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 June 30, 2026

☐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	**37-1233196**
(State or other jurisdiction of incorporation or organization)	(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:

Title of each class	Trading symbol(s)	Name of each exchange on which registered
Common stock, $0.01 par value	MSBI	The Nasdaq Stock Market LLC
Depositary 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 20, 2026, the Registrant had 20,752,112 shares of outstanding common stock, $0.01 par value.

MIDLAND STATES BANCORP, INC.

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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, Inc. 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
AFX	American Financial Exchange
AMERIBOR	American Interbank Offered Rate
AOCI	Accumulated other comprehensive income (loss)
ASC	Accounting Standards Codification
ASU	Accounting Standards Update
ATM	Automated teller machine
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
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)

	June 30, 2026	December 31, 2025
	(unaudited)	
Assets		
Cash and due from banks	$ 298,244	$ 127,279
Federal funds sold	503	532
Cash and cash equivalents	298,747	127,811
Investment securities available for sale, at fair value	1,653,460	1,523,001
Equity securities, at fair value	3,853	4,235
Loans	4,243,704	4,352,004
Allowance for credit losses on loans	(62,519)	(69,219)
Total loans, net	4,181,185	4,282,785
Loans held for sale	8,944	7,781
Premises and equipment, net	82,898	85,134
Other real estate owned	356	606
Nonmarketable equity securities	30,664	32,598
Accrued interest receivable	23,676	23,824
Loan servicing rights, at lower of cost or fair value	11,316	11,932
Loan servicing rights, held for sale	—	3,661
Goodwill	7,927	7,927
Other intangible assets, net	7,495	8,876
Company-owned life insurance	222,757	218,554
Credit enhancement asset	13,642	12,557
Other assets	153,696	162,138
Total assets	$ 6,700,616	$ 6,513,420
Liabilities and Shareholders' Equity		
Liabilities:		
Deposits:		
Noninterest-bearing demand deposits	$ 1,010,128	$ 1,040,411
Interest-bearing deposits	4,697,150	4,383,968
Total deposits	5,707,278	5,424,379
Short-term borrowings	7,645	60,181
Federal Home Loan Bank advances	258,000	293,000
Subordinated debt	27,030	27,019
Trust preferred debentures	52,219	51,857
Accrued interest payable and other liabilities	78,756	91,485
Total liabilities	6,130,928	5,947,921
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 June 30, 2026 and December 31, 2025, respectively	110,548	110,548
Common stock, $0.01 par value; 40,000,000 shares authorized; 20,725,814 and 21,169,854 shares issued and outstanding at June 30, 2026 and December 31, 2025, respectively	207	212
Capital surplus	419,832	428,247
Retained earnings	107,032	86,825
Accumulated other comprehensive loss, net of tax	(67,931)	(60,333)
Total shareholders' equity	569,688	565,499
Total liabilities and shareholders' equity	$ 6,700,616	$ 6,513,420

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 June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
Interest income:				
Loans including fees:				
Taxable	$ 66,761	$ 78,514	$ 132,320	$ 156,182
Tax exempt	343	573	726	929
Loans held for sale	128	377	230	4,940
Investment securities:				
Taxable	18,989	16,618	37,139	31,593
Tax exempt	435	432	871	860
Nonmarketable equity securities	534	694	1,117	1,341
Federal funds sold and cash investments	987	716	1,796	1,434
Total interest income	88,177	97,924	174,199	197,279
Interest expense:				
Deposits	24,526	32,290	48,729	66,905
Short-term borrowings	202	573	433	1,273
Federal Home Loan Bank advances	2,349	3,766	5,019	6,929
Subordinated debt	380	1,394	760	2,781
Trust preferred debentures	1,131	1,206	2,252	2,406
Total interest expense	28,588	39,229	57,193	80,294
Net interest income	59,589	58,695	117,006	116,985
Provision for credit losses:				
Provision for credit losses on loans	7,109	17,369	12,512	28,219
Recapture of credit losses on unfunded commitments	(290)	—	(690)	—
Total provision for credit losses	6,819	17,369	11,822	28,219
Net interest income after provision for credit losses	52,770	41,326	105,184	88,766
Noninterest income:				
Wealth management revenue	8,768	7,379	17,016	14,729
Service charges on deposit accounts	3,449	3,351	6,804	6,656
Interchange revenue	3,553	3,463	7,081	6,614
Residential mortgage banking revenue	686	756	1,312	1,432
Income on company-owned life insurance	2,127	2,068	4,203	4,402
Loss on sales of investment securities, net	—	—	(1,731)	—
Credit enhancement income	3,081	3,848	6,441	3,270
Other income	2,104	2,669	4,764	4,194
Total noninterest income	23,768	23,534	45,890	41,297
Noninterest expense:				
Salaries and employee benefits	27,354	25,685	53,511	52,101
Occupancy and equipment	4,229	4,166	8,764	8,664
Data processing	6,994	7,035	14,059	13,954
FDIC insurance	781	1,422	1,310	2,885
Professional services	1,665	2,792	3,907	5,533
Marketing	1,211	1,283	2,452	2,076
Communications	359	334	790	663
Loan expense	3,147	1,990	6,451	3,325
Loan servicing fees	1,050	1,386	2,167	2,136
Impairment on goodwill	—	—	—	153,977
Amortization of intangible assets	664	827	1,381	1,738
Other expense	3,301	3,072	6,387	5,945
Total noninterest expense	50,755	49,992	101,179	252,997
Income (loss) before income taxes	25,783	14,868	49,895	(122,934)
Income tax expense	5,895	2,844	11,544	6,016
Net income (loss)	19,888	12,024	38,351	(128,950)
Preferred dividends	2,228	2,228	4,456	4,456
Net income (loss) available to common shareholders	$ 17,660	$ 9,796	$ 33,895	$ (133,406)
Per common share data:				
Basic earnings (loss) per common share	$ 0.82	$ 0.44	$ 1.56	$ (6.13)
Diluted earnings (loss) per common share	$ 0.82	$ 0.44	$ 1.56	$ (6.13)
Weighted average common shares outstanding	21,074,683	21,820,190	21,187,341	21,808,475
Weighted average diluted common shares outstanding	21,074,683	21,820,190	21,187,341	21,808,475

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 June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
Net income (loss)	$ 19,888	$ 12,024	$ 38,351	$ (128,950)
Other comprehensive income (loss):				
Investment securities available for sale:				
Unrealized gains (losses) that occurred during the period	2,346	(2,915)	(12,440)	8,482
Reclassification adjustment for realized net losses on sales of investment securities included in net income	—	—	1,731	—
Reclassification adjustment for (gains) losses on fair value hedges included in net income	6	(41)	(178)	(46)
Income tax effect	(661)	669	2,999	(2,369)
Change in investment securities available for sale, net of tax	1,691	(2,287)	(7,888)	6,067
Cash flow hedges:				
Net unrealized derivative gains (losses) on cash flow hedges	(517)	223	(166)	1,087
Reclassification adjustment for net losses realized in net income	194	642	541	1,479
Income tax effect	283	(227)	(85)	(661)
Change in cash flow hedges, net of tax	(40)	638	290	1,905
Other comprehensive income (loss), net of tax	1,651	(1,649)	(7,598)	7,972
Total comprehensive income (loss)	$ 21,539	$ 10,375	$ 30,753	$ (120,978)

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 share and per share data)

	Number of common shares	Preferred stock	Common stock	Capital surplus	Retained earnings	Accumulated other comprehensive income (loss)	Total shareholders' equity
Balances, March 31, 2026	20,813,975	$ 110,548	$ 208	$ 421,609	$ 96,171	$ (69,582)	$ 558,954
Net income	—	—	—	—	19,888	—	19,888
Other comprehensive income	—	—	—	—	—	1,651	1,651
Common dividends declared ($0.32 per share)	—	—	—	—	(6,799)	—	(6,799)
Preferred dividends declared ($19.375 per share)	—	—	—	—	(2,228)	—	(2,228)
Common stock repurchased	(113,208)	—	(1)	(2,743)	—	—	(2,744)
Share-based compensation expense	—	—	—	581	—	—	581
Issuance of common stock under employee benefit plans	25,047	—	—	385	—	—	385
Balances, June 30, 2026	20,725,814	$ 110,548	$ 207	$ 419,832	$ 107,032	$ (67,931)	$ 569,688
Balances, December 31, 2025	21,169,854	$ 110,548	$ 212	$ 428,247	$ 86,825	$ (60,333)	$ 565,499
Net income	—	—	—	—	38,351	—	38,351
Other comprehensive loss	—	—	—	—	—	(7,598)	(7,598)
Common dividends declared ($0.64 per share)	—	—	—	—	(13,688)	—	(13,688)
Preferred dividends declared ($38.750 per share)	—	—	—	—	(4,456)	—	(4,456)
Common stock repurchased	(478,715)	—	(5)	(10,663)	—	—	(10,668)
Share-based compensation expense	—	—	—	1,520	—	—	1,520
Issuance of common stock under employee benefit plans	34,675	—	—	728	—	—	728
Balances, June 30, 2026	20,725,814	$ 110,548	$ 207	$ 419,832	$ 107,032	$ (67,931)	$ 569,688
Balances, March 31, 2025	21,503,036	$ 110,548	$ 215	$ 435,299	$ 97,714	$ (72,339)	$ 571,437
Net income	—	—	—	—	12,024	—	12,024
Other comprehensive loss	—	—	—	—	—	(1,649)	(1,649)
Common dividends declared ($0.31 per share)	—	—	—	—	(6,785)	—	(6,785)
Preferred dividends declared ($19.375 per share)	—	—	—	—	(2,228)	—	(2,228)
Share-based compensation expense	—	—	—	750	—	—	750
Issuance of common stock under employee benefit plans	12,102	—	—	156	—	—	156
Balances, June 30, 2025	21,515,138	$ 110,548	$ 215	$ 436,205	$ 100,725	$ (73,988)	$ 573,705
Balances, December 31, 2024	21,494,485	$ 110,548	$ 215	$ 434,346	$ 247,698	$ (81,960)	$ 710,847
Net loss	—	—	—	—	(128,950)	—	(128,950)
Other comprehensive income	—	—	—	—	—	7,972	7,972
Common dividends declared ($0.62 per share)	—	—	—	—	(13,567)	—	(13,567)
Preferred dividends declared ($38.750 per share)	—	—	—	—	(4,456)	—	(4,456)
Share-based compensation expense	—	—	—	1,534	—	—	1,534
Issuance of common stock under employee benefit plans	20,653	—	—	325	—	—	325
Balances, June 30, 2025	21,515,138	$ 110,548	$ 215	$ 436,205	$ 100,725	$ (73,988)	$ 573,705

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)

	Six Months Ended June 30,	
	2026	2025
Cash flows from operating activities:		
Net income (loss)	$ 38,351	$ (128,950)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Provision for credit losses	11,822	28,219
Depreciation on premises and equipment	2,430	2,456
Impairment on goodwill	—	153,977
Amortization of intangible assets	1,381	1,738
Amortization of operating lease right-of-use asset	819	788
Amortization of loan servicing rights	769	1,139
Share-based compensation expense	1,520	1,534
Increase in cash surrender value of life insurance	(4,203)	(4,059)
Investment securities accretion, net	(8,838)	(6,937)
Loss on sales of investment securities, net	1,731	—
Origination of loans held for sale	(58,855)	(45,532)
Proceeds from sales of loans and leases held for sale	58,931	47,026
Gain on sale of loans held for sale	(1,434)	(1,303)
Gain on sale of mortgage servicing rights held for sale	(2,077)	—
Net change in operating assets and liabilities:		
Accrued interest receivable	148	276
Credit enhancement asset	(1,085)	11,004
Other assets	10,832	12,157
Accrued expenses and other liabilities	(5,801)	(20,777)
Net cash provided by operating activities	46,441	52,756
Cash flows from investing activities:		
Purchases of investment securities available for sale	(394,250)	(218,307)
Proceeds from sales of investment securities available for sale	98,599	—
Maturities and payments on investment securities available for sale	158,478	95,792
Purchases of equity securities	(83)	(33)
Net decrease in loans	87,097	331,643
Proceeds from sales of consumer loans held for sale	—	61,099
Purchases of premises and equipment	(895)	(3,233)
Proceeds from sale of premises and equipment	195	—
Purchases of nonmarketable equity securities	(1,279)	(80,200)
Proceeds from redemptions of nonmarketable equity securities	3,213	76,231
Proceeds from sales of mortgage servicing rights held for sale	5,727	—
Proceeds from sales of other real estate owned	414	4,774
Proceeds from company-owned life insurance, net	—	1,166
Net cash provided by (used in) investing activities	(42,784)	268,932
Cash flows from financing activities:		
Net increase (decrease) in deposits	282,899	(250,324)
Net decrease in short-term borrowings	(52,536)	(78,845)
Net increase in short-term FHLB advances	—	82,000
Proceeds from long-term FHLB advances	—	203,000
Payments made on long-term FHLB advances	(35,000)	(198,000)
Cash dividends paid on preferred stock	(4,456)	(4,456)
Cash dividends paid on common stock	(13,688)	(13,567)
Common stock repurchased	(10,668)	—
Proceeds from issuance of common stock under employee benefit plans	728	325
Net cash provided by (used in) financing activities	167,279	(259,867)
Net increase in cash and cash equivalents	170,936	61,821
Cash and cash equivalents:		
Beginning of period	127,811	114,766
End of period	$ 298,747	$ 176,587
Supplemental disclosures of cash flow information:		
Cash payments for:		
Interest paid on deposits and borrowed funds	$ 58,748	$ 82,580
Income tax paid (net of refunds)	1,132	761
Supplemental disclosures of noncash investing and financing activities:		
Transfer of loans to loans held for sale	1,870	29,400
Transfer of loans to other real estate owned	178	187
Right of use assets obtained in exchange for lease obligations	128	837
Transfer of premises and equipment, net to assets held for sale	—	245
Transfer of loan servicing rights held for sale to loan servicing rights, at lower of cost or fair value	125	—
Loans provided for sale of consumer loans held for sale	—	219,212

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

MIDLAND STATES BANCORP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (UNAUDITED)

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, merchant credit card services, trust and investment management services, and insurance and financial planning services.

Our principal business activity is 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 taxes.

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, 2025, filed with the SEC on March 2, 2026. Certain reclassifications of 2025 amounts have been made to conform to the 2026 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 and six months ended June 30, 2026 are not necessarily indicative of the results that may be expected for the year ending December 31, 2026 or any other period.

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.

FASB ASU No. 2025-06, Intangibles - Goodwill and Other--Internal-Use Software (Subtopic 350-40): Targeted Improvements to the Accounting for Internal-Use Software - In September 2025, the FASB issued ASU 2025-06, changing the criteria for capitalizing software costs to the following: (1) a commitment has been made to fund the software project, and (2) it is probable the project will be completed and used to perform its intended function. Under this update, software development stages are no longer a consideration in the determination of which costs are capitalized. The amendments in this update may be adopted on a prospective, modified transition, or retrospective basis, and will be effective for the Company for annual and interim reporting periods beginning January 1, 2028. Early adoption is permitted. The Company is currently evaluating the effect this ASU may have on its consolidated financial statements or related disclosures.

FASB ASU No. 2026-01, Equity (Topic 505): Initial Measurement of Paid-In-Kind Dividends on Equity-Classified Preferred Stock - In April 2026, the FASB issued ASU 2026-01, which amends ASC 505 to add guidance on how an issuer should initially measure paid-in-kind dividends on equity-classified preferred stock and does not affect the timing of dividend recognition. The amendments in this update may be applied either prospectively or on a modified retrospective basis and will be effective for the Company for annual reporting periods beginning after December 15, 2026, including interim reporting periods within those annual reporting periods. Early adoption is permitted. The Company’s preferred stock provides for dividends payable solely in cash, if and when declared, and does not include paid-in-kind dividend features. Accordingly, the Company does not expect adoption of the ASU to have any impact on its consolidated financial statements or related disclosures.

NOTE 2 – INVESTMENT SECURITIES

Investment Securities Available for Sale

Investment securities available for sale at June 30, 2026 and December 31, 2025 were as follows:

	June 30, 2026			
(dollars in thousands)	**Amortized cost**	**Gross unrealized gains**	**Gross unrealized losses**	**Fair value**
Investment securities available for sale				
U.S. government sponsored entities and U.S. agency securities	$ 37,522	$ 102	$ (100)	$ 37,524
Mortgage-backed securities - agency [(1)]	1,390,919	4,114	(88,688)	1,306,345
Mortgage-backed securities - non-agency	94,088	1,118	(2,444)	92,762
Asset-backed student loans	19,201	2	(73)	19,130
State and municipal securities	74,999	506	(4,073)	71,432
Collateralized loan obligations	84,552	1	(67)	84,486
Corporate securities	42,697	122	(1,038)	41,781
Total available for sale securities	$ 1,743,978	$ 5,965	$ (96,483)	$ 1,653,460

(1) The amount of fair value hedging adjustment included in the amortized cost amount of the hedged investment securities available-for-sale as of June 30, 2026 was $0.8 million. See Note 6 - *Derivative Instruments* for additional information regarding these derivative financial instruments.

	December 31, 2025			
(dollars in thousands)	**Amortized cost**	**Gross unrealized gains**	**Gross unrealized losses**	**Fair value**
Investment securities available for sale				
U.S. government sponsored entities and U.S. agency securities	$ 20,744	$ 7	$ (928)	$ 19,823
Mortgage-backed securities - agency [(1)]	1,265,954	3,272	(75,476)	1,193,750
Mortgage-backed securities - non-agency	97,921	1,499	(2,331)	97,089
Asset-backed student loans	34,262	39	(86)	34,215
State and municipal securities	77,054	388	(3,984)	73,458
Collateralized loan obligations	46,800	54	—	46,854
Corporate securities	60,075	69	(2,332)	57,812
Total available for sale securities	$ 1,602,810	$ 5,328	$ (85,137)	$ 1,523,001

(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, 2025 was $(2.3) million. See Note 6 - *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 June 30, 2026 and December 31, 2025.

