

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

FORM 10-Q

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

For the quarterly period ended September 30, 2025

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

For the transition period from _____ to _____

Commission File Number 001-35272

MIDLAND STATES BANCORP, INC.

(Exact name of registrant as specified in its charter)

Illinois

(State of other jurisdiction of incorporation or organization)

37-1233196

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

**1201 Network Centre Drive
Effingham, IL**

(Address of principal executive offices)

62401
(Zip Code)

(217) 342-7321

(Registrant's telephone number, including area code)

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

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

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

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

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

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

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

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

As of October 24, 2025, the Registrant had 21,551,721 shares of outstanding common stock, \$0.01 par value.

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GLOSSARY OF ABBREVIATIONS AND ACRONYMS

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

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

2019 Incentive Plan	The Amended and Restated Midland States Bancorp, Inc. 2019 Long-Term Incentive Plan
ACL	Allowance for credit losses on loans
ASU	Accounting Standards Update
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
EAD	Exposure at default
Exchange Act	Securities Exchange Act of 1934
FASB	Financial Accounting Standards Board
FDIC	Federal Deposit Insurance Corporation
Federal Reserve	Board of Governors of the Federal Reserve System
FHA	Federal Housing Administration
FHLB	Federal Home Loan Bank
FinTech	Financial Technology
FOMC	Federal Open Market Committee
FRB	Federal Reserve Bank
GAAP	U.S. generally accepted accounting principles
GreenSky	GreenSky, LLC
Illinois CRA	Illinois Community Reinvestment Act
LendingPoint	LendingPoint, LLC
LGD	Loss given default
Midland Trust	Midland States Preferred Securities Trust
Nasdaq	Nasdaq Global Select Market
NII at Risk	Net Interest Income at Risk
OREO	Other real estate owned
PCAOB	Public Company Accounting Oversight Board
PCD	Purchased credit deteriorated
PD	Probability of default
Q-Factor	Qualitative factor
Regulatory Relief Act	Economic Growth, Regulatory Relief and Consumer Protection Act
SBA	Small Business Administration
SEC	U.S. Securities and Exchange Commission
SOFR	Secured Overnight Financing Rate
Treasury	U.S. Department of the Treasury

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

	September 30, 2025 <i>(unaudited)</i>	December 31, 2024
Assets		
Cash and due from banks	\$ 165,673	\$ 114,055
Federal funds sold	474	711
Cash and cash equivalents	166,147	114,766
Investment securities available for sale, at fair value	1,378,907	1,207,574
Equity securities, at fair value	4,214	4,792
Loans	4,867,587	5,167,574
Allowance for credit losses on loans	(100,886)	(111,204)
Total loans, net	4,766,701	5,056,370
Loans held for sale	7,535	344,947
Premises and equipment, net	86,005	85,710
Other real estate owned	393	4,941
Nonmarketable equity securities	37,270	33,723
Accrued interest receivable	26,672	25,329
Loan servicing rights, at lower of cost or fair value	16,165	17,842
Goodwill	7,927	161,904
Other intangible assets, net	9,619	12,100
Company-owned life insurance	216,494	211,168
Credit enhancement asset	5,765	16,804
Other assets	181,701	208,839
Total assets	<u>\$ 6,911,515</u>	<u>\$ 7,506,809</u>
Liabilities and Shareholders' Equity		
Liabilities:		
Deposits:		
Noninterest-bearing demand deposits	\$ 1,015,930	\$ 1,055,564
Interest-bearing deposits	4,588,895	5,141,679
Total deposits	5,604,825	6,197,243
Short-term borrowings	146,766	87,499
Federal Home Loan Bank advances and other borrowings	373,000	258,000
Subordinated debt	27,014	77,749
Trust preferred debentures	51,684	51,205
Accrued interest payable and other liabilities	124,225	124,266
Total liabilities	<u>6,327,514</u>	<u>6,795,962</u>
Shareholders' Equity:		
Preferred stock, \$2.00 par value; 4,000,000 shares authorized; 115,000 Series A shares, \$1,000 per share liquidation preference, issued and outstanding at September 30, 2025 and December 31, 2024, respectively	110,548	110,548
Common stock, \$0.01 par value; 40,000,000 shares authorized; 21,543,557 and 21,494,485 shares issued and outstanding at September 30, 2025 and December 31, 2024, respectively	215	215
Capital surplus	437,168	434,346
Retained earnings	99,036	247,698
Accumulated other comprehensive loss, net of tax	(62,966)	(81,960)
Total shareholders' equity	<u>584,001</u>	<u>710,847</u>
Total liabilities and shareholders' equity	<u>\$ 6,911,515</u>	<u>\$ 7,506,809</u>

