —

(1) Represents shares of the Company’s common stock repurchased under the employee stock purchase program and shares withheld to satisfy tax withholding obligations upon the vesting of awards of restricted stock.

**ITEM 5 – OTHER INFORMATION**

During the three months ended March 31, 2025, 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**

<b>Exhibit No.</b>	<b>Description</b>
31.1	<a href="#">Chief Executive Officer’s Certification required by Rule 13(a)-14(a) – filed herewith.</a>
31.2	<a href="#">Chief Financial Officer’s Certification required by Rule 13(a)-14(a) – filed herewith.</a>
32.1	<a href="#">Chief Executive Officer Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 – filed herewith.</a>
32.2	<a href="#">Chief Financial Officer Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 – filed herewith.</a>
101	Financial information from the Company’s Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2025 formatted in iXBRL (Inline eXtensible Business Reporting Language): (i) Consolidated Balance Sheets; (ii) Consolidated Statements of Income; (iii) Consolidated Statements of Comprehensive Income; (iv) Consolidated Statements of Shareholders’ Equity; (v) Consolidated Statements of Cash Flows; and (vi) Notes to Consolidated Financial Statements – filed herewith.
104	The cover page from Midland States Bancorp, Inc.’s Form 10-Q Report for the quarterly period ended March 31, 2025 formatted in 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.

**Midland States Bancorp, Inc.**

Date: August 8, 2025

By: /s/ Jeffrey G. Ludwig  
Jeffrey G. Ludwig  
*President and Chief Executive Officer*  
(Principal Executive Officer)

Date: August 8, 2025

By: /s/ Eric T. Lemke  
Eric T. Lemke  
*Chief Financial Officer*  
(Principal Financial Officer)

**CERTIFICATIONS REQUIRED BY  
RULE 13a-14(a) OR RULE 15d-14(a)  
UNDER THE SECURITIES EXCHANGE ACT OF 1934**

I, Jeffrey G. Ludwig, certify that:

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

**Midland States Bancorp, Inc.**

Dated as of: August 8, 2025

By:           /s/           Jeffrey G. Ludwig  
Jeffrey G. Ludwig  
*President and Chief Executive Officer*  
(Principal Executive Officer)

**CERTIFICATIONS REQUIRED BY  
RULE 13a-14(a) OR RULE 15d-14(a)  
UNDER THE SECURITIES EXCHANGE ACT OF 1934**

I, Eric T. Lemke, certify that:

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

**Midland States Bancorp, Inc.**

Dated as of: August 8, 2025

By:           /s/          Eric T. Lemke            
Eric T. Lemke  
Chief Financial Officer  
(Principal Financial Officer)