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, as of June 30, 2026. 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
Investment securities available for sale		
Within one year	$ 3,737	$ 3,756
After one year through five years	48,294	46,438
After five years through ten years	74,359	71,866
After ten years	132,581	132,293
Mortgage-backed securities	1,485,007	1,399,107
Total available for sale securities	$ 1,743,978	$ 1,653,460

Proceeds and gross realized gains and losses on sales of investment securities available for sale for the six months ended June 30, 2026 and 2025 are summarized as follows:

	Six Months Ended June 30,	
(dollars in thousands)	2026	2025
Investment securities available for sale		
Proceeds from sales	$ 98,599	$ —
Gross realized gains on sales	248	—
Gross realized losses on sales	(1,979)	—

There were no gross realized gains or losses on sales of investment securities available for sale for the three months ended June 30, 2026 and 2025.

Unrealized losses and fair values for investment securities available for sale as of June 30, 2026 and December 31, 2025, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, are summarized as follows:

	June 30, 2026					
	Less than 12 Months		12 Months or more		Total	
(dollars in thousands)	Fair value	Unrealized loss	Fair value	Unrealized loss	Fair value	Unrealized loss
Investment securities available for sale						
U.S. government sponsored entities and U.S. agency securities	$ 19,519	$ 100	$ —	$ —	$ 19,519	$ 100
Mortgage-backed securities - agency	494,501	9,851	478,263	78,837	972,764	88,688
Mortgage-backed securities - non-agency	13,848	65	15,728	2,379	29,576	2,444
Asset-backed student loans	3,187	3	13,129	70	16,316	73
State and municipal securities	1,816	2	43,777	4,071	45,593	4,073
Collateralized loan obligations	18,686	67	—	—	18,686	67
Corporate securities	3,974	26	26,685	1,012	30,659	1,038
Total available for sale securities	$ 555,531	$ 10,114	$ 577,582	$ 86,369	$ 1,133,113	$ 96,483

(dollars in thousands)	December 31, 2025					
	Less than 12 Months		12 Months or more		Total	
	Fair value	Unrealized loss	Fair value	Unrealized loss	Fair value	Unrealized loss
Investment securities available for sale						
U.S. government sponsored entities and U.S. agency securities	$ 9,668	$ 5	$ 9,077	$ 923	$ 18,745	$ 928
Mortgage-backed securities - agency	201,422	1,191	524,471	74,285	725,893	75,476
Mortgage-backed securities - non-agency	42	—	22,386	2,331	22,428	2,331
Asset-backed student loans	5,166	13	14,378	73	19,544	86
State and municipal securities	3,826	12	46,204	3,972	50,030	3,984
Collateralized loan obligations	—	—	—	—	—	—
Corporate securities	2,502	1	47,241	2,331	49,743	2,332
Total available for sale securities	$ 222,626	$ 1,222	$ 663,757	$ 83,915	$ 886,383	$ 85,137

At June 30, 2026, 292 investment securities available for sale had unrealized losses with aggregate depreciation of 7.85% 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 that do not represent credit-related impairments. The Company expects the fair value 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 not more likely than not that the Company will be required to sell the securities prior to their anticipated recovery of their amortized cost.

NOTE 3 – LOANS

The following table presents total loans outstanding by portfolio class, as of June 30, 2026 and December 31, 2025:

(dollars in thousands)	June 30, 2026	December 31, 2025
Commercial:		
Commercial	$ 1,080,865	$ 1,062,691
Commercial other	104,865	115,830
Commercial real estate:		
Commercial real estate non-owner occupied	1,341,225	1,447,894
Commercial real estate owner occupied	511,347	444,443
Multi-family	382,981	383,377
Farmland	61,425	66,950
Construction and land development	243,840	286,140
Total commercial loans	3,726,548	3,807,325
Residential real estate:		
Residential first lien	283,711	286,178
Other residential	63,953	63,445
Consumer:		
Consumer	88,553	99,692
Consumer other	43,853	44,383
Lease financing	37,086	50,981
Total loans	$ 4,243,704	$ 4,352,004

Total loans included net deferred loan fees of $7.9 million and $8.2 million at June 30, 2026 and December 31, 2025, respectively, and unearned discounts of $3.1 million and $4.7 million within the lease financing portfolio at June 30, 2026 and December 31, 2025, respectively.

Classifications of Loan Portfolio

The Company monitors the performance of its loan portfolio, assesses the credit risk, and estimates its allowance for credit losses on loans using the segments set forth below.

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 historically provided 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. We ceased originating new equipment financing leases and loans effective September 30, 2025 and sold substantially all of our equipment finance portfolio during the fourth quarter of 2025.

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 and six months ended June 30, 2026 and 2025, are summarized as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
(dollars in thousands)	**2026**	**2025**	**2026**	**2025**
Beginning balance	$ 47,085	$ 42,028	$ 46,999	$ 40,410
New loans and other additions	—	3,317	496	5,675
Repayments and other reductions	(8,297)	(859)	(8,707)	(1,599)
Ending balance	$ 38,788	$ 44,486	$ 38,788	$ 44,486

The following table represents, by loan portfolio segment, a summary of changes in the allowance for credit losses on loans for the three and six months ended June 30, 2026 and 2025:

	Commercial Loan Portfolio			Other Loan Portfolio			
(dollars in thousands)	**Commercial**	**Commercial real estate**	**Construction and land development**	**Residential real estate**	**Consumer**	**Lease financing**	**Total**
Changes in allowance for credit losses on loans for the three months ended June 30, 2026:							
Balances, March 31, 2026	$ 24,577	$ 27,653	$ 2,568	$ 6,203	$ 4,203	$ 2,671	$ 67,875
Provision for credit losses on loans	1,976	6,120	(558)	(669)	100	140	7,109
Charge-offs	(3,564)	(8,829)	—	—	(549)	(334)	(13,276)
Recoveries	153	382	—	70	139	67	811
Balances, June 30, 2026	$ 23,142	$ 25,326	$ 2,010	$ 5,604	$ 3,893	$ 2,544	$ 62,519
Changes in allowance for credit losses on loans for the six months ended June 30, 2026:							
Balances, December 31, 2025	$ 23,676	$ 28,284	$ 2,619	$ 6,652	$ 4,804	$ 3,184	$ 69,219
Provision for credit losses on loans	4,465	9,326	(574)	(1,128)	237	186	12,512
Charge-offs	(5,626)	(12,667)	(35)	(65)	(1,445)	(1,071)	(20,909)
Recoveries	627	383	—	145	297	245	1,697
Balances, June 30, 2026	$ 23,142	$ 25,326	$ 2,010	$ 5,604	$ 3,893	$ 2,544	$ 62,519
Changes in allowance for credit losses on loans for the three months ended June 30, 2025:							
Balances, March 31, 2025	$ 33,554	$ 39,069	$ 3,021	$ 7,874	$ 5,935	$ 15,723	$ 105,176
Provision for credit losses on loans	5,773	10,186	(1,181)	(860)	296	3,155	17,369
Charge-offs	(6,161)	(22,453)	—	—	(884)	(3,886)	(33,384)
Recoveries	1,013	637	1,029	90	357	403	3,529
Balances, June 30, 2025	$ 34,179	$ 27,439	$ 2,869	$ 7,104	$ 5,704	$ 15,395	$ 92,690
Changes in allowance for credit losses on loans for the six months ended June 30, 2025:							
Balances, December 31, 2024	$ 42,776	$ 36,837	$ 3,550	$ 8,002	$ 5,400	$ 14,639	$ 111,204
Provision for credit losses on loans	9,355	13,139	(1,711)	(934)	1,236	7,134	28,219
Charge-offs	(19,461)	(23,176)	—	(72)	(1,337)	(7,334)	(51,380)
Recoveries	1,509	639	1,030	108	405	956	4,647
Balances, June 30, 2025	$ 34,179	$ 27,439	$ 2,869	$ 7,104	$ 5,704	$ 15,395	$ 92,690

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 a 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:

Risk state	Commercial loans risk rating	Consumer loans and equipment finance loans and leases days past due
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 nonaccrual loans as of June 30, 2026 and December 31, 2025:

	June 30, 2026			December 31, 2025		
(dollars in thousands)	**Nonaccrual with allowance**	**Nonaccrual with no allowance**	**Total nonaccrual**	**Nonaccrual with allowance**	**Nonaccrual with no allowance**	**Total nonaccrual**
Commercial:						
Commercial	$ 3,286	$ 7,335	$ 10,621	$ 3,370	$ 3,849	$ 7,219
Commercial other	707	—	707	1,040	2,157	3,197
Commercial real estate:						
Commercial real estate non-owner occupied	6,665	12,150	18,815	1,537	13,547	15,084
Commercial real estate owner occupied	2,037	10,172	12,209	3,455	8,684	12,139
Multi-family	—	6,650	6,650	14,336	2,112	16,448
Farmland	1,148	—	1,148	1,260	402	1,662
Construction and land development	—	1,588	1,588	155	—	155
Total commercial loans	13,843	37,895	51,738	25,153	30,751	55,904
Residential real estate:						
Residential first lien	2,952	254	3,206	3,087	313	3,400
Other residential	592	—	592	426	—	426
Consumer:						
Consumer	83	—	83	47	—	47
Lease financing	1,839	—	1,839	1,162	—	1,162
Total loans	$ 19,309	$ 38,149	$ 57,458	$ 29,875	$ 31,064	$ 60,939

There was no interest income recognized on nonaccrual loans during the three and six months ended June 30, 2026 and 2025 while the loans were in nonaccrual status.

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 collateral dependent loans by loan class, for borrowers experiencing financial difficulty, as of June 30, 2026 and December 31, 2025:

	Type of Collateral			
(dollars in thousands)	**Real Estate**	**Blanket Lien**	**Equipment**	**Total**
June 30, 2026				
Commercial:				
Commercial	$ 3,688	$ 5,021	$ 680	$ 9,389
Commercial other	—	65	—	65
Commercial real estate:				
Non-owner occupied	18,111	—	—	18,111
Owner occupied	9,485	1,595	—	11,080
Multi-family	6,650	—	—	6,650
Farmland	—	—	—	—
Construction and land development	1,588	—	—	1,588
Residential real estate:				
Residential first lien	667	—	—	667
Other residential	147	—	—	147
Total collateral dependent loans	$ 40,336	$ 6,681	$ 680	$ 47,697
December 31, 2025				
Commercial:				
Commercial	$ —	$ 3,850	$ —	$ 3,850
Commercial other	—	2,157	—	2,157
Commercial real estate:				
Non-owner occupied	13,951	—	—	13,951
Owner occupied	8,576	1,595	—	10,171
Multi-family	16,448	—	—	16,448
Farmland	—	401	—	401
Construction and land development	—	—	—	—
Total collateral dependent loans	$ 38,975	$ 8,003	$ —	$ 46,978

The aging status of the recorded investment in loans by class as of June 30, 2026 was as follows:

(dollars in thousands)	Accruing loans: Current	30-59 days past due	60-89 days past due	Past due 90 days or more	Total past due	Nonaccrual	Total
Commercial:							
Commercial	$ 1,068,240	$ 2,004	$ —	$ —	$ 2,004	$ 10,621	$ 1,080,865
Commercial other	95,430	3,566	2,356	2,806	8,728	707	104,865
Commercial real estate:							
Commercial real estate non-owner occupied	1,322,338	—	72	—	72	18,815	1,341,225
Commercial real estate owner occupied	498,624	313	201	—	514	12,209	511,347
Multi-family	376,331	—	—	—	—	6,650	382,981
Farmland	60,095	182	—	—	182	1,148	61,425
Construction and land development	242,252	—	—	—	—	1,588	243,840
Total commercial loans	3,663,310	6,065	2,629	2,806	11,500	51,738	3,726,548
Residential real estate:							
Residential first lien	279,699	20	171	615	806	3,206	283,711
Other residential	62,952	120	289	—	409	592	63,953
Consumer:							
Consumer	88,289	160	21	—	181	83	88,553
Consumer other	43,306	404	143	—	547	—	43,853
Lease financing	34,285	239	723	—	962	1,839	37,086
Total loans	$ 4,171,841	$ 7,008	$ 3,976	$ 3,421	$ 14,405	$ 57,458	$ 4,243,704

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

(dollars in thousands)	Accruing loans: Current	30-59 days past due	60-89 days past due	Past due 90 days or more	Total past due	Nonaccrual	Total
Commercial:							
Commercial	$ 1,053,096	$ 2,035	$ 341	$ —	$ 2,376	$ 7,219	$ 1,062,691
Commercial other	101,686	4,113	2,325	4,509	10,947	3,197	115,830
Commercial real estate:							
Commercial real estate non-owner occupied	1,432,637	173	—	—	173	15,084	1,447,894
Commercial real estate owner occupied	430,972	701	631	—	1,332	12,139	444,443
Multi-family	366,929	—	—	—	—	16,448	383,377
Farmland	65,267	21	—	—	21	1,662	66,950
Construction and land development	282,169	3,718	98	—	3,816	155	286,140
Total commercial loans	3,732,756	10,761	3,395	4,509	18,665	55,904	3,807,325
Residential real estate:							
Residential first lien	282,320	22	401	35	458	3,400	286,178
Other residential	62,459	450	110	—	560	426	63,445
Consumer:							
Consumer	99,474	153	18	—	171	47	99,692
Consumer other	43,618	320	445	—	765	—	44,383
Lease financing	48,815	945	59	—	1,004	1,162	50,981
Total loans	$ 4,269,442	$ 12,651	$ 4,428	$ 4,544	$ 21,623	$ 60,939	$ 4,352,004

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 presents, by loan portfolio segment, a summary of loan restructurings for the three and six months ended June 30, 2026 and 2025:

	Three Months Ended June 30,				Six Months Ended June 30,			
	2026		2025		2026		2025	
(dollars in thousands)	Balance	Count	Balance	Count	Balance	Count	Balance	Count
Commercial:								
Commercial	$ 4,539	2	$ 94	1	$ 4,539	2	$ 1,068	2
Commercial other	—	—	561	2	—	—	861	4
Commercial real estate:								
Commercial real estate non-owner occupied	7,795	1	—	—	7,795	1	—	—
Commercial real estate owner occupied	—	—	201	1	—	—	201	1
Multi-family	5,113	1	—	—	5,113	1	—	—
Farmland	—	—	267	1	99	1	267	1
Construction and land development	—	—	—	—	9,000	1	—	—
Total commercial loans	17,447	4	1,123	5	26,546	6	2,397	8
Residential real estate:								
Residential first lien	—	—	—	—	37	1	146	3
Other residential	—	—	—	—	—	—	10	1
Total loan restructurings	$ 17,447	4	$ 1,123	5	$ 26,583	7	$ 2,553	12

The following tables present a summary of loan restructurings, by loan portfolio segment and type of restructuring, for the three and six months ended June 30, 2026:

	Three Months Ended June 30, 2026			
(dollars in thousands)	Payment Deferral ($)	Term Extension ($)	Total Modifications ($)	Total Class of Financing Receivable (%)
Commercial:				
Commercial	$ 2,089	$ 2,450	$ 4,539	0.42 %
Commercial real estate:				
Commercial real estate non-owner occupied	—	7,795	7,795	0.58
Multi-family	5,113	—	5,113	1.34
Total commercial loans	$ 7,202	$ 10,245	$ 17,447	0.47 %
Total	$ 7,202	$ 10,245	$ 17,447	0.41 %

	Six Months Ended June 30, 2026			
(dollars in thousands)	Payment Deferral ($)	Term Extension ($)	Total Modifications ($)	Total Class of Financing Receivable (%)
Commercial:				
Commercial	$ 2,089	$ 2,450	$ 4,539	0.42 %
Commercial real estate:				
Commercial real estate non-owner occupied	—	7,795	7,795	0.58
Multi-family	5,113	—	5,113	1.34
Farmland	—	99	99	0.16
Construction & land development	—	9,000	9,000	3.69
Total commercial loans	$ 7,202	$ 19,344	$ 26,546	0.71 %
Residential real estate:				
Residential first lien	—	37	37	0.01
Total	$ 7,202	$ 19,381	$ 26,583	0.63 %

The following tables present a summary of loan restructurings, by loan portfolio segment and type of restructuring, for the three and six months ended June 30, 2025:

	Three Months Ended June 30, 2025					
(dollars in thousands)	Term Extension ($)	Interest Rate Reduction ($)	Interest Rate Reduction / Payment Deferral ($)	Payment Deferral / Term Extension ($)	Total Modifications ($)	Total Class of Financing Receivable (%)
Commercial:						
Commercial	$ 94	$ —	$ —	$ —	$ 94	0.01 %
Commercial other	—	—	—	561	561	0.48
Commercial real estate:						
Commercial real estate owner occupied	—	—	201	—	201	0.05
Farmland	—	—	—	267	267	0.40
Total commercial loans	$ 94	$ —	$ 201	$ 828	$ 1,123	0.03 %
Total	$ 94	$ —	$ 201	$ 828	$ 1,123	0.03 %

	Six Months Ended June 30, 2025					
(dollars in thousands)	Term Extension ($)	Interest Rate Reduction ($)	Interest Rate Reduction / Payment Deferral ($)	Payment Deferral / Term Extension ($)	Total Modifications ($)	Total Class of Financing Receivable (%)
Commercial						
Commercial	$ 1,068	$ —	$ —	$ —	$ 1,068	0.10 %
Commercial other	—	300	—	561	861	0.74
Commercial real estate:						
Commercial real estate owner occupied	—	—	201	—	201	0.05
Farmland	—	—	—	267	267	0.40
Total commercial loans	$ 1,068	$ 300	$ 201	$ 828	$ 2,397	0.06 %
Residential real estate:						
Residential first lien	146	—	—	—	146	0.05
Other residential	10	—	—	—	10	0.02
Total	$ 1,224	$ 300	$ 201	$ 828	$ 2,553	0.06 %

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 performance of such loans that have been modified in the last twelve months as of June 30, 2026:

(dollars in thousands)	30-59 days past due	60-89 days past due	Past due 90 days or more	Total past due	Current	Total
Commercial:						
Commercial	$ —	$ —	$ —	$ —	$ 12,498	$ 12,498
Commercial real estate:						
Commercial real estate non-owner occupied	7,976	—	—	7,976	19,658	27,634
Multi-family	—	—	—	—	5,113	5,113
Farmland	—	—	—	—	99	99
Construction and land development	1,589	—	—	1,589	9,000	10,589
Total commercial loans	9,565	—	—	9,565	46,368	55,933
Residential real estate:						
Residential first lien	—	—	—	—	75	75
Total loan restructurings	$ 9,565	$ —	$ —	$ 9,565	$ 46,443	$ 56,008

The following table presents the performance of such loans that have been modified in the last twelve months as of June 30, 2025:

(dollars in thousands)	30-59 days past due	60-89 days past due	Past due 90 days or more	Total past due	Current	Total
Commercial:						
Commercial	$ —	$ —	$ 77	$ 77	$ 1,393	$ 1,470
Commercial other	—	—	15	15	1,113	1,128
Commercial real estate:						
Commercial real estate non-owner occupied	—	—	4,456	4,456	21,422	25,878
Commercial real estate owner occupied	201	—	—	201	6,038	6,239
Farmland	—	—	—	—	267	267
Construction and land development	—	—	—	—	1,571	1,571
Total commercial loans	201	—	4,548	4,749	31,804	36,553
Residential real estate:						
Residential first lien	133	10	—	143	329	472
Other residential	—	—	—	—	10	10
Consumer:						
Consumer	—	—	—	—	15	15
Lease financing	—	668	139	807	188	995
Total loan restructurings	$ 334	$ 678	$ 4,687	$ 5,699	$ 32,346	$ 38,045

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 historically provided 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 based on the grading system set forth below. All loan authority is based on the aggregate credit to a borrower and its related entities.