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
Interest income:				
Loans including fees:				
Taxable	\$ 80,583	\$ 93,020	\$ 236,765	\$ 277,961
Tax exempt	338	382	1,267	1,156
Loans held for sale	147	124	5,087	263
Investment securities:				
Taxable	15,418	13,259	47,011	35,921
Tax exempt	443	390	1,303	1,062
Nonmarketable equity securities	715	788	2,056	2,438
Federal funds sold and cash investments	849	1,031	2,283	2,857
Total interest income	<u>98,493</u>	<u>108,994</u>	<u>295,772</u>	<u>321,658</u>
Interest expense:				
Deposits	30,219	41,970	97,124	120,660
Short-term borrowings	499	602	1,772	1,746
Federal Home Loan Bank advances and other borrowings	4,044	4,743	10,973	13,615
Subordinated debt	1,393	1,228	4,174	3,773
Trust preferred debentures	1,221	1,341	3,627	4,088
Total interest expense	<u>37,376</u>	<u>49,884</u>	<u>117,670</u>	<u>143,882</u>
Net interest income	61,117	59,110	178,102	177,776
Provision for credit losses:				
Provision for credit losses on loans	20,505	17,925	48,724	46,349
Recapture of credit losses on unfunded commitments	(500)	—	(500)	(200)
Total provision for credit losses	<u>20,005</u>	<u>17,925</u>	<u>48,224</u>	<u>46,149</u>
Net interest income after provision for credit losses	41,112	41,185	129,878	131,627
Noninterest income:				
Wealth management revenue	8,018	7,104	22,747	21,037
Service charges on deposit accounts	3,598	3,411	10,254	9,648
Interchange revenue	3,445	3,506	10,059	10,427
Residential mortgage banking revenue	735	697	2,167	1,781
Income on company-owned life insurance	2,102	1,982	6,504	5,708
Gain (loss) on sales of investment securities, net	14	(44)	14	(196)
Credit enhancement income	(242)	14,206	3,028	45,188
Other income	2,346	2,683	6,540	9,777
Total noninterest income	<u>20,016</u>	<u>33,545</u>	<u>61,313</u>	<u>103,370</u>
Noninterest expense:				
Salaries and employee benefits	26,393	24,382	78,494	71,356
Occupancy and equipment	4,206	4,393	12,870	12,499
Data processing	7,186	6,955	21,140	20,882
FDIC insurance	1,512	1,402	4,397	3,895
Professional services	2,017	1,744	7,550	6,242
Marketing	1,460	967	3,536	2,445
Communications	298	359	961	1,037
Loan expense	1,721	1,935	5,046	4,416
Loan servicing fees	1,274	3,031	3,410	10,077
Impairment on goodwill	—	—	153,977	—
Amortization of intangible assets	743	951	2,481	3,056
Other expense	3,004	3,645	8,949	13,251
Total noninterest expense	<u>49,814</u>	<u>49,764</u>	<u>302,811</u>	<u>149,156</u>
Income (loss) before income taxes	11,314	24,966	(111,620)	85,841
Income tax expense	3,757	4,535	9,773	17,028
Net income (loss)	<u>7,557</u>	<u>20,431</u>	<u>(121,393)</u>	<u>68,813</u>
Preferred dividends	2,229	2,229	6,685	6,685
Net income (loss) available to common shareholders	<u>\$ 5,328</u>	<u>\$ 18,202</u>	<u>\$ (128,078)</u>	<u>\$ 62,128</u>
Per common share data:				
Basic earnings (loss) per common share	\$ 0.24	\$ 0.83	\$ (5.88)	\$ 2.82
Diluted earnings (loss) per common share	\$ 0.24	\$ 0.83	\$ (5.88)	\$ 2.81
Weighted average common shares outstanding	21,863,911	21,675,818	21,826,566	21,726,143
Weighted average diluted common shares outstanding	21,863,911	21,678,242	21,826,566	21,732,093