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'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.

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 June 30, 2026 and December 31, 2025:

			June 30, 2026							
			Term Loans Amortized Cost Basis by Origination Year							
(dollars in thousands)			2026	2025	2024	2023	2022	Prior	Revolving loans	Total
Commercial	Commercial	Acceptable credit quality	$ 89,556	$ 390,474	$ 89,173	$ 26,230	$ 11,622	$ 51,819	$ 398,219	$ 1,057,093
		Special mention	—	—	—	5,229	—	—	75	5,304
		Substandard	4,539	31	—	10	165	1,370	1,732	7,847
		Substandard – nonaccrual	—	—	67	993	4,200	4,663	698	10,621
		Doubtful	—	—	—	—	—	—	—	—
		Not graded	—	—	—	—	—	—	—	—
		Subtotal	94,095	390,505	89,240	32,462	15,987	57,852	400,724	1,080,865
	Commercial other	Acceptable credit quality	1,090	3,416	1,389	994	2,887	735	92,702	103,213
		Special mention	—	1	—	54	19	54	590	718
		Substandard	—	—	—	204	—	—	23	227
		Substandard – nonaccrual	—	—	—	349	189	70	99	707
		Doubtful	—	—	—	—	—	—	—	—
		Not graded	—	—	—	—	—	—	—	—
		Subtotal	1,090	3,417	1,389	1,601	3,095	859	93,414	104,865
Commercial real estate	Non-owner occupied	Acceptable credit quality	159,092	273,985	194,281	101,724	285,221	242,034	12,339	1,268,676
		Special mention	—	3,035	—	—	—	12,303	—	15,338
		Substandard	14,490	331	19	—	8,037	15,519	—	38,396
		Substandard – nonaccrual	—	82	13,226	—	59	5,448	—	18,815
		Doubtful	—	—	—	—	—	—	—	—
		Not graded	—	—	—	—	—	—	—	—
		Subtotal	173,582	277,433	207,526	101,724	293,317	275,304	12,339	1,341,225
	Owner occupied	Acceptable credit quality	83,156	117,811	81,412	34,439	84,646	94,188	1,708	497,360
		Special mention	—	—	215	—	—	610	—	825
		Substandard	203	—	275	—	—	475	—	953
		Substandard – nonaccrual	—	909	184	—	9,635	1,177	304	12,209
		Doubtful	—	—	—	—	—	—	—	—
		Not graded	—	—	—	—	—	—	—	—
		Subtotal	83,359	118,720	82,086	34,439	94,281	96,450	2,012	511,347
	Multi-family	Acceptable credit quality	47,929	77,939	20,762	10,122	140,445	38,674	760	336,631
		Special mention	—	1,200	—	7,490	9,000	—	—	17,690
		Substandard	5,113	—	—	—	16,867	30	—	22,010
		Substandard – nonaccrual	—	—	—	—	6,650	—	—	6,650
		Doubtful	—	—	—	—	—	—	—	—
		Not graded	—	—	—	—	—	—	—	—
		Subtotal	53,042	79,139	20,762	17,612	172,962	38,704	760	382,981
	Farmland	Acceptable credit quality	4,701	15,950	1,564	6,354	3,085	25,228	591	57,473
		Special mention	984	—	—	—	—	92	—	1,076
		Substandard	1,293	358	—	—	—	77	—	1,728
		Substandard – nonaccrual	—	—	—	—	—	1,100	48	1,148
		Doubtful	—	—	—	—	—	—	—	—
		Not graded	—	—	—	—	—	—	—	—
		Subtotal	6,978	16,308	1,564	6,354	3,085	26,497	639	61,425
Construction and land development		Acceptable credit quality	30,667	104,545	36,468	641	17,681	27,416	17,684	235,102
		Special mention	—	—	—	—	—	—	—	—
		Substandard	—	—	—	—	—	70	—	70
		Substandard – nonaccrual	—	—	1,588	—	—	—	—	1,588
		Doubtful	—	—	—	—	—	—	—	—
		Not graded	1,890	4,208	486	282	147	67	—	7,080
		Subtotal	32,557	108,753	38,542	923	17,828	27,553	17,684	243,840
Total		Acceptable credit quality	416,191	984,120	425,049	180,504	545,587	480,094	524,003	3,555,548
		Special mention	984	4,236	215	12,773	9,019	13,059	665	40,951
		Substandard	25,638	720	294	214	25,069	17,541	1,755	71,231
		Substandard – nonaccrual	—	991	15,065	1,342	20,733	12,458	1,149	51,738
		Doubtful	—	—	—	—	—	—	—	—
		Not graded	1,890	4,208	486	282	147	67	—	7,080
Total commercial loans			$ 444,703	$ 994,275	$ 441,109	$ 195,115	$ 600,555	$ 523,219	$ 527,572	$ 3,726,548

			December 31, 2025							
			Term Loans Amortized Cost Basis by Origination Year							
(dollars in thousands)			**2025**	**2024**	**2023**	**2022**	**2021**	**Prior**	**Revolving loans**	**Total**
Commercial	Commercial	Acceptable credit quality	$ 430,303	$ 90,583	$ 68,878	$ 13,508	$ 25,150	$ 37,678	$ 369,376	$ 1,035,476
		Special mention	647	1,442	5,229	—	—	21	—	7,339
		Substandard	37	—	2,556	216	4,099	1,181	4,568	12,657
		Substandard – nonaccrual	—	70	996	4,200	426	818	709	7,219
		Doubtful	—	—	—	—	—	—	—	—
		Not graded	—	—	—	—	—	—	—	—
		Subtotal	430,987	92,095	77,659	17,924	29,675	39,698	374,653	1,062,691
	Commercial other	Acceptable credit quality	4,966	1,732	1,735	6,396	693	312	94,573	110,407
		Special mention	201	—	64	209	—	8	663	1,145
		Substandard	—	—	26	—	—	63	992	1,081
		Substandard – nonaccrual	—	—	500	79	311	311	1,996	3,197
		Doubtful	—	—	—	—	—	—	—	—
		Not graded	—	—	—	—	—	—	—	—
		Subtotal	5,167	1,732	2,325	6,684	1,004	694	98,224	115,830
Commercial real estate	Non-owner occupied	Acceptable credit quality	317,256	253,999	121,375	327,996	187,171	132,080	12,556	1,352,433
		Special mention	104	7,630	3,113	2,780	12,508	3,600	—	29,735
		Substandard	342	8,088	—	10,254	—	31,958	—	50,642
		Substandard – nonaccrual	—	9,178	—	59	—	5,847	—	15,084
		Doubtful	—	—	—	—	—	—	—	—
		Not graded	—	—	—	—	—	—	—	—
		Subtotal	317,702	278,895	124,488	341,089	199,679	173,485	12,556	1,447,894
	Owner occupied	Acceptable credit quality	92,863	82,708	39,146	86,498	66,979	59,816	835	428,845
		Special mention	—	841	—	—	—	630	—	1,471
		Substandard	287	358	—	—	18	1,325	—	1,988
		Substandard – nonaccrual	909	184	—	9,643	264	835	304	12,139
		Doubtful	—	—	—	—	—	—	—	—
		Not graded	—	—	—	—	—	—	—	—
		Subtotal	94,059	84,091	39,146	96,141	67,261	62,606	1,139	444,443
	Multi-family	Acceptable credit quality	102,138	30,280	10,233	150,482	38,456	4,473	1,101	337,163
		Special mention	—	—	7,562	17,045	—	—	—	24,607
		Substandard	—	—	—	—	5,124	35	—	5,159
		Substandard – nonaccrual	—	—	—	16,448	—	—	—	16,448
		Doubtful	—	—	—	—	—	—	—	—
		Not graded	—	—	—	—	—	—	—	—
		Subtotal	102,138	30,280	17,795	183,975	43,580	4,508	1,101	383,377
	Farmland	Acceptable credit quality	19,081	1,906	6,858	3,415	6,418	23,454	775	61,907
		Special mention	—	—	—	—	827	94	—	921
		Substandard	958	—	1,210	—	12	280	—	2,460
		Substandard – nonaccrual	246	—	—	—	267	1,101	48	1,662
		Doubtful	—	—	—	—	—	—	—	—
		Not graded	—	—	—	—	—	—	—	—
		Subtotal	20,285	1,906	8,068	3,415	7,524	24,929	823	66,950
Construction and land development		Acceptable credit quality	122,570	78,267	11,000	26,771	16,363	359	14,402	269,732
		Special mention	942	—	—	9,000	—	—	—	9,942
		Substandard	—	1,588	—	—	77	—	—	1,665
		Substandard – nonaccrual	—	155	—	—	—	—	—	155
		Doubtful	—	—	—	—	—	—	—	—
		Not graded	3,292	774	306	255	—	19	—	4,646
		Subtotal	126,804	80,784	11,306	36,026	16,440	378	14,402	286,140
Total		Acceptable credit quality	1,089,177	539,475	259,225	615,066	341,230	258,172	493,618	3,595,963
		Special mention	1,894	9,913	15,968	29,034	13,335	4,353	663	75,160
		Substandard	1,624	10,034	3,792	10,470	9,330	34,842	5,560	75,652
		Substandard – nonaccrual	1,155	9,587	1,496	30,429	1,268	8,912	3,057	55,904
		Doubtful	—	—	—	—	—	—	—	—
		Not graded	3,292	774	306	255	—	19	—	4,646
Total commercial loans			$ 1,097,142	$ 569,783	$ 280,787	$ 685,254	$ 365,163	$ 306,298	$ 502,898	$ 3,807,325

The following table presents the gross charge-offs by class of loan and year of origination on the commercial loan portfolio for the three and six months ended June 30, 2026 and 2025:

		Term Loans by Origination Year							
(dollars in thousands)		**2026**	**2025**	**2024**	**2023**	**2022**	**Prior**	**Revolving Loans**	**Total**
For the three months ended June 30, 2026									
Commercial	Commercial	$ —	$ —	$ —	$ —	$ —	$ 238	$ —	$ 238
	Commercial other	3	6	8	87	604	15	2,603	3,326
Commercial real estate	Non-owner occupied	—	—	—	—	—	240	—	240
	Multi-family	—	—	—	—	8,589	—	—	8,589
Construction and land development		—	—	—	—	—	—	—	—
Total gross commercial charge-offs		$ 3	$ 6	$ 8	$ 87	$ 9,193	$ 493	$ 2,603	$ 12,393
For the six months ended June 30, 2026									
Commercial	Commercial	$ —	$ —	$ —	$ —	$ —	$ 238	$ —	$ 238
	Commercial Other	3	28	12	108	619	18	4,600	5,388
Commercial Real Estate	Non-owner occupied	—	—	—	—	—	2,950	—	2,950
	Multi-family	—	—	—	—	9,717	—	—	9,717
Construction and land development		—	—	35	—	—	—	—	35
Total gross commercial charge-offs		$ 3	$ 28	$ 47	$ 108	$ 10,336	$ 3,206	$ 4,600	$ 18,328

		Term Loans by Origination Year							
(dollars in thousands)		**2025**	**2024**	**2023**	**2022**	**2021**	**Prior**	**Revolving Loans**	**Total**
For the three months ended June 30, 2025									
Commercial	Commercial	$ —	$ —	$ —	$ —	$ —	$ 88	$ —	$ 88
	Commercial other	—	14	243	915	179	39	4,683	6,073
Commercial real estate	Non-owner occupied	—	—	—	7,782	—	5,743	—	13,525
	Owner occupied	—	—	—	5,847	—	—	—	5,847
	Multi-family	—	—	—	2,354	—	727	—	3,081
Total gross commercial charge-offs		$ —	$ 14	$ 243	$ 16,898	$ 179	$ 6,597	$ 4,683	$ 28,614
For the six months ended June 30, 2025									
Commercial	Commercial	$ —	$ —	$ —	$ —	$ —	$ 152	$ —	$ 152
	Commercial Other	—	56	1,035	1,930	406	117	15,765	19,309
Commercial Real Estate	Non-owner occupied	—	—	—	7,782	—	5,743	—	13,525
	Owner occupied	—	—	—	5,847	—	—	—	5,847
	Multi-family	—	—	—	2,354	—	1,450	—	3,804
Total gross commercial charge-offs		$ —	$ 56	$ 1,035	$ 17,913	$ 406	$ 7,462	$ 15,765	$ 42,637

The Company evaluates the credit quality of its other loan portfolios, which includes residential real estate, consumer and leases, 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 June 30, 2026 and December 31, 2025:

			June 30, 2026							
			Term Loans Amortized Cost Basis by Origination Year							
(dollars in thousands)			**2026**	**2025**	**2024**	**2023**	**2022**	**Prior**	**Revolving Loans**	**Total**
Residential real estate	Residential first lien	Performing	$ 12,262	$ 6,495	$ 27,158	$ 36,393	$ 58,039	$ 139,453	$ 90	$ 279,890
		Nonperforming	—	22	—	469	697	2,633	—	3,821
		Subtotal	12,262	6,517	27,158	36,862	58,736	142,086	90	283,711
	Other residential	Performing	493	2,868	1,810	1,146	431	1,340	55,273	63,361
		Nonperforming	—	—	—	—	—	93	499	592
		Subtotal	493	2,868	1,810	1,146	431	1,433	55,772	63,953
Consumer	Consumer	Performing	5,121	28,348	12,870	11,872	9,585	19,701	973	88,470
		Nonperforming	—	—	55	18	—	9	1	83
		Subtotal	5,121	28,348	12,925	11,890	9,585	19,710	974	88,553
	Consumer other	Performing	—	—	—	292	28,677	10,444	4,440	43,853
		Nonperforming	—	—	—	—	—	—	—	—
		Subtotal	—	—	—	292	28,677	10,444	4,440	43,853
Leases financing		Performing	255	4,178	6,276	9,315	12,129	3,094	—	35,247
		Nonperforming	—	—	218	734	624	263	—	1,839
		Subtotal	255	4,178	6,494	10,049	12,753	3,357	—	37,086
Total		Performing	18,131	41,889	48,114	59,018	108,861	174,032	60,776	510,821
		Nonperforming	—	22	273	1,221	1,321	2,998	500	6,335
Total other loans			$ 18,131	$ 41,911	$ 48,387	$ 60,239	$ 110,182	$ 177,030	$ 61,276	$ 517,156

			December 31, 2025							
			Term Loans Amortized Cost Basis by Origination Year							
(dollars in thousands)			2025	2024	2023	2022	2021	Prior	Revolving loans	Total
Residential real estate	Residential first lien	Performing	$ 8,254	$ 28,464	$ 37,936	$ 60,875	$ 29,331	$ 117,847	$ 35	$ 282,742
		Nonperforming	25	—	475	239	296	2,401	—	3,436
		Subtotal	8,279	28,464	38,411	61,114	29,627	120,248	35	286,178
	Other residential	Performing	3,104	2,092	1,761	642	194	1,441	53,786	63,020
		Nonperforming	—	—	—	—	—	93	332	425
		Subtotal	3,104	2,092	1,761	642	194	1,534	54,118	63,445
Consumer	Consumer	Performing	33,113	16,117	14,210	11,576	18,018	5,571	1,040	99,645
		Nonperforming	—	3	23	4	—	16	1	47
		Subtotal	33,113	16,120	14,233	11,580	18,018	5,587	1,041	99,692
	Consumer other	Performing	—	—	326	30,970	5,874	7,213	—	44,383
		Nonperforming	—	—	—	—	—	—	—	—
		Subtotal	—	—	326	30,970	5,874	7,213	—	44,383
Leases financing		Performing	5,664	7,833	12,837	17,399	4,533	1,553	—	49,819
		Nonperforming	—	442	60	327	321	12	—	1,162
		Subtotal	5,664	8,275	12,897	17,726	4,854	1,565	—	50,981
Total										
		Performing	50,135	54,506	67,070	121,462	57,950	133,625	54,861	539,609
		Nonperforming	25	445	558	570	617	2,522	333	5,070
Total other loans			$ 50,160	$ 54,951	$ 67,628	$ 122,032	$ 58,567	$ 136,147	$ 55,194	$ 544,679

The following table presents the gross charge-offs by class of loan and year of origination on the other loan portfolio for the three and six months ended June 30, 2026 and 2025:

		Term Loans by Origination Year							
(dollars in thousands)		2026	2025	2024	2023	2022	Prior	Revolving Loans	Total
For the three months ended June 30, 2026									
Residential real estate	Residential first lien	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
	Other residential	—	—	—	—	—	—	—	—
Consumer	Consumer	—	9	15	3	—	—	4	31
	Consumer other	29	63	16	6	186	218	—	518
Lease financing		—	—	—	217	109	8	—	334
Total gross other charge-offs		$ 29	$ 72	$ 31	$ 226	$ 295	$ 226	$ 4	$ 883
For the six months ended June 30, 2026									
Residential real estate	Residential first lien	$ —	$ —	$ —	$ —	$ 59	$ —	$ —	$ 59
	Other residential	—	—	—	—	—	—	6	6
Consumer	Consumer	—	10	27	31	2	1	5	76
	Consumer other	30	147	34	34	651	473	—	1,369
Lease financing		—	—	284	241	277	269	—	1,071
Total gross other charge-offs		$ 30	$ 157	$ 345	$ 306	$ 989	$ 743	$ 11	$ 2,581

(dollars in thousands)		Term Loans by Origination Year 2025	2024	2023	2022	2021	Prior	Revolving Loans	Total
For the three months ended June 30, 2025									
Residential real estate	Residential first lien	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
	Other residential	—	—	—	—	—	—	—	—
Consumer	Consumer	—	29	7	—	—	—	9	45
	Consumer other	22	27	33	269	124	364	—	839
Lease financing		—	324	1,712	1,187	184	479	—	3,886
Total gross other charge-offs		$ 22	$ 380	$ 1,752	$ 1,456	$ 308	$ 843	$ 9	$ 4,770
For the six months ended June 30, 2025									
Residential real estate	Residential first lien	$ —	$ —	$ —	$ —	$ —	$ 27	$ —	$ 27
	Other residential	—	—	—	25	—	1	19	45
Consumer	Consumer	—	30	12	2	—	1	13	58
	Consumer other	26	79	50	284	129	711	—	1,279
Lease financing		—	467	3,418	2,418	393	638	—	7,334
Total gross other charge-offs		$ 26	$ 576	$ 3,480	$ 2,729	$ 522	$ 1,378	$ 32	$ 8,743

NOTE 4 – PREMISES, EQUIPMENT AND LEASES

A summary of premises, equipment and leases at June 30, 2026 and December 31, 2025 is as follows:

(dollars in thousands)	June 30, 2026	December 31, 2025
Land	$ 15,856	$ 15,856
Buildings and improvements	87,047	86,429
Furniture and equipment	38,534	38,303
Lease right-of-use assets	7,425	8,117
Total	148,862	148,705
Accumulated depreciation	(65,964)	(63,571)
Premises and equipment, net	$ 82,898	$ 85,134

Depreciation expense for the three and six months ended June 30, 2026 was $1.2 million and $2.4 million, respectively, and $1.2 million and $2.5 million for the three and six months ended June 30, 2025, respectively.

The Company has entered into operating leases, primarily for banking offices, operating facilities and ATMs, which have remaining lease terms of 2 months to 12 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 $7.4 million and $8.1 million as of June 30, 2026 and December 31, 2025, respectively, included in premises and equipment, net on our consolidated balance sheets. The operating lease liabilities of the Company were $8.6 million and $9.3 million as of June 30, 2026 and December 31, 2025, respectively, and are included in accrued interest payable and other liabilities on our consolidated balance sheets.

Information related to operating leases for the three and six months ended June 30, 2026 and 2025 was as follows:

(dollars in thousands)	Three Months Ended June 30, 2026	2025	Six Months Ended June 30, 2026	2025
Operating lease cost	$ 507	$ 480	$ 988	$ 978
Operating cash flows from leases	538	485	1,041	1,003
Right-of-use assets obtained in exchange for lease obligations	92	—	128	837
Weighted average remaining lease term	5.7 years	6.5 years	5.7 years	6.5 years
Weighted average discount rate	3.72 %	3.72 %	3.72 %	3.72 %

The projected minimum rental payments under the terms of the leases as of June 30, 2026 were as follows:

(dollars in thousands)	Amount
Year ending December 31:	
2026 remaining	$ 903
2027	1,929
2028	1,855
2029	1,655
2030	1,073
Thereafter	2,190
Total future minimum lease payments	9,605
Less imputed interest	(979)
Total operating lease liabilities	$ 8,626

NOTE 5 – GOODWILL

The carrying amount of goodwill at both June 30, 2026 and December 31, 2025 was $7.9 million. For the six months ended June 30, 2026, there were no changes in the carrying amount of goodwill. Additionally, the Company did not identify any events or changes in circumstances during the quarter that would indicate that it is more likely than not that the fair value of any reporting unit was less than its carrying amount. Accordingly, no interim goodwill impairment test was considered required or performed.

In the first quarter of 2025, the Company determined that a triggering event had occurred at the Company's Banking reporting unit as a result of deteriorated credit quality coupled with 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 a $154.0 million goodwill impairment charge in the first quarter of 2025.

NOTE 6 – 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 include fair value hedges and cash flow hedges. Fair value hedges include pay-fixed swaps of securities within our available-for-sale portfolio, and cash flow hedges include interest rate option contracts on certain securities within our available-for-sale portfolio, a portion of commercial and commercial real estate loans, and receive-fixed swaps of specific fixed-rate unsecured debt obligations and fixed-rate FHLB advances. Both the cash flow and fair value 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 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 sheets. 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 accrued interest payable and other liabilities, respectively, on the consolidated balance sheets.

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.

	June 30, 2026			December 31, 2025		
	Fair Value			Fair Value		
(dollars in thousands)	Assets	Liabilities	Notional amount	Assets	Liabilities	Notional amount
Derivatives designated as accounting hedges:						
Interest rate contracts						
Fair value hedges						
Investment securities available for sale	$ 1,621	$ 803	$ 182,645	$ 608	$ 2,901	$ 228,157
Cash flow hedges						
Investment securities available for sale	323	—	90,000	754	—	90,000
Pools of commercial and commercial real estate loans	635	890	225,000	1,528	1,180	300,000
FHLB advances, brokered CDs and other borrowings	549	—	100,000	29	502	125,000
Total derivatives designated as accounting hedges	$ 3,128	$ 1,693	$ 597,645	$ 2,919	$ 4,583	$ 743,157
Derivatives not designated as accounting hedges:						
Interest rate contracts						
Swaps	$ 211	$ 211	$ 62,974	$ 395	$ 395	$ 52,637
Interest rate lock commitments	166	—	6,944	137	—	4,594
Forward commitments to sell mortgage-backed securities	39	—	9,725	—	21	9,179
Total derivatives not designated as accounting hedges	$ 416	$ 211	$ 79,643	$ 532	$ 416	$ 66,410

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

	Carrying amount of the hedged items		Cumulative amount of fair value hedging adjustment included in the carrying amount of the hedged items	
(dollars in thousands)	June 30, 2026	December 31, 2025	June 30, 2026	December 31, 2025
Investment securities available for sale	$ 169,641	$ 352,968	$ 818	$ (2,293)

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 2026	Gain (loss) recognized in income on derivative 2025	Location of gain (loss) recognized in income on related hedged item	Gain (loss) recognized in income on related hedged items 2026	Gain (loss) recognized in income on related hedged items 2025
Three Months Ended June 30,						
Gain (loss) on fair value hedging relationships						
Interest rate contracts						
Fixed-rate mortgage-backed securities	Interest income on investment securities available for sale	$ 1,768	$ (1,508)	Interest income on investment securities available for sale	$ (1,774)	$ 1,549
Six Months Ended June 30,						
Gain (loss) on fair value hedging relationships						
Interest rate contracts						
Fixed-rate mortgage-backed securities	Interest income on investment securities available for sale	$ 3,111	$ (4,994)	Interest income on investment securities available for sale	$ (2,933)	$ 5,040

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 2026	Gain (loss) recognized in AOCI on derivative 2025	Location of gain (loss) recognized in income on derivative	Gain (loss) reclassified from AOCI into income 2026	Gain (loss) reclassified from AOCI into income 2025
Three Months Ended June 30,					
Gain (loss) on cash flow hedging relationships					
Interest rate contracts					
Pools of commercial and commercial real estate loans	$ (553)	$ 238	Interest income on loans	$ (110)	$ (741)
Investment securities available for sale	(336)	71	Interest income on investment securities available for sale	(54)	(5)
FHLB advances, brokered CDs and other borrowings	372	(86)	Interest expense	(30)	104
Total gain (loss) on cash flow hedging relationships	$ (517)	$ 223		$ (194)	$ (642)
Six Months Ended June 30,					
Gain (loss) on cash flow hedging relationships					
Interest rate contracts					
Pools of commercial and commercial real estate loans	$ (603)	$ 1,355	Interest income on loans	$ (219)	$ (1,806)
Investment securities available for sale	(431)	517	Interest income on investment securities available for sale	(108)	82
FHLB advances, brokered CDs and other borrowings	1,022	(785)	Interest expense	(60)	245
FHLB advances, brokered CDs and other borrowings	(154)	—	Noninterest expense	(154)	—
Total gain (loss) on cash flow hedging relationships	$ (166)	$ 1,087		$ (541)	$ (1,479)

During the next 12 months, we estimate $1.4 million of losses will be reclassified into pre-tax 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 June 30, 2026	Three Months Ended June 30, 2025	Six Months Ended June 30, 2026	Six Months Ended June 30, 2025
Gain (losses) on derivative instruments not designated as accounting hedges					
Interest rate contracts	Residential mortgage banking revenue	$ (120)	$ (11)	$ 89	$ 59
Total gain (loss) on derivative instruments not designated as accounting hedges		$ (120)	$ (11)	$ 89	$ 59

NOTE 7 – DEPOSITS

The following table summarizes the classification of deposits as of June 30, 2026 and December 31, 2025:

(dollars in thousands)	June 30, 2026	December 31, 2025
Noninterest-bearing demand	$ 1,010,128	$ 1,040,411
Interest-bearing:		
Checking	2,094,880	1,855,215
Money market	1,242,303	1,248,942
Savings	640,292	487,742
Time	719,675	792,069
Total deposits	$ 5,707,278	$ 5,424,379

NOTE 8 – SHORT-TERM BORROWINGS

The following table summarizes our short-term borrowings as of June 30, 2026 and December 31, 2025:

(dollars in thousands)	June 30, 2026	December 31, 2025
Securities sold under repurchase agreements	$ 7,645	$ 10,181
AFX borrowings	—	50,000
Total short-term borrowings	$ 7,645	$ 60,181

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. The weighted-average interest rate on securities sold under agreements to repurchase was 0.29% and 0.26% at June 30, 2026 and December 31, 2025, respectively. Investment securities with a carrying amount of $9.2 million and $12.2 million at June 30, 2026 and December 31, 2025, respectively, were pledged for securities sold under agreements to repurchase.

The Bank also utilizes unsecured short-term borrowings, including transactions executed through the AFX, to manage liquidity needs. AFX borrowings are generally overnight in nature and are priced at market rates, typically based on AMERIBOR, which ranged from 3.70% to 3.74% at December 31, 2025.

NOTE 9 – FHLB ADVANCES

The following table summarizes our FHLB advances as of June 30, 2026 and December 31, 2025:

(dollars in thousands)	June 30, 2026	December 31, 2025
FHLB advances – fixed rate, fixed term at rates averaging 3.93% and 4.08% at June 30, 2026 and December 31, 2025, respectively - maturing through October 2029	$ 108,000	$ 168,000
FHLB advances – putable fixed rate at rates averaging 3.56% and 4.00% at June 30, 2026 and December 31, 2025, respectively – maturing through May 2036 with call provisions through August 2026	150,000	125,000
Total FHLB advances	$ 258,000	$ 293,000

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 $2.58 billion and $2.87 billion at June 30, 2026 and December 31, 2025, respectively. Based on this collateral, the Company was eligible to borrow $0.77 billion from the FHLB at June 30, 2026.

NOTE 10 - 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
Changes in AOCI for the three months ended June 30, 2026			
Balances, March 31, 2026	$ (68,796)	$ (786)	$ (69,582)
Other comprehensive income (loss) before reclassifications	1,687	(183)	1,504
Amounts reclassified from AOCI to income [(1)]	4	143	147
Balances, June 30, 2026	$ (67,105)	$ (826)	$ (67,931)
Changes in AOCI for the six months ended June 30, 2026			
Balances, December 31, 2025	$ (59,217)	$ (1,116)	$ (60,333)
Other comprehensive income (loss) before reclassifications	(9,033)	(109)	(9,142)
Amounts reclassified from AOCI to income [(1)]	1,145	399	1,544
Balances, June 30, 2026	$ (67,105)	$ (826)	$ (67,931)
Changes in AOCI for the three months ended June 30, 2025			
Balances, March 31, 2025	$ (70,667)	$ (1,672)	$ (72,339)
Other comprehensive income (loss) before reclassifications	(2,257)	165	(2,092)
Amounts reclassified from AOCI to income [(1)]	(30)	473	443
Balances, June 30, 2025	$ (72,954)	$ (1,034)	$ (73,988)
Changes in AOCI for the six months ended June 30, 2025			
Balances, December 31, 2024	$ (79,021)	$ (2,939)	$ (81,960)
Other comprehensive income (loss) before reclassifications	6,101	815	6,916
Amounts reclassified from AOCI to income [(1)]	(34)	1,090	1,056
Balances, June 30, 2025	$ (72,954)	$ (1,034)	$ (73,988)

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

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

(dollars in thousands)	Three Months Ended June 30,		Six Months Ended June 30,		
	2026	2025	2026	2025	
Details about AOCI components	Amounts reclassified from AOCI				Affected line item in the statement of income
Unrealized gains and losses on investment securities available for sale	$ (6)	$ 41	$ 178	$ 46	Interest income (expense)
	—	—	(1,731)	—	Loss on sales of investment securities, net
	2	(11)	408	(12)	Income tax (expense) benefit
	$ (4)	$ 30	$ (1,145)	$ 34	Net income (loss)
Gains and losses on cash flow hedges	$ (194)	$ (642)	$ (387)	$ (1,479)	Interest income (expense)
	—	—	(154)	—	Loss on termination of interest rate swaps
	51	169	142	389	Income tax (expense) benefit
	$ (143)	$ (473)	$ (399)	$ (1,090)	Net income (loss)

NOTE 11 – 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 and six months ended June 30, 2026 and 2025:

	Three Months Ended June 30,		Six Months Ended June 30,	
(dollars in thousands, except per share data)	**2026**	**2025**	**2026**	**2025**
Net income (loss)	$ 19,888	$ 12,024	$ 38,351	$ (128,950)
Preferred dividends declared	(2,228)	(2,228)	(4,456)	(4,456)
Net income (loss) available to common shareholders	17,660	9,796	33,895	(133,406)
Common shareholder dividends	(6,634)	(6,670)	(13,351)	(13,336)
Unvested restricted stock award dividends	(165)	(115)	(337)	(231)
Undistributed earnings to unvested restricted stock awards	(252)	(48)	(481)	—
Undistributed earnings (loss) to common shareholders	$ 10,609	$ 2,963	$ 19,726	$ (146,973)
Basic				
Distributed earnings to common shareholders	$ 6,634	$ 6,670	$ 13,351	$ 13,336
Undistributed earnings (loss) to common shareholders	10,609	2,963	19,726	(146,973)
Total common shareholders earnings (loss), basic	$ 17,243	$ 9,633	$ 33,077	$ (133,637)
Diluted				
Distributed earnings to common shareholders	$ 6,634	$ 6,670	$ 13,351	$ 13,336
Undistributed earnings (loss) to common shareholders	10,609	2,963	19,726	(146,973)
Total common shareholders earnings (loss)	17,243	9,633	33,077	(133,637)
Add back:				
Undistributed earnings reallocated from unvested restricted stock awards	—	—	—	—
Total common shareholders earnings (loss), diluted	$ 17,243	$ 9,633	$ 33,077	$ (133,637)
Weighted average common shares outstanding, basic	21,074,683	21,820,190	21,187,341	21,808,475
Dilutive effect of options	—	—	—	—
Weighted average common shares outstanding, diluted	21,074,683	21,820,190	21,187,341	21,808,475
Basic earnings (loss) per common share	$ 0.82	$ 0.44	$ 1.56	$ (6.13)
Diluted earnings (loss) per common share	$ 0.82	$ 0.44	$ 1.56	$ (6.13)
Antidilutive stock options [(1)]	151,467	249,277	151,467	249,277

(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.

NOTE 12 – 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 1).

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).

Collateral dependent loans. Collateral dependent loans are reviewed individually for estimated credit losses. For collateral dependent loans for which repayment is expected to be provided substantially through the operation or sale of the collateral, the Company estimates expected credit losses based on the fair value of the collateral, adjusted for estimated costs to sell when repayment is expected from sale. The fair value of collateral is generally based on independent appraisals, broker price opinions, observable market data, or other valuation techniques, as adjusted for changes in market conditions, collateral condition, liquidation costs, and other relevant factors. Measurements based on observable market information with no significant unobservable adjustments are classified as Level 2. Measurements that include significant unobservable inputs, including management adjustments to appraised values, liquidation discounts, collateral condition assumptions, guarantor support, or discounted cash flow assumptions, are classified as 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 OREO 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 June 30, 2026 and December 31, 2025, are summarized below:

	June 30, 2026			
(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:				
Assets				
Investment securities available for sale:				
U.S. government sponsored entities and U.S. agency securities	$ 37,524	$ —	$ 37,524	$ —
Mortgage-backed securities - agency	1,306,345	—	1,306,345	—
Mortgage-backed securities - non-agency	92,762	—	92,762	—
Asset-backed student loans	19,130	—	19,130	—
State and municipal securities	71,432	—	71,432	—
Collateralized loan obligations	84,486	—	84,486	—
Corporate securities	41,781	—	41,781	—
Equity securities	3,853	3,853	—	—
Residential loans held for sale	8,944	—	8,944	—
Credit enhancement asset	13,642	—	—	13,642
Derivative assets	3,544	—	3,544	—
Total	$ 1,683,443	$ 3,853	$ 1,665,948	$ 13,642
Liabilities				
Derivative liabilities	$ 1,904	$ —	$ 1,904	$ —
Total	$ 1,904	$ —	$ 1,904	$ —
Assets measured at fair value on a non-recurring basis:				
Collateral dependent loans:				
Commercial	$ 9,454	$ —	$ —	$ 9,454
Commercial real estate	35,170	—	—	35,170
Construction and land development	1,588	—	—	1,588
Residential real estate	814	—	—	814
Other real estate owned	356	—	—	356

(dollars in thousands)	December 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:				
Assets				
Investment securities available for sale:				
U.S. government sponsored entities and U.S. agency securities	$ 19,823	$ —	$ 19,823	$ —
Mortgage-backed securities - agency	1,193,750	—	1,193,750	—
Mortgage-backed securities - non-agency	97,089	—	97,089	—
Asset-backed student loans	34,215	—	34,215	—
State and municipal securities	73,458	—	73,458	—
Collateralized loan obligations	46,854	—	46,854	—
Corporate securities	57,812	—	57,812	—
Equity securities	4,235	4,235	—	—
Residential loans held for sale	7,781	—	7,781	—
Credit enhancement asset	12,557	—	—	12,557
Derivative assets	3,451	—	3,451	—
Total	$ 1,551,025	$ 4,235	$ 1,534,233	$ 12,557
Liabilities				
Derivative liabilities	$ 4,999	$ —	$ 4,999	$ —
Total	$ 4,999	$ —	$ 4,999	$ —
Assets measured at fair value on a non-recurring basis:				
Collateral dependent loans:				
Commercial	$ 8,136	$ —	$ —	$ 8,136
Commercial real estate	40,324	—	—	40,324
Residential real estate	592	—	—	592
Other real estate owned	606	—	—	606

The following table presents losses recognized on assets measured at fair value on a nonrecurring basis for the three and six months ended June 30, 2026 and 2025:

	Three Months Ended June 30,		Six Months Ended June 30,	
(dollars in thousands)	2026	2025	2026	2025
Collateral dependent loans	$ 7,843	$ 8,281	$ 9,013	$ 10,293
Total losses on assets measured on a nonrecurring basis	$ 7,843	$ 8,281	$ 9,013	$ 10,293

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 June 30, 2026 and December 31, 2025:

(dollars in thousands)	Fair value	Valuation technique	Unobservable input / assumptions	Discount Rate Range (weighted average) [(1)]
June 30, 2026				
Collateral dependent loans:				
Commercial	$ 9,454	Fair value of collateral	Discount for type of property, age of appraisal, and/or current status	0.00%- 0.00% (0.00%)
Commercial real estate	35,170	Fair value of collateral	Discount for type of property, age of appraisal, and/or current status	0.00% - 100.00% (1.87%)
Construction and land development	1,588	Fair value of collateral	Discount for type of property, age of appraisal, and/or current status	0.00% - 0.00% (0.00%)
Residential real estate	814	Fair value of collateral	Discount for type of property, age of appraisal, and/or current status	0.00%- 0.00% (0.00%)
Other real estate owned	356	Fair value of collateral	Discount for type of property, age of appraisal, and/or current status	7.54% - 71.57% (53.51%)
December 31, 2025				
Collateral dependent loans:				
Commercial	$ 8,136	Fair value of collateral	Discount for type of property, age of appraisal, and/or current status	0.00% - 0.00% (0.00%)
Commercial real estate	40,324	Fair value of collateral	Discount for type of property, age of appraisal, and/or current status	0.00% - 100.00% (4.79%)
Residential real estate	592	Fair value of collateral	Discount for type of property, age of appraisal, and/or current status	0.00% - 0.00% (0.00%)
Other real estate owned	606	Fair value of collateral	Discount for type of property, age of appraisal, and/or current status	54.10% - 70.67% (58.17%)

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

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 June 30, 2026 and December 31, 2025:

	June 30, 2026			December 31, 2025		
(dollars in thousands)	Aggregate fair value	Difference	Contractual principal	Aggregate fair value	Difference	Contractual principal
Residential loans held for sale	$ 8,944	$ 335	$ 8,609	$ 7,781	$ 390	$ 7,391

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 and six months ended June 30, 2026 and 2025:

	Three Months Ended June 30,		Six Months Ended June 30,	
(dollars in thousands)	2026	2025	2026	2025
Residential loans held for sale	$ 203	$ 48	$ (34)	$ 135

The carrying values and estimated fair value of certain financial instruments not carried at fair value at June 30, 2026 and December 31, 2025 were as follows:

	June 30, 2026				
(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)
Assets					
Cash and due from banks	$ 298,244	$ 298,244	$ 298,244	$ —	$ —
Federal funds sold	503	503	503	—	—
Loans, net	4,181,185	4,064,819	—	—	4,064,819
Accrued interest receivable	23,676	23,676	—	23,676	—
Liabilities					
Deposits	$ 5,707,278	$ 5,700,814	$ —	$ 5,700,814	$ —
Short-term borrowings	7,645	7,645	—	7,645	—
FHLB and other borrowings	258,000	255,281	—	255,281	—
Subordinated debt	27,030	22,906	—	22,906	—
Trust preferred debentures	52,219	48,482	—	48,482	—

	December 31, 2025				
(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)
Assets					
Cash and due from banks	$ 127,279	$ 127,279	$ 127,279	$ —	$ —
Federal funds sold	532	532	532	—	—
Loans, net	4,282,785	4,229,483	—	—	4,229,483
Accrued interest receivable	23,824	23,824	—	23,824	—
Liabilities					
Deposits	$ 5,424,379	$ 5,421,497	$ —	$ 5,421,497	$ —
Short-term borrowings	60,181	60,181	50,000	10,181	—
FHLB and other borrowings	293,000	295,047	—	295,047	—
Subordinated debt	27,019	23,005	—	23,005	—
Trust preferred debentures	51,857	48,626	—	48,626	—

The methods utilized to measure fair value of financial instruments at June 30, 2026 and December 31, 2025 represent an approximation of exit price; however, an actual exit price may differ.

NOTE 13 – 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 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 Company 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 June 30, 2026 and December 31, 2025 were as follows:

(dollars in thousands)	June 30, 2026	December 31, 2025
Commitments to extend credit	$ 807,960	$ 821,801
Financial guarantees – standby letters of credit	30,726	30,808

NOTE 14 – 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. Pre-tax 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; 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 2025 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 and six months ended June 30, 2026 and 2025 was as follows:

(dollars in thousands)	Banking	Wealth Management	Corporate	Total
Three Months Ended June 30, 2026				
Interest income	$ 88,177	$ —	$ —	$ 88,177
Interest expense	27,212	14	1,362	28,588
Net interest income (expense)	60,965	(14)	(1,362)	59,589
Provision for credit losses	6,819	—	—	6,819
Wealth management revenue	—	8,768	—	8,768
Other noninterest income	16,344	—	(1,344)	15,000
Total noninterest income	16,344	8,768	(1,344)	23,768
Salaries and employee benefits	22,667	4,687	—	27,354
Depreciation expense	1,202	11	—	1,213
Amortization of intangible assets	430	234	—	664
Other noninterest expense [1]	20,382	1,611	(469)	21,524
Total noninterest expense	44,681	6,543	(469)	50,755
Income (loss) before income taxes	25,809	2,211	(2,237)	25,783
Income tax expense (benefit)	5,457	890	(452)	5,895
Net income (loss)	$ 20,352	$ 1,321	$ (1,785)	$ 19,888
Total assets	$ 6,714,958	$ 39,127	$ (53,469)	$ 6,700,616
Six Months Ended June 30, 2026				
Interest income	$ 174,199	$ —	$ —	$ 174,199
Interest expense	54,450	34	2,709	57,193
Net interest income (expense)	119,749	(34)	(2,709)	117,006
Provision for credit losses	11,822	—	—	11,822
Wealth management revenue	—	17,016	—	17,016
Other noninterest income	31,350	—	(2,476)	28,874
Total noninterest income	31,350	17,016	(2,476)	45,890
Salaries and employee benefits	44,430	9,081	—	53,511
Depreciation expense	2,408	22	—	2,430
Amortization of intangible assets	901	480	—	1,381
Other noninterest expense [1]	41,400	3,426	(969)	43,857
Total noninterest expense	89,139	13,009	(969)	101,179
Income (loss) before income taxes (benefit)	50,138	3,973	(4,216)	49,895
Income tax expense	10,762	1,649	(867)	11,544
Net income (loss)	$ 39,376	$ 2,324	$ (3,349)	$ 38,351
Total assets	$ 6,714,958	$ 39,127	$ (53,469)	$ 6,700,616

(dollars in thousands)	Banking	Wealth Management	Corporate	Total
Three Months Ended June 30, 2025				
Interest income	$ 97,924	$ —	$ —	$ 97,924
Interest expense	36,879	18	2,332	39,229
Net interest income (expense)	61,045	(18)	(2,332)	58,695
Provision for credit losses	17,369	—	—	17,369
Wealth management revenue	—	7,379	—	7,379
Other noninterest income	16,972	—	(817)	16,155
Total noninterest income	16,972	7,379	(817)	23,534
Salaries and employee benefits	21,330	4,355	—	25,685
Depreciation expense	1,207	11	—	1,218
Amortization of intangible assets	572	255	—	827
Other noninterest expense (1)	21,297	1,715	(750)	22,262
Total noninterest expense	44,406	6,336	(750)	49,992
Income (loss) before income taxes	16,242	1,025	(2,399)	14,868
Income tax expense (benefit)	3,037	528	(721)	2,844
Net income (loss)	$ 13,205	$ 497	$ (1,678)	$ 12,024
Total assets	$ 7,114,866	$ 33,786	$ (40,774)	$ 7,107,878
Six Months Ended June 30, 2025				
Interest income	$ 197,279	$ —	$ —	$ 197,279
Interest expense	75,609	35	4,650	80,294
Net interest income (expense)	121,670	(35)	(4,650)	116,985
Provision for credit losses	28,219	—	—	28,219
Wealth management revenue	—	14,729	—	14,729
Other noninterest income	28,322	—	(1,754)	26,568
Total noninterest income	28,322	14,729	(1,754)	41,297
Salaries and employee benefits	44,244	7,857	—	52,101
Depreciation expense	2,435	21	—	2,456
Amortization of intangible assets	1,216	522	—	1,738
Impairment on goodwill	153,977	—	—	153,977
Other noninterest expense (1)	40,833	3,431	(1,539)	42,725
Total noninterest expense	242,705	11,831	(1,539)	252,997
Income (loss) before income taxes (benefit)	(120,932)	2,863	(4,865)	(122,934)
Income tax expense (benefit)	6,144	1,288	(1,416)	6,016
Net income (loss)	$ (127,076)	$ 1,575	$ (3,449)	$ (128,950)
Total assets	$ 7,114,866	$ 33,786	$ (40,774)	$ 7,107,878

(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 15 – 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 and six months ended June 30, 2026 and 2025:

	Three Months Ended June 30,		Six Months Ended June 30,	
(dollars in thousands)	**2026**	**2025**	**2026**	**2025**
Noninterest income - in-scope of Topic 606				
Wealth management revenue:				
Trust management/administration fees	$ 7,672	$ 6,435	$ 14,842	$ 12,879
Investment advisory and brokerage fees	619	522	1,272	1,004
Other	477	422	902	846
Service charges on deposit accounts:				
Nonsufficient fund fees	2,162	2,018	4,250	3,971
Other	1,287	1,333	2,554	2,685
Interchange revenues	3,553	3,463	7,081	6,614
Other income:				
Merchant services revenue	345	359	679	697
Other	452	823	1,096	1,116
Noninterest income - out-of-scope of Topic 606	7,201	8,159	13,214	11,485
Total noninterest income	$ 23,768	$ 23,534	$ 45,890	$ 41,297

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, 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

Management's discussion and analysis explains the significant factors affecting the Company's financial condition and results of operations as reflected in the unaudited consolidated balance sheet as of June 30, 2026, as compared to December 31, 2025, and unaudited consolidated operating results for the three and six months ended June 30, 2026 and 2025. This discussion should be read in conjunction with the Company's unaudited consolidated financial statements and accompanying notes included in this Form 10-Q and the audited financial statements and accompanying notes provided in our Annual Report on Form 10-K for the year ended December 31, 2025, filed with the SEC on March 2, 2026.

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; the impact of federal trade policy, inflation, deposit volatility and potential regulatory developments; the performance of our loan portfolio and our ability to manage credit risk; changes in the financial markets; the effects of armed conflict, including the scope and duration of disruptions in global energy markets relating to war in the Middle East; changes in the business environment resulting from the adoption of artificial intelligence, including fraud and cybersecurity risk; operational risks, including with respect to fraud and information technology; 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. and state 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,” "should," “propose,” “may,” “plan,” “seek,” “expect,” “intend,” “estimate,” “anticipate,” “believe,” “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 greatest 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, 2025.

For additional information regarding critical accounting estimates, see the section titled “Critical Accounting Estimates” included in Item 7 of our Annual Report on Form 10-K for the year ended December 31, 2025. There have been no material changes in the Company’s application of critical accounting estimates since December 31, 2025.

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.

Factors Affecting Comparability

Each factor listed below affects the comparability of our results of operations for the three and six months ended June 30, 2026 and 2025, and our financial condition as of June 30, 2026 and December 31, 2025, and may affect the comparability of financial information we report in future fiscal periods.

Sale of equipment finance portfolio. During the fourth quarter of 2025, we sold substantially all of our equipment finance portfolio resulting in a loss on sale of $21.4 million. As previously disclosed, we ceased originating new equipment finance loans and leases effective as of September 30, 2025.

Redemption of Subordinated Notes. On September 30, 2025, we redeemed all of our outstanding Fixed-to-Floating Rate Subordinated Notes due September 30, 2029, with an interest rate of 7.91%, which had an aggregate principal amount of $50.8 million. The aggregate redemption price was 100% of the aggregate principal amount of the subordinated notes, plus accrued and unpaid interest.

Goodwill impairment. During the first quarter of 2025, we determined that a triggering event had occurred at our Banking reporting unit as a result of further deteriorated credit quality coupled with trends in our stock price. We performed a quantitative impairment test on our 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 our Banking reporting unit. As a result of the assessment, we 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.

Results of Operations

Overview. The following table sets forth condensed income statement information of the Company for the three and six months ended June 30, 2026 and 2025:

	Three Months Ended June 30,		Six Months Ended June 30,	
(dollars in thousands, except per share data)	**2026**	**2025**	**2026**	**2025**
Income Statement Data:				
Interest income	$ 88,177	$ 97,924	$ 174,199	$ 197,279
Interest expense	28,588	39,229	57,193	80,294
Net interest income	59,589	58,695	117,006	116,985
Provision for credit losses	6,819	17,369	11,822	28,219
Noninterest income	23,768	23,534	45,890	41,297
Noninterest expense	50,755	49,992	101,179	252,997
Income (loss) before income taxes	25,783	14,868	49,895	(122,934)
Income tax expense	5,895	2,844	11,544	6,016
Net income (loss)	19,888	12,024	38,351	(128,950)
Preferred dividends	2,228	2,228	4,456	4,456
Net income (loss) available to common shareholders	$ 17,660	$ 9,796	$ 33,895	$ (133,406)
Per Share Data:				
Basic earnings (loss) per common share	$ 0.82	$ 0.44	$ 1.56	$ (6.13)
Diluted earnings (loss) per common share	$ 0.82	$ 0.44	$ 1.56	$ (6.13)
Performance Metrics:				
Return on average assets	1.22 %	0.67 %	1.19 %	(3.56)%
Return on average shareholders' equity	14.20 %	8.43 %	13.67 %	(40.41)%

Net income for the second quarter of 2026 was $19.9 million, or $0.82 per diluted common share, compared with net income of $12.0 million, or $0.44 per diluted common share, in the second quarter of 2025. The increase reflected a $0.9 million increase in net interest income, a $10.6 million decrease in provision for credit losses, and a $0.2 million increase in noninterest income. These benefits were partially offset by a $0.8 million increase in noninterest expense, and a $3.1 million increase in income tax expense.

Net income for the first six months of 2026 was $38.4 million, or $1.56 per diluted common share, compared with a net loss of $129.0 million, or a diluted loss per common share of $6.13, in the first six months of 2025. The increase reflected a $151.8 million decrease in noninterest expense (which included the prior year goodwill impairment charge), a $16.4 million decrease in provision for credit losses, and a $4.6 million increase in noninterest income. These benefits were partially offset by a $5.5 million increase in income tax expense. Net interest income was essentially unchanged.

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 both 2026 and 2025.

The Federal Reserve held its interest rates steady during the second quarter of 2026 by maintaining the target range for the federal funds rate at 3.50% to 3.75%. Interest rates have remained unchanged following the three 25-basis-point rate reductions in September, October and December 2025. The FOMC recently noted indicators suggest economic activity has continued to expand at a solid pace, labor market conditions remain solid, and the unemployment rate remains low, while inflation continues to be somewhat elevated. The Committee reiterated that future monetary policy decisions will continue to depend on incoming economic data, the evolving economic outlook, and the balance of risks to its dual mandate of maximum employment and price stability. As a result, the future path of interest rates remains uncertain and will continue to influence loan and deposit repricing, funding costs, and the Company's net interest income and net interest margin.

For the second quarter of 2026, net interest income, on a tax-equivalent basis, increased $0.8 million to $59.8 million, and tax-equivalent net interest margin increased 42 basis points to 3.98% compared to the second quarter of 2025.

For the first six months of 2026, net interest income, on a tax-equivalent basis, was essentially unchanged at $117.4 million, while tax-equivalent net interest margin increased 42 basis points to 3.94% compared to the first six months of 2025.

Average Balance Sheet, Interest and Yield/Rate Analysis. The following table presents average balances, interest income and expense and the corresponding average yields earned and rates paid for the three and six months ended June 30, 2026 and 2025. 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.

	Three Months Ended June 30,					
	2026			2025		
(tax-equivalent basis, dollars in thousands)	Average balance	Interest & fees	Yield/ Rate	Average balance	Interest & fees	Yield/ Rate
Interest-earning assets:						
Federal funds sold and cash investments	$ 108,157	$ 987	3.66 %	$ 67,326	$ 716	4.27 %
Investment securities:						
Taxable investment securities	1,557,416	18,989	4.89	1,309,821	16,618	5.09
Investment securities exempt from federal income tax (1)	60,058	551	3.68	57,359	546	3.82
Total investment securities	1,617,474	19,540	4.85	1,367,180	17,164	5.04
Loans:						
Loans (2)	4,229,736	66,761	6.33	5,063,295	78,514	6.22
Loans exempt from federal income tax (1)	38,432	434	4.53	60,263	726	4.83
Total loans	4,268,168	67,195	6.31	5,123,558	79,240	6.20
Loans held for sale	8,431	128	6.10	44,642	377	3.39
Nonmarketable equity securities	30,285	534	7.07	38,803	694	7.17
Total interest-earning assets	6,032,515	88,384	5.88	6,641,509	98,191	5.93
Noninterest-earning assets	495,663			513,801		
Total assets	$ 6,528,178			$ 7,155,310		
Interest-bearing liabilities:						
Deposits:						
Checking and money market deposits	$ 3,244,338	$ 18,469	2.28 %	$ 3,342,014	$ 23,539	2.83 %
Savings deposits	536,329	621	0.46	516,797	326	0.25
Time deposits	706,933	5,188	2.94	821,322	6,702	3.27
Brokered time deposits	25,097	248	3.96	165,476	1,723	4.18
Total interest-bearing deposits	4,512,697	24,526	2.18	4,845,609	32,290	2.67
Short-term borrowings	28,521	202	2.84	60,117	573	3.82
FHLB advances	249,044	2,349	3.78	363,505	3,766	4.16
Subordinated debt	27,027	380	5.64	77,757	1,394	7.19
Trust preferred debentures	52,128	1,131	8.70	51,439	1,206	9.40
Total interest-bearing liabilities	4,869,417	28,588	2.35	5,398,427	39,229	2.91
Noninterest-bearing liabilities:						
Noninterest-bearing deposits	1,012,592			1,075,945		
Other noninterest-bearing liabilities	84,416			108,819		
Total noninterest-bearing liabilities	1,097,008			1,184,764		
Shareholders' equity	561,753			572,119		
Total liabilities and shareholders' equity	$ 6,528,178			$ 7,155,310		
Net interest income / net interest margin (3)		$ 59,796	3.98 %		$ 58,962	3.56 %

(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 and $0.3 million for the three months ended June 30, 2026 and 2025, respectively.
(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.

(tax-equivalent basis, dollars in thousands)	Six Months Ended June 30, 2026 Average balance	2026 Interest & fees	2026 Yield/ Rate	2025 Average balance	2025 Interest & fees	2025 Yield/ Rate
Interest-earning assets:						
Federal funds sold and cash investments	$ 98,836	$ 1,796	3.66 %	$ 67,995	$ 1,434	4.25 %
Investment securities:						
Taxable investment securities	1,544,150	37,139	4.85	1,282,053	31,593	4.97
Investment securities exempt from federal income tax (1)	60,872	1,103	3.65	57,633	1,088	3.81
Total investment securities	1,605,022	38,242	4.80	1,339,686	32,681	4.92
Loans:						
Loans (2)	4,220,911	132,320	6.32	5,038,964	156,182	6.25
Loans exempt from federal income tax (1)	40,372	919	4.59	51,694	1,177	4.59
Total loans	4,261,283	133,239	6.31	5,090,658	157,359	6.23
Loans held for sale	7,666	230	6.06	184,717	4,940	5.39
Nonmarketable equity securities	30,913	1,117	7.29	37,217	1,341	7.27
Total interest-earning assets	6,003,720	174,624	5.87	6,720,273	197,755	5.93
Noninterest-earning assets	495,946			590,446		
Total assets	$ 6,499,666			$ 7,310,719		
Interest-bearing liabilities:						
Deposits:						
Checking and money market deposits	$ 3,208,417	$ 36,500	2.29 %	$ 3,425,642	$ 48,679	2.87 %
Savings deposits	513,826	942	0.37	516,791	655	0.26
Time deposits	721,395	10,729	3.00	821,513	13,533	3.32
Brokered time deposits	28,214	558	3.99	195,423	4,038	4.17
Total interest-bearing deposits	4,471,852	48,729	2.20	4,959,369	66,905	2.72
Short-term borrowings	30,866	433	2.83	66,904	1,273	3.84
FHLB advances	261,177	5,019	3.88	331,718	6,929	4.21
Subordinated debt	27,024	760	5.67	77,754	2,781	7.21
Trust preferred debentures	52,039	2,252	8.73	51,362	2,406	9.45
Total interest-bearing liabilities	4,842,958	57,193	2.38	5,487,107	80,294	2.95
Noninterest-bearing liabilities:						
Noninterest-bearing deposits	1,004,961			1,063,937		
Other noninterest-bearing liabilities	86,151			116,175		
Total noninterest-bearing liabilities	1,091,112			1,180,112		
Shareholders' equity	565,596			643,500		
Total liabilities and shareholders' equity	$ 6,499,666			$ 7,310,719		
Net interest income / net interest margin (3)		$ 117,431	3.94 %		$ 117,461	3.52 %

(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 $0.4 million and $0.5 million for the six months ended June 30, 2026 and 2025, respectively.
(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.

	Three Months Ended June 30, 2026 compared with Three Months Ended June 30, 2025			Six Months Ended June 30, 2026 compared with Six Months Ended June 30, 2025		
	Change due to:			Change due to:		
(tax-equivalent basis, dollars in thousands)	Volume	Rate	Interest Variance	Volume	Rate	Interest Variance
Interest-earning assets:						
Federal funds sold and cash investments	$ 403	$ (132)	$ 271	$ 605	$ (243)	$ 362
Investment securities:						
Taxable investment securities	3,085	(714)	2,371	6,411	(865)	5,546
Investment securities exempt from federal income tax	26	(21)	5	60	(45)	15
Total investment securities	3,111	(735)	2,376	6,471	(910)	5,561
Loans:						
Loans	(13,036)	1,283	(11,753)	(25,495)	1,633	(23,862)
Loans exempt from federal income tax	(255)	(37)	(292)	(258)	—	(258)
Total loans	(13,291)	1,246	(12,045)	(25,753)	1,633	(24,120)
Loans held for sale	(431)	182	(249)	(5,031)	321	(4,710)
Nonmarketable equity securities	(151)	(9)	(160)	(227)	3	(224)
Total interest-earning assets	(10,359)	552	(9,807)	(23,935)	804	(23,131)
Interest-bearing liabilities:						
Checking and money market deposits	(622)	(4,448)	(5,070)	(2,779)	(9,400)	(12,179)
Savings deposits	17	278	295	(5)	292	287
Time deposits	(886)	(628)	(1,514)	(1,569)	(1,235)	(2,804)
Brokered deposits	(1,423)	(52)	(1,475)	(3,381)	(99)	(3,480)
Total interest-bearing deposits	(2,914)	(4,850)	(7,764)	(7,734)	(10,442)	(18,176)
Short-term borrowings	(263)	(108)	(371)	(596)	(244)	(840)
FHLB advances	(1,133)	(284)	(1,417)	(1,414)	(496)	(1,910)
Subordinated debt	(812)	(202)	(1,014)	(1,618)	(403)	(2,021)
Trust preferred debentures	16	(91)	(75)	30	(184)	(154)
Total interest-bearing liabilities	(5,106)	(5,535)	(10,641)	(11,332)	(11,769)	(23,101)
Net interest income	$ (5,253)	$ 6,087	$ 834	$ (12,603)	$ 12,573	$ (30)

Interest Income. Interest income, on a tax-equivalent basis, decreased $9.8 million to $88.4 million for the second quarter of 2026 compared to the same period in 2025, primarily due to a decline in average interest-earning assets. The yield on interest-earning assets decreased five basis points to 5.88% from 5.93%.

Average interest-earning assets decreased $609.0 million to $6.03 billion in the second quarter of 2026 compared to the same period in 2025. A decrease in average loans of $855.4 million was partially offset by an increase in average investment securities of $250.3 million.

Average loans decreased $855.4 million in the second quarter of 2026 compared to the same period in 2025. During the fourth quarter of 2025, the Company sold substantially all of its equipment finance portfolio. As a result, equipment finance loan and lease average balances decreased $685.1 million (to $47.6 million) in the second quarter of 2026. Proceeds from the sale of substantially all of the portfolio were used to purchase investment securities and reduce higher-cost funding for the Company.

For the first six months of 2026, interest income, on a tax-equivalent basis, decreased $23.1 million to $174.6 million compared to the same period in 2025, primarily due to a decline in average interest-earning assets. The yield on interest-earning assets decreased six basis points to 5.87% from 5.93%.

Average interest-earning assets decreased $716.6 million to $6.00 billion in the first six months of 2026 compared to the same period in 2025. Average loans and average loans held for sale decreased $829.4 million and $177.1 million, respectively. These decreases were partially offset by an increase in average investment securities of $265.3 million.

Average loans decreased $829.4 million in the first six months of 2026 compared to the same period in 2025, primarily due to the sale of substantially all of its equipment finance portfolio during the fourth quarter of 2025. As a result, equipment finance loan and lease average balances decreased $706.8 million (to $51.5 million) in the first six months of 2026.

The $184.7 million of average loans held for sale in the first six months of 2025 included $178.0 million of GreenSky consumer loans. The Company completed the sale of this portfolio in the second quarter of 2025.

Interest Expense. Interest expense decreased $10.6 million to $28.6 million for the second quarter of 2026 compared to the same period in 2025. The cost of interest-bearing liabilities decreased to 2.35% from 2.91% due to a decrease in both rates paid on deposits and average balances.

Interest expense on deposits decreased $7.8 million to $24.5 million for the second quarter of 2026 compared to the same period in 2025, driven primarily by the rate cuts enacted by the Federal Reserve Bank beginning in late 2024 and a decrease in average balances.

Average balances of interest-bearing deposit accounts decreased $332.9 million to $4.51 billion in the second quarter of 2026 compared to the same period in 2025. Proceeds from the sales of substantially all of our equipment financing portfolio and non-core consumer loan portfolios in 2025 were used to reduce higher-cost funding for the Company, including servicing deposits and brokered deposits.

Interest expense on FHLB advances decreased $1.4 million in the second quarter of 2026 compared to the same period in 2025, due to a decrease in both rates paid on FHLB advances and average balances.

Interest expense on subordinated debt decreased $1.0 million in the second quarter of 2026 compared to the same period in 2025, driven primarily by a decrease in average balances of $50.7 million, due to the redemption of $50.8 million of debt in September 2025.

For the first six months of 2026, interest expense decreased $23.1 million to $57.2 million compared to the same period in 2025. The cost of interest-bearing liabilities decreased to 2.38% from 2.95% due to a decrease in both the rates paid on deposits and average balances.

Interest expense on deposits decreased $18.2 million to $48.7 million for the first six months of 2026 compared to the same period in 2025, driven primarily by the rate cuts enacted by the Federal Reserve Bank beginning in late 2024 and a decrease in average balances.

Average balances of interest-bearing deposit accounts decreased $487.5 million to $4.47 billion for the first six months of 2026 compared to the same period in 2025.

Interest expense on FHLB advances decreased $1.9 million for the first six months of 2026 compared to the same period in 2025, due to a decrease in both rates paid on FHLB advances and average balances.

Interest expense on subordinated debt decreased $2.0 million for the first six months of 2026 compared to the same period in 2025, driven primarily by a decrease in average balances of $50.7 million, due to the redemption of $50.8 million of debt in September 2025.

Provision for Credit Losses. The provision for credit losses totaled $6.8 million and $17.4 million for the three months ended June 30, 2026 and 2025, respectively. For the six months ended June 30, 2026 and 2025, the Company recorded provision expense of $11.8 million and $28.2 million, respectively. Provision expense for the three and six months ended June 30, 2026 included recapture of provision for credit losses on unfunded commitments of $0.3 million and $0.7 million, respectively. The decrease in provision for credit losses for the three and six months ended June 30, 2026, compared to the same periods in 2025, was due in part to the sale of the equipment finance portfolio that occurred in late 2025, and the Company's continued efforts to remediate nonperforming loans and improve credit underwriting.

The provision for credit losses on loans recognized during the three and six months ended June 30, 2026 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. The following table presents the major components of our noninterest income for the three and six months ended June 30, 2026 and 2025:

(dollars in thousands)	Three Months Ended June 30, 2026	Three Months Ended June 30, 2025	Increase (decrease)	Six Months Ended June 30, 2026	Six Months Ended June 30, 2025	Increase (decrease)
Noninterest income:						
Wealth management revenue	$ 8,768	$ 7,379	$ 1,389	$ 17,016	$ 14,729	$ 2,287
Service charges on deposit accounts	3,449	3,351	98	6,804	6,656	148
Interchange revenue	3,553	3,463	90	7,081	6,614	467
Residential mortgage banking revenue	686	756	(70)	1,312	1,432	(120)
Income on company-owned life insurance	2,127	2,068	59	4,203	4,402	(199)
Loss on sales of investment securities, net	—	—	—	(1,731)	—	(1,731)
Credit enhancement income	3,081	3,848	(767)	6,441	3,270	3,171
Other income	2,104	2,669	(565)	4,764	4,194	570
Total noninterest income	$ 23,768	$ 23,534	$ 234	$ 45,890	$ 41,297	$ 4,593

Wealth management revenue. Wealth management revenue increased $1.4 million, or 18.8%, and $2.3 million, or 15.5%, for the three and six months ended June 30, 2026, respectively, compared to the same periods in 2025, driven by growth in assets under administration. Assets under administration increased 14.4% to $4.78 billion at June 30, 2026 from $4.18 billion at June 30, 2025.

Credit enhancement income. In 2025 and through December 30, 2025, the Company was party to one third-party loan origination program, wherein the third-party provider offered various credit enhancements with respect to loans originated under the program, including contributions to reserve accounts, yield maintenance and certain other payments. When the allowance for credit losses on loans was recorded, a credit enhancement derivative was also recorded on our balance sheet with a corresponding entry to credit enhancement income in recognition of the partner's legal commitment to indemnify or reimburse the Company. The credit enhancement asset was relieved as credit enhancement payments and recoveries were received from the partner or taken from the partner's cash reserve account. Effective December 31, 2025, the Company modified its third-party lending and servicing arrangements with its sole partner, eliminating the credit enhancement derivative. The new arrangements provide a credit enhancement by the partner which protects the Company by indemnifying or reimbursing incurred losses. We estimate and record an allowance for expected credit losses and a corresponding credit enhancement asset on the balance sheet through credit enhancement income.

The Company recognized $3.1 million and $6.4 million of credit enhancement income during the three and six months ended June 30, 2026, respectively, which correlated to a similar amount of provision for credit losses as a result of the new arrangement entered into at December 31, 2025.

Other noninterest income. Other income decreased $0.6 million for the three months ended June 30, 2026, compared to the same period in 2025, driven primarily by the elimination of operating lease revenue due to the sale of our equipment finance portfolio in the fourth quarter of 2025. Operating lease revenue totaled $0.5 million in the second quarter of 2025.

For the six months ended June 30, 2026, other income increased $0.6 million, compared to the same period in 2025. In 2026, the Company recognized $2.1 million in gains from the sale of our residential servicing portfolio and a portion of our commercial servicing portfolio, partially offset by the elimination of operating lease revenue due to the sale of our equipment finance portfolio in the fourth quarter of 2025. Operating lease revenue totaled $1.3 million in the first half of 2025.

Noninterest Expense. The following table sets forth the major components of noninterest expense for the three and six months ended June 30, 2026 and 2025:

	Three Months Ended June 30,		Increase (decrease)	Six Months Ended June 30,		Increase (decrease)
(dollars in thousands)	**2026**	**2025**		**2026**	**2025**	
Noninterest expense:						
Salaries and employee benefits	$ 27,354	$ 25,685	$ 1,669	$ 53,511	$ 52,101	$ 1,410
Occupancy and equipment	4,229	4,166	63	8,764	8,664	100
Data processing	6,994	7,035	(41)	14,059	13,954	105
FDIC insurance	781	1,422	(641)	1,310	2,885	(1,575)
Professional services	1,665	2,792	(1,127)	3,907	5,533	(1,626)
Marketing	1,211	1,283	(72)	2,452	2,076	376
Communications	359	334	25	790	663	127
Loan expense	3,147	1,990	1,157	6,451	3,325	3,126
Loan servicing fees	1,050	1,386	(336)	2,167	2,136	31
Impairment on goodwill	—	—	—	—	153,977	(153,977)
Amortization of intangible assets	664	827	(163)	1,381	1,738	(357)
Other expense	3,301	3,072	229	6,387	5,945	442
Total noninterest expense	$ 50,755	$ 49,992	$ 763	$ 101,179	$ 252,997	$ (151,818)

Salaries and employee benefits. For the three and six months ended June 30, 2026, salaries and employee benefits expense increased $1.7 million and $1.4 million, respectively, compared to the same periods in 2025, primarily due to increased variable compensation expense, including annual bonuses, and increased medical insurance expense. These increases were partially offset by lower severance expense in both periods compared to the same periods in 2025.

FDIC insurance expense. The decrease in FDIC insurance expense for the three and six months ended June 30, 2026, compared to the same periods in 2025 was due to a lower assessment base in both the second quarter and first six months of 2026, a shift in loan mix due to the sale of the equipment finance and non-core loan portfolios in 2025, and a decline in nonperforming loans.

Professional services expense. For the three and six months ended June 30, 2026, professional services expense decreased $1.1 million and $1.6 million, respectively, compared to the same periods in 2025. The Company incurred additional audit and consulting expenses in 2025 as a result of the restatements of prior years' financial statements and as a result of contractual changes in the Company's third-party lending and servicing arrangements.

Loan expense. Effective December 31, 2025, the Company modified its third-party lending and servicing arrangements with its sole partner, whereby the Company pays credit insurance to the program sponsor in exchange for the sponsor to reimburse the Company for incurred loan losses. Incurred losses are recognized as loans are charged-off through the allowance for credit losses. Reimbursements of incurred losses are recognized as a reduction of our credit enhancement asset. Credit insurance expense totaled $2.5 million and $4.7 million for the three and six months ended June 30, 2026, respectively.

Impairment on goodwill. As mentioned previously, the Company recognized $154.0 million of goodwill impairment expense during the first quarter of 2025 in its Banking reporting unit.

Income Tax Expense. Income tax expense was $5.9 million and $11.5 million for the three and six months ended June 30, 2026, respectively, compared to $2.8 million and $6.0 million for the same periods in 2025. Effective tax rates were 22.9% and 23.1% for the three and six months ended June 30, 2026, respectively, compared to 19.1% and 19.4% for the same periods in 2025. The effective tax rate calculation for the six months ended June 30, 2025, excludes the goodwill impairment charge of $154.0 million, as this item is not deductible for tax purposes.

Financial Condition

Assets. Total assets were $6.70 billion at June 30, 2026, as compared to $6.51 billion at December 31, 2025.

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, of which we sold substantially all of our equipment finance portfolio during the fourth quarter of 2025.

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.

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 historically provided 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. As previously disclosed, we ceased originating new equipment finance loans and leases effective as of September 30, 2025.

The following table presents the balance and associated percentage of each major category in our loan portfolio at June 30, 2026 and December 31, 2025:

	June 30, 2026		December 31, 2025	
(dollars in thousands)	**Book Value**	**%**	**Book Value**	**%**
Loans:				
Commercial	$ 1,185,730	27.9 %	$ 1,178,521	27.1 %
Commercial real estate	2,296,978	54.1	2,342,664	53.8
Construction and land development	243,840	5.7	286,140	6.6
Residential real estate	347,664	8.3	349,623	8.0
Consumer	132,406	3.1	144,075	3.3
Lease financing	37,086	0.9	50,981	1.2
Total loans, gross	4,243,704	100.0 %	4,352,004	100.0 %
Allowance for credit losses on loans	(62,519)		(69,219)	
Total loans, net	$ 4,181,185		$ 4,282,785	

Total gross loans decreased $108.3 million, or 2.5%, to $4.24 billion at June 30, 2026, compared to December 31, 2025. The loan portfolio mix remained relatively stable by category during the first six months of 2026, while continuing to shift toward community bank relationships as anticipated runoff occurred in the specialty finance and non-core portfolios.

The following tables present our outstanding loans by business sector at June 30, 2026 and December 31, 2025. 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 include short term financing in anticipation of obtaining permanent secondary market financing. The loans are typically outside of the Company's primary market areas. The Company ceased originations of new construction loans in the fourth quarter of 2024.

- **Non-core and other** includes our third-party origination and servicing programs, our remaining equipment finance portfolio of loans and leases and capital market credits, including loans to finance the sale of the GreenSky portfolio.

	June 30, 2026			
(dollars in thousands)	**Community bank**	**Specialty finance**	**Non-core and other**	**Total**
Commercial	$ 757,472	$ 220,519	$ 207,739	$ 1,185,730
Commercial real estate	1,984,124	309,751	3,103	2,296,978
Construction and land development	243,828	—	12	243,840
Residential real estate	337,121	1,800	8,743	347,664
Consumer	80,685	—	51,721	132,406
Lease financing	—	—	37,086	37,086
Total	$ 3,403,230	$ 532,070	$ 308,404	$ 4,243,704

	December 31, 2025			
(dollars in thousands)	**Community bank**	**Specialty finance**	**Non-core and other**	**Total**
Commercial	$ 688,277	$ 248,112	$ 242,132	$ 1,178,521
Commercial real estate	1,979,383	358,457	4,824	2,342,664
Construction and land development	226,295	59,832	13	286,140
Residential real estate	344,523	1,782	3,318	349,623
Consumer	89,749	—	54,326	144,075
Lease financing	—	—	50,981	50,981
Total	$ 3,328,227	$ 668,183	$ 355,594	$ 4,352,004

The community bank portfolio increased $75.0 million, or 2.25%, between December 31, 2025 and June 30, 2026. This growth was more than offset by the anticipated declines in the specialty finance and non-core and other business sectors of $136.1 million and $47.2 million, respectively.

The following table shows the contractual maturities of our loan portfolio and the distribution between fixed and adjustable interest rate loans at June 30, 2026:

	June 30, 2026								
	Within One Year		One Year to Five Years		Five Years to 15 Years		After 15 Years		
(dollars in thousands)	Fixed Rate	Adjustable Rate	Fixed Rate	Adjustable Rate	Fixed Rate	Adjustable Rate	Fixed Rate	Adjustable Rate	Total
Commercial	$ 111,596	$ 464,128	$ 191,514	$ 100,225	$ 174,669	$ 103,651	$ —	$ 39,947	$ 1,185,730
Commercial real estate	411,865	168,976	835,999	355,627	245,603	259,270	5,114	14,524	2,296,978
Construction and land development	37,955	50,946	20,492	96,556	1,980	35,867	—	44	243,840
Total commercial loans	561,416	684,050	1,048,005	552,408	422,252	398,788	5,114	54,515	3,726,548
Residential real estate	4,638	12,229	5,833	17,912	15,771	37,841	173,012	80,428	347,664
Consumer	18,363	5,161	60,329	433	42,322	5,798	—	—	132,406
Lease financing	4,815	—	31,195	—	1,076	—	—	—	37,086
Total loans	$ 589,232	$ 701,440	$ 1,145,362	$ 570,753	$ 481,421	$ 442,427	$ 178,126	$ 134,943	$ 4,243,704

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 $62.5 million, or 1.47% of total loans, at June 30, 2026, compared to $69.2 million, or 1.59% of total loans, at December 31, 2025. The following table allocates the allowance for credit losses on loans by loan category:

	June 30, 2026		December 31, 2025	
(dollars in thousands)	Allowance	Percent (1)	Allowance	Percent (1)
Commercial	$ 23,142	1.95 %	$ 23,676	2.01 %
Commercial real estate	25,326	1.10	28,284	1.21
Construction and land development	2,010	0.82	2,619	0.92
Total commercial loans	50,478	1.35	54,579	1.43
Residential real estate	5,604	1.61	6,652	1.90
Consumer	3,893	2.94	4,804	3.33
Lease financing	2,544	6.86	3,184	6.25
Total allowance for credit losses on loans	$ 62,519	1.47 %	$ 69,219	1.59 %

(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 June 30, 2026, we incorporated certain macroeconomic variables from the Capital Economics forecast dated June 30, 2026 into our credit loss models. The Capital Economics forecast reflected a generally stable macroeconomic outlook relative to the prior quarter, including modest economic growth and unemployment levels that remained consistent with management's assessment of the economic environment. The forecasted projections included, among other things, (i) U.S. gross domestic product ranging from 1.5% to 2.1% over the next four quarters; (ii) annual consumer price index averaging 3.1% over the next four quarters; and (iii) U.S. unemployment rate averaging 4.3% through the second quarter of 2027. These assumptions resulted in lower modeled loss estimates for certain portfolios. In addition, the relative stability of the economic outlook and the absence of incremental economic risks not otherwise reflected in the models supported management's reduction of certain qualitative adjustments.

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 qualitative 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 June 30, 2026, was approximately 49 basis points of total loans, decreasing from 57 basis points at December 31, 2025. The reduction primarily reflected continued improvement in portfolio credit quality and management's assessment that certain risks requiring qualitative adjustments have moderated since December 31, 2025.

The allowance for credit losses declined during the first six months of 2026 primarily due to charge-offs of previously reserved relationships, continued runoff within certain higher-risk loan portfolios, lower modeled expected credit losses resulting from updated portfolio characteristics and macroeconomic assumptions, and a reduction in qualitative adjustments reflecting continued improvement in portfolio credit quality. These decreases were partially offset by reserves established for Community Bank loan growth.

The allowance allocated to commercial loans totaled $23.1 million, or 1.95% of commercial loans, at June 30, 2026, compared to $23.7 million, or 2.01%, at December 31, 2025. Modeled expected credit losses increased $0.8 million, while qualitative factor adjustments decreased $1.4 million. There were no specific allocations for commercial loans that were evaluated for expected credit losses on an individual basis at June 30, 2026, or December 31, 2025.

The allowance allocated to commercial real estate loans totaled $25.3 million, or 1.10% of commercial real estate loans, at June 30, 2026, compared to $28.3 million, or 1.21%, at December 31, 2025. Commercial real estate loan balances decreased $45.7 million, or 2.0%, during the first six months of 2026. Net charge-offs were $12.3 million for the first six months of 2026, including an $8.6 million charge-off in connection with the execution of a resolution strategy for a previously identified nonperforming commercial real estate relationship. Excluding the effect of charge-offs, modeled expected credit losses increased $0.3 million and qualitative factor adjustments decreased $2.0 million. Specific allocations for loans that were individually evaluated decreased $1.3 million. The commercial real estate portfolio does not include significant exposure to urban office properties.

The allowance allocated to construction and land development loans totaled $2.0 million, or 0.82% of construction and land development loans, at June 30, 2026, compared to $2.6 million, or 0.92%, at December 31, 2025. Construction and land development loan balances decreased $42.3 million, or 14.8%, during the first six months of 2026. Modeled expected credit losses decreased $0.1 million and qualitative factor adjustments decreased $0.5 million. There were no specific allocations for construction loans that were evaluated for expected credit losses on an individual basis at June 30, 2026 or December 31, 2025.

The allowance allocated to residential real estate loans totaled $5.6 million, or 1.61% of residential real estate loans, at June 30, 2026, compared to $6.7 million, or 1.90%, at December 31, 2025. Modeled expected credit losses decreased $1.1 million. There were no specific allocations for residential real estate loans that were evaluated for expected credit losses on an individual basis at June 30, 2026, or December 31, 2025.

The allowance allocated to consumer loans totaled $3.9 million, or 2.94% of consumer loans, at June 30, 2026, compared to $4.8 million, or 3.33%, at December 31, 2025. Consumer loan balances decreased $11.7 million, or 8.1%, during the first six months of 2026. Modeled expected credit losses decreased $0.9 million.

The allowance allocated to the lease portfolio totaled $2.5 million, or 6.86% of commercial leases, at June 30, 2026, compared to $3.2 million, or 6.25%, at December 31, 2025. Commercial lease balances decreased $13.9 million, or 27.26%, during the first six months of 2026. The Company ceased originating leases in September 2025.

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 and six months ended June 30, 2026 and 2025:

	Three Months Ended June 30,		Six Months Ended June 30,	
(dollars in thousands)	**2026**	**2025**	**2026**	**2025**
Balance, beginning of period	$ 67,875	$ 105,176	$ 69,219	$ 111,204
Charge-offs:				
Commercial	3,564	6,161	5,626	19,461
Commercial real estate	8,829	22,453	12,667	23,176
Construction and land development	—	—	35	—
Residential real estate	—	—	65	72
Consumer	549	884	1,445	1,337
Lease financing	334	3,886	1,071	7,334
Total charge-offs	13,276	33,384	20,909	51,380
Recoveries:				
Commercial	153	1,013	627	1,509
Commercial real estate	382	637	383	639
Construction and land development	—	1,029	—	1,030
Residential real estate	70	90	145	108
Consumer	139	357	297	405
Lease financing	67	403	245	956
Total recoveries	811	3,529	1,697	4,647
Net charge-offs	12,465	29,855	19,212	46,733
Provision for credit losses on loans	7,109	17,369	12,512	28,219
Balance, end of period	$ 62,519	$ 92,690	$ 62,519	$ 92,690
Gross loans, end of period	$ 4,243,704	$ 5,035,295	$ 4,243,704	$ 5,035,295
Average total loans	$ 4,268,168	$ 5,123,558	$ 4,261,282	$ 5,090,659
Net charge-offs to average loans (annualized)	1.17 %	2.34 %	0.91 %	1.85 %
Allowance for credit losses to total loans	1.47 %	1.84 %	1.47 %	1.84 %

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 June 30, 2026 and 2025:

	Three Months Ended June 30, 2026			
(dollars in thousands)	Community bank	Specialty finance	Non-core and other	Total charge-offs
Commercial	$ 1,040	$ —	$ 2,524	$ 3,564
Commercial real estate	8,829	—	—	8,829
Construction and land development	—	—	—	—
Residential real estate	—	—	—	—
Consumer	218	—	331	549
Lease financing	—	—	334	334
Total	$ 10,087	$ —	$ 3,189	$ 13,276

	Three Months Ended June 30, 2025			
(dollars in thousands)	Community bank	Specialty finance	Non-core and other	Total charge-offs
Commercial	$ 77	$ 57	$ 6,027	$ 6,161
Commercial real estate	8,642	13,811	—	22,453
Construction and land development	—	—	—	—
Residential real estate	—	—	—	—
Consumer	178	—	706	884
Lease financing	—	—	3,886	3,886
Total	$ 8,897	$ 13,868	$ 10,619	$ 33,384

The following tables present charge-offs by business sector for six months ended June 30, 2026 and 2025:

	Six Months Ended June 30, 2026			
(dollars in thousands)	Community bank	Specialty finance	Non-core and other	Total charge-offs
Commercial	$ 1,081	$ —	$ 4,545	$ 5,626
Commercial real estate	12,667	—	—	12,667
Construction and land development	35	—	—	35
Residential real estate	65	—	—	65
Consumer	439	—	1,006	1,445
Lease financing	—	—	1,071	1,071
Total	$ 14,287	$ —	$ 6,622	$ 20,909

	Six Months Ended June 30, 2025			
(dollars in thousands)	Community bank	Specialty finance	Non-core and other	Total charge-offs
Commercial	$ 83	$ 152	$ 19,226	$ 19,461
Commercial real estate	9,365	13,811	—	23,176
Construction and land development	—	—	—	—
Residential real estate	72	—	—	72
Consumer	360	—	977	1,337
Lease financing	—	—	7,334	7,334
Total	$ 9,880	$ 13,963	$ 27,537	$ 51,380

Charge-offs for the three and six months ended June 30, 2026 were $13.3 million and $20.9 million, respectively, compared to $33.4 million and $51.4 million for the same periods in 2025. The Community Bank commercial real estate charge-offs included $8.6 million in connection with the execution of a resolution strategy for a previously identified nonperforming relationship and a $2.6 million charge-off related to a loan that was sold in the second quarter of 2026.

As previously discussed, the Company ceased originations of new construction loans within its specialty finance sector in the fourth quarter of 2024 and sold a significant portion of its non-core consumer lending portfolios and its equipment finance portfolios. These strategic decisions have resulted in the significant decrease of charge-offs in those sectors.

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

(dollars in thousands)	**June 30, 2026**	**December 31, 2025**
Nonperforming loans:		
Commercial	$ 14,134	$ 14,925
Commercial real estate	38,822	45,333
Construction and land development	1,588	155
Residential real estate	4,413	3,861
Consumer	83	47
Lease financing	1,839	1,162
Total nonperforming loans	60,879	65,483
Other real estate owned and other repossessed assets	356	606
Nonperforming assets	$ 61,235	$ 66,089
Nonperforming loans to total loans	1.43 %	1.50 %
Nonperforming assets to total assets	0.91 %	1.01 %
Allowance for credit losses to nonperforming loans	102.69 %	105.71 %

In 2025, the Company prioritized improving its credit quality by tightening its loan underwriting standards and pursuing opportunities to resolve nonperforming loans, which included the sale of specific loans or portfolios. The Company ceased originations of new construction loans included in the specialty finance portfolio in the fourth quarter of 2024. In the third quarter of 2025, the Company ceased originations in the equipment finance portfolio, selling substantially all of the portfolio during the fourth quarter of 2025. These actions are reflected in the continued reduction of nonperforming loans. Nonperforming loans decreased to $60.9 million, or 1.43% of total loans, at June 30, 2026, compared to $65.5 million, or 1.50% of total loans at December 31, 2025.

Although total nonperforming loans declined, certain categories experienced increases, including construction and land development, residential real estate, and the remaining lease portfolio. In addition, $9.6 million of loans modified for borrowers experiencing financial difficulty during the preceding 12 months were 30–59 days past due at June 30, 2026. Management continues to monitor these relationships and has incorporated their risk characteristics into loan grading, individual evaluations, and the allowance assessment, as applicable.

We did not recognize interest income on nonaccrual loans during the three and six months ended June 30, 2026 or 2025 while the loans were in nonaccrual status.

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 June 30, 2026 and December 31, 2025:

	June 30, 2026		December 31, 2025	
(dollars in thousands)	**Balance**	**Percent**	**Balance**	**Percent**
Investment securities available for sale:				
U.S. government sponsored entities and U.S. agency securities	$ 37,524	2.3 %	$ 19,823	1.3 %
Mortgage-backed securities - agency	1,306,345	79.0	1,193,750	78.4
Mortgage-backed securities - non-agency	92,762	5.6	97,089	6.4
Asset-backed student loans	19,130	1.2	34,215	2.2
State and municipal securities	71,432	4.3	73,458	4.8
Collateralized loan obligations	84,486	5.1	46,854	3.1
Corporate securities	41,781	2.5	57,812	3.8
Total investment securities, available for sale, at fair value	$ 1,653,460	100.0 %	$ 1,523,001	100.0 %

The following table sets forth the book value, maturities and weighted average yields for our investment portfolio at June 30, 2026:

(dollars in thousands)	Balance	Percent	Weighted average yield
Investment securities available for sale:			
U.S. government sponsored entities and U.S. agency securities:			
Maturing within one year	$ —	— %	— %
Maturing in one to five years	—	—	—
Maturing in five to ten years	9,639	0.6	4.78
Maturing after ten years	27,885	1.7	5.26
Total U.S. government sponsored entities and U.S. agency securities	$ 37,524	2.3 %	5.13 %
Mortgage-backed securities - agency:			
Maturing within one year	$ 2	— %	2.31 %
Maturing in one to five years	17,455	1.1	1.70
Maturing in five to ten years	8,668	0.5	3.70
Maturing after ten years	1,280,220	77.4	4.45
Total mortgage-backed securities - agency	$ 1,306,345	79.0 %	4.41 %
Mortgage-backed securities - non-agency:			
Maturing within one year	$ —	— %	— %
Maturing in one to five years	8,463	0.5	6.19
Maturing in five to ten years	—	—	—
Maturing after ten years	84,299	5.1	4.21
Total mortgage-backed securities - non-agency	$ 92,762	5.6 %	4.39 %
Asset-backed student loans:			
Maturing within one year	$ —	— %	— %
Maturing in one to five years	—	—	—
Maturing in five to ten years	—	—	—
Maturing after ten years	19,130	1.2	4.42
Total asset-backed student loans	$ 19,130	1.2 %	4.42 %
State and municipal securities [(1)]:			
Maturing within one year	$ 729	— %	3.04 %
Maturing in one to five years	14,006	0.8	2.33
Maturing in five to ten years	25,442	1.5	2.78
Maturing after ten years	31,255	2.0	5.04
Total state and municipal securities	$ 71,432	4.3 %	3.69 %
Collateralized loan obligations:			
Maturing within one year	$ —	— %	— %
Maturing in one to five years	8,485	0.5	5.32
Maturing in five to ten years	25,000	1.5	5.93
Maturing after ten years	51,001	3.1	5.53
Total collateralized loan obligations	$ 84,486	5.1 %	5.63 %
Corporate securities:			
Maturing within one year	$ 3,027	0.2 %	8.67 %
Maturing in one to five years	23,946	1.4	5.33
Maturing in five to ten years	11,785	0.7	5.47
Maturing after ten years	3,023	0.2	6.20
Total corporate securities	$ 41,781	2.5 %	5.67 %
Total investment securities, available for sale, at fair value	$ 1,653,460	100.0 %	4.49 %

(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 June 30, 2026:

(dollars in thousands)	Amortized cost	Fair value	Average credit rating AAA	AA+/-	A+/-	BBB+/-	<BBB-	Not Rated
Investment securities available for sale:								
U.S. government sponsored entities and U.S. agency securities	$ 37,522	$ 37,524	$ —	$ 37,524	$ —	$ —	$ —	$ —
Mortgage-backed securities - agency	1,390,919	1,306,345	—	1,306,345	—	—	—	—
Mortgage-backed securities - non-agency	94,088	92,762	4,520	88,242	—	—	—	—
Asset-backed student loans	19,201	19,130	—	19,130	—	—	—	—
State and municipal securities	74,999	71,432	6,919	61,905	170	—	—	2,438
Collateralized loan obligations	84,552	84,486	84,486	—	—	—	—	—
Corporate securities	42,697	41,781	—	—	11,384	27,953	—	2,444
Total investment securities, available for sale	$ 1,743,978	$ 1,653,460	$ 95,925	$ 1,513,146	$ 11,554	$ 27,953	$ —	$ 4,882

Liabilities. At June 30, 2026, liabilities totaled $6.13 billion compared to $5.95 billion at December 31, 2025.

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, money market, savings and time deposit accounts.

Total deposits increased $282.9 million to $5.71 billion at June 30, 2026, compared to December 31, 2025. Retail and commercial deposits increased $180.0 million and $132.0 million, respectively, driven largely by growth in new accounts as a result of targeted initiatives. Public funds deposits increased $102.8 million due to seasonal growth. Deposits among wealth management clients declined $22.2 million, reflecting normal fluctuations in client cash balances. Higher-cost brokered deposits decreased $118.2 million.

(dollars in thousands)	June 30, 2026		December 31, 2025	
	Balance	Percent	Balance	Percent
Noninterest-bearing demand	$ 1,010,128	17.7 %	$ 1,040,411	19.2 %
Interest-bearing:				
Checking	2,094,880	36.7	1,855,215	34.2
Money market	1,242,303	21.8	1,248,942	23.0
Savings	640,292	11.2	487,742	9.0
Time	719,675	12.6	792,069	14.6
Total deposits	$ 5,707,278	100.0 %	$ 5,424,379	100.0 %

The following table presents the maturity of uninsured time deposits as of June 30, 2026:

(dollars in thousands)	Amount
Three months or less	$ 33,868
Three to six months	12,457
Six to 12 months	15,158
After 12 months	5,074
Total	$ 66,557

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 increased $4.2 million to $569.7 million at June 30, 2026, compared to December 31, 2025. The change in shareholders' equity was driven primarily by net income of $38.4 million, partially offset by dividends to common shareholders of $13.7 million, dividends to preferred shareholders of $4.5 million, repurchases of common stock of $10.7 million, and an increase in accumulated other comprehensive losses of $7.6 million.

In the fourth quarter of 2025, the Company's board of directors authorized a new stock repurchase program, pursuant to which the Company was authorized to repurchase up to $25.0 million of common stock through November 2, 2026. The stock repurchase program became effective on November 3, 2025. On May 5, 2026, the board of directors of the Company approved an amendment to the stock repurchase program that increased the amount of its common stock authorized for repurchase from $25.0 million to $45.0 million and extended the expiration date of the program to December 31, 2026. As of June 30, 2026, $20.2 million, or 935,937 shares of the Company's common stock, had been repurchased under the current program.

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 $9.2 million and $12.2 million at June 30, 2026 and December 31, 2025, respectively, were pledged for securities sold under agreements to repurchase.

The table below presents our sources of liquidity as of June 30, 2026 and December 31, 2025:

(dollars in thousands)	**June 30, 2026**	**December 31, 2025**
Cash and cash equivalents	$ 298,747	$ 127,811
Unpledged securities	906,754	812,587
FHLB committed liquidity	774,767	1,114,294
FRB discount window availability	332,390	349,026
Total Estimated Liquidity	$ 2,312,658	$ 2,403,718
Conditional Funding Based on Market Conditions		
Additional credit facility	$ 400,000	$ 351,000
Brokered CDs (additional capacity)	500,000	450,000
ICS One Way Buy (additional capacity)	600,000	600,000

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 June 30, 2026 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.

At June 30, 2026, the Company and the Bank exceeded all applicable minimum regulatory capital requirements, and the Bank met the regulatory thresholds to be considered well capitalized under the prompt corrective action framework. The following table presents the Company's and the Bank's capital ratios and the minimum requirements at June 30, 2026:

Ratio	Actual	Minimum Regulatory Requirements [1]	Well Capitalized
Total risk-based capital ratio			
Midland States Bancorp, Inc.	15.77 %	10.50 %	N/A
Midland States Bank	14.84	10.50	10.00 %
Tier 1 risk-based capital ratio			
Midland States Bancorp, Inc.	13.97	8.50	N/A
Midland States Bank	13.59	8.50	8.00
Common equity tier 1 risk-based capital ratio			
Midland States Bancorp, Inc.	10.39	7.00	N/A
Midland States Bank	13.59	7.00	6.50
Tier 1 leverage ratio			
Midland States Bancorp, Inc.	10.37	4.00	N/A
Midland States Bank	10.08	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 repricing 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:

	Net interest income sensitivity (Shocks)			
	Immediate change in rates			
(dollars in thousands)	**-200**	**-100**	**+100**	**+200**
June 30, 2026:				
Dollar change	$ 1,689	$ (155)	$ 3,012	$ 6,514
Percent change	0.7 %	(0.1)%	1.3 %	2.9 %
December 31, 2025:				
Dollar change	$ 921	$ (517)	$ 2,606	$ 5,458
Percent change	0.4 %	(0.2)%	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 June 30, 2026.

Tolerance levels for risk management require the continuing development, implementation and monitoring of remedial plans to maintain residual risk within approved levels as we adjust the balance sheet. NII at Risk as of June 30, 2026 indicated that projected net interest income would increase under a majority of the first-year rate shock scenarios. The results of the declining rate scenarios were not linear, as each scenario is modeled independently and reflects differences in the timing and magnitude of asset and liability repricing, cash flows and other behavioral assumptions at the applicable interest rate level, as well as changes in the size and composition of the balance sheet and interest rate risk management activities. Throughout the course of 2025, the Bank held to its non-maturity beta assumptions and lowered rates on interest-bearing deposits along with the industry overall. Coupled with market expectations, the Bank continued its strategy of layering on protection to changes in rates through deposit pricing, securities purchase selection and hedging.

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, as of the end of such period, the Company’s disclosure controls and procedures were effective as of that date to provide reasonable assurance that the information required to be disclosed by the Company in the reports it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC and that information required to be disclosed by the Company in the reports it files or submits under the Exchange Act is accumulated and communicated to the Company’s management, including its President and Chief Executive Officer and its Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

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.

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 13 - 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, 2025.

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 second quarter of 2026:

Period	Total number of shares purchased(1)	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs	Approximate dollar value of shares that may yet be purchased under the plans or programs(2)
April 1 - 30, 2026	101,108	$ 23.63	101,108	$ 5,179,373
May 1 - 31, 2026	2,773	26.98	—	25,179,373
June 1 - 30, 2026	12,100	27.64	12,100	24,844,955
Total	115,981	$ 24.13	113,208	$ 24,844,955

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

(2) As previously disclosed, the board of directors of the Company approved a stock repurchase program on November 3, 2025, pursuant to which the Company was authorized to repurchase up to $25.0 million of common stock through November 2, 2026, and on May 5, 2026, the board of directors of the Company approved an amendment to the stock repurchase program that increased the amount of its common stock authorized for repurchase from $25.0 million to $45.0 million and extended the expiration date of the program to December 31, 2026. Stock repurchases under this program may be made from time to time on the open market, in privately negotiated transactions, or in any manner that complies with applicable securities laws, at the discretion of the Company. The timing of purchases and the number of shares repurchased under the programs are dependent upon a variety of factors including price, trading volume, corporate and regulatory requirements and market conditions. The repurchase program may be suspended or discontinued at any time without notice. As of June 30, 2026, 935,937 shares of the Company's common stock have been repurchased under the program for an aggregate purchase price of $20.2 million.

ITEM 5 – OTHER INFORMATION

On June 15, 2026, Jeffrey G. Ludwig, who serves as President, Chief Executive Officer and a director of the Company, adopted a Rule 10b5-1 trading arrangement intended to satisfy the affirmative defense of Rule 10b5-1(c) under the Exchange Act. The trading arrangement expires on November 16, 2026, and provides for the sale of up to 8,383 shares of Company common stock that are subject to stock options held by Mr. Ludwig, subject to certain conditions, including the expiration of the cooling-off period described in Rule 10b5-1(c).

ITEM 6 – EXHIBITS

Exhibit No.	Description
31.1	Chief Executive Officer's Certification required by Rule 13(a)-14(a) – filed herewith.
31.2	Chief Financial Officer's Certification required by Rule 13(a)-14(a) – filed herewith.
32.1	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.
32.2	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.
10.1	Employment Offer Letter, dated as of May 8, 2026, between Midland States Bank and Claire A. Stack
101	Financial information from the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2026 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 June 30, 2026 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: July 30, 2026	By:	/s/ Jeffrey G. Ludwig
		Jeffrey G. Ludwig
		President and Chief Executive Officer
		(Principal Executive Officer)
Date: July 30, 2026	By:	/s/ Claire A. Stack
		Claire A. Stack
		Chief Financial Officer
		(Principal Financial Officer and Principal Accounting Officer)

Midland States Bank®

Claire Stack

May 8, 2026

Dear Claire:

I am pleased to be able to present to you this promotion letter. The terms of employment are as follows:

Position:	EVP – Chief Financial Officer
Reporting Structure:	This position reports to Jeff Ludwig, CEO – Midland States Bank
Location:	Effingham Corporate
Start Date:	May 3, 2026
Classification:	Full Time Exempt – 40 hours/week.
Rate of Pay:	**$350,000.00** per annum, pro-rated for the year based upon the number of days employed.
Bonus Potential:	**40%** of base salary based upon the variable pay schedule.
Equity:	You are eligible for equity compensation equal to **50%** of your base salary, granted as restricted stock and/or non-qualified stock options. Annual equity grants follow a four-year vesting schedule and are typically granted in Q4, subject to Board/Compensation Committee approval. You are also eligible for a one-time grant as a result of your promotion that will be taken to the Board/Compensation Committee for approval shortly.
Country Club:	Membership dues are reimbursed by the Company at 75% up to a maximum of $1,250 monthly. Business development expenses are reimbursed at 100%. Other charges from the Country Club are not reimbursed by the Company. These include initiation fees, late fees, dues surcharge, capital fees, service charges, assessments, golf shop services, tournament funds or fees, lessons, equipment storage, handicap services, equipment cleaning, and other non-client activities. The taxable fringe benefit will be reflected in the employees' compensation as well as on their W-2.

Non-Solicitation:	Midland States Bank requires that upon employment, you agree to a formal non-solicitation agreement for a period of one year from the date you leave employment. Additionally, you will be expected to fully honor and comply with any/all employment agreements between you and your former employer(s), especially those agreements which reference the solicitation, prospecting, and/or servicing of any potential Midland States Bank customer or employee. ***By accepting this employment offer you are agreeing to the terms and conditions set forth within the attached non-solicitation agreement.***
401K Plan:	You are eligible to participate in the Midland States Bank 401K plan immediately upon hire through automatic enrollment, in which **6%** of each paycheck before taxes will be contributed to your account unless you elect otherwise. In addition, the Bank will match 50% of your contributions up to a 6% limit (example: you contribute 6% the Bank will match 3%).
ESPP:	The plan allows employees to purchase company stock at a **10%** discount to its fair market value.
Life Insurance:	Group life insurance is provided by the Bank at 1x your salary with a minimum of $50,000 and a maximum of $300,000.
Health Benefits:	You are eligible to participate in Midland's group medical, dental, and vision insurance plans.
Vacation:	Your vacation continues to accrue at **4 weeks** per year.
Holistic Health Days:	Employees earn **7 Holistic Health days** per year.

Claire, congratulations on this well-earned promotion. I appreciate the leadership and impact you've already made, and I'm confident in what we will accomplish with you in this role.

Sincerely,

Jeff Ludwig
CEO – Midland States Bank

Restricted Period and Covenants

(a) In consideration of entering this Agreement, Employee agrees to the following restrictive covenants during Employee's employment and for a period of one year after any Termination of Service:

(i) Employee will not, directly or indirectly, either for himself/herself, or any entity which competes with Employer: (1) induce or attempt to induce any employee of Employer with whom Employee had significant contact to leave the employ of the Employer; (2) in any way interfere with the relationship between Employer and any employee of the Employer with whom Employee had significant contact; or (3) induce or attempt to induce any customer, supplier, licensee, or business relation of Employer with whom Employee had significant contact to cease doing business with Employer or in any way interfere with the relationship between the Employer and its respective customers, suppliers, licensees or business relations with whom Employee had significant contact.

(ii) Employee will not, directly or indirectly, either for himself/herself, or any entity which competes with Employer, solicit the business of, or provide any products, activities or services which compete in whole or in part with the products, activities or services of the Employer to any person or entity known to Employee to be a customer of the Employer, where Employee, or any person reporting to Employee, had significant contact with such person or entity during his/her employment with Employer.

(iii) Employee agrees not to directly or indirectly use, disclose, copy or make lists of any confidential information, including customer names and any personal financial information, for the benefit of anyone other than Employer except to the extent that such information is or thereafter becomes lawfully available from public sources, such disclosure is authorized in writing by the Employer, or required by law or any competent administrative agency or judicial authority. All records, files, documents and other materials or copies thereof relating to the business of the Employer remain the sole property of the Employer and Employee shall return and not otherwise use such materials following termination of Employment.

(iv) By accepting this Agreement, Employee acknowledges that the restrictions contained in this **Section** are reasonable and necessary for the protection of the legitimate business interests of the Employer, that they create no undue hardships, that any violation of these restrictions would cause substantial injury to the Employer and such interests, and that such restrictions were a material inducement to the Employer entering into this Agreement. In the event Employee breaches or threatens to breach any of the foregoing covenants, Employer shall be entitled to seek any appropriate legal or equitable relief, including injunctive relief.

(v) If a court of competent jurisdiction determines that any provision of this **Section** is invalid or unenforceable, then the invalidity or unenforceability of that provision shall not affect the validity or enforceability of any other provision of this Agreement and all other provisions shall remain in full force and effect. The various covenants and provisions of this Agreement are intended to be severable and to constitute independent and distinct binding obligations. Without limiting the generality of the foregoing, if the scope of any covenant contained in this Agreement is too broad to permit enforcement to its full extent, such covenant shall be enforced to the maximum extent permitted by law, and such scope may be judicially modified accordingly.

Kindly acknowledge that you have read and accept the terms of your employment offer and the Midland States Bank non-solicitation agreement by accepting the above conditions.

Employee Signature: ____

Date: ____

Exhibit 31.1

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: July 30, 2026

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

Exhibit 31.2

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

I, Claire A. Stack, 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: July 30, 2026

By: /s/ Claire A. Stack

Claire A. Stack
Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)

Exhibit 32.1

CERTIFICATIONS PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Jeffrey G. Ludwig, President and Chief Executive Officer of Midland States Bancorp, Inc. (the “Company”) certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

(1) The Quarterly Report on Form 10-Q of the Company for the quarterly period ended June 30, 2026 (the “Report”) fully complies with the requirements of Sections 13(a) or 15(d) of the Securities Exchange Act of 1934; and

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

Midland States Bancorp, Inc.

Dated as of: July 30, 2026	By:	/s/	Jeffrey G. Ludwig
			Jeffrey G. Ludwig
			President and Chief Executive Officer
			(Principal Executive Officer)

Exhibit 32.2

CERTIFICATIONS PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Claire A. Stack, Chief Financial Officer of Midland States Bancorp, Inc. (the "Company") certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

(1) The Quarterly Report on Form 10-Q of the Company for the quarterly period ended June 30, 2026 (the "Report") fully complies with the requirements of Sections 13(a) or 15(d) of the Securities Exchange Act of 1934; and

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

Midland States Bancorp, Inc.

Dated as of: July 30, 2026	By:	/s/	Claire A. Stack
			Claire A. Stack
			Chief Financial Officer
			(Principal Financial Officer and Principal Accounting Officer)