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 September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
Net income (loss)	\$ 7,557	\$ 20,431	\$ (121,393)	\$ 68,813
Other comprehensive income:				
Investment securities available for sale:				
Unrealized gains that occurred during the period	15,202	30,928	23,684	21,797
Reclassification adjustment for realized net (gains) losses on sales of investment securities included in net income	(14)	44	(14)	196
Income tax effect	(3,988)	(8,902)	(6,403)	(6,245)
Change in investment securities available for sale, net of tax	11,200	22,070	17,267	15,748
Cash flow hedges:				
Net unrealized derivative gains (losses) on cash flow hedges	(439)	1,090	648	(766)
Reclassification adjustment for net losses realized in net income	197	(1,266)	1,676	1,267
Income tax effect	64	47	(597)	(136)
Change in cash flow hedges, net of tax	(178)	(129)	1,727	365
Other comprehensive income, net of tax	11,022	21,941	18,994	16,113
Total comprehensive income (loss)	\$ 18,579	\$ 42,372	\$ (102,399)	\$ 84,926

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

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

	Preferred stock	Common stock	Capital surplus	Retained earnings	Accumulated other comprehensive (loss) income	Total shareholders' equity
Balances, June 30, 2025	\$ 110,548	\$ 215	\$ 436,205	\$ 100,725	\$ (73,988)	\$ 573,705
Net income	—	—	—	7,557	—	7,557
Other comprehensive income	—	—	—	—	11,022	11,022
Common dividends declared (\$0.32 per share)	—	—	—	(7,017)	—	(7,017)
Preferred dividends declared (\$19.375 per share)	—	—	—	(2,229)	—	(2,229)
Share-based compensation expense	—	—	651	—	—	651
Issuance of common stock under employee benefit plans	—	—	312	—	—	312
Balances, September 30, 2025	<u>\$ 110,548</u>	<u>\$ 215</u>	<u>\$ 437,168</u>	<u>\$ 99,036</u>	<u>\$ (62,966)</u>	<u>\$ 584,001</u>
Balances, December 31, 2024	\$ 110,548	\$ 215	\$ 434,346	\$ 247,698	\$ (81,960)	\$ 710,847
Net loss	—	—	—	(121,393)	—	(121,393)
Other comprehensive income	—	—	—	—	18,994	18,994
Common dividends declared (\$0.94 per share)	—	—	—	(20,584)	—	(20,584)
Preferred dividends declared (\$58.125 per share)	—	—	—	(6,685)	—	(6,685)
Share-based compensation expense	—	—	2,185	—	—	2,185
Issuance of common stock under employee benefit plans	—	—	637	—	—	637
Balances, September 30, 2025	<u>\$ 110,548</u>	<u>\$ 215</u>	<u>\$ 437,168</u>	<u>\$ 99,036</u>	<u>\$ (62,966)</u>	<u>\$ 584,001</u>
Balances, June 30, 2024	\$ 110,548	\$ 214	\$ 432,569	\$ 276,029	\$ (82,581)	\$ 736,779
Net income	—	—	—	20,431	—	20,431
Other comprehensive income	—	—	—	—	21,941	21,941
Common dividends declared (\$0.31 per share)	—	—	—	(6,747)	—	(6,747)
Preferred dividends declared (\$19.375 per share)	—	—	—	(2,229)	—	(2,229)
Common stock repurchased	—	—	(534)	—	—	(534)
Share-based compensation expense	—	—	733	—	—	733
Issuance of common stock under employee benefit plans	—	—	847	—	—	847
Balances, September 30, 2024	<u>\$ 110,548</u>	<u>\$ 214</u>	<u>\$ 433,615</u>	<u>\$ 287,484</u>	<u>\$ (60,640)</u>	<u>\$ 771,221</u>
Balances, December 31, 2023	\$ 110,548	\$ 216	\$ 435,463	\$ 245,639	\$ (76,753)	\$ 715,113
Net income	—	—	—	68,813	—	68,813
Other comprehensive income	—	—	—	—	16,113	16,113
Common dividends declared (\$0.93 per share)	—	—	—	(20,283)	—	(20,283)
Preferred dividends declared (\$58.125 per share)	—	—	—	(6,685)	—	(6,685)
Common stock repurchased	—	(2)	(5,502)	—	—	(5,504)
Share-based compensation expense	—	—	2,139	—	—	2,139
Issuance of common stock under employee benefit plans	—	—	1,515	—	—	1,515
Balances, September 30, 2024	<u>\$ 110,548</u>	<u>\$ 214</u>	<u>\$ 433,615</u>	<u>\$ 287,484</u>	<u>\$ (60,640)</u>	<u>\$ 771,221</u>

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

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

	Nine Months Ended September 30,	
	2025	2024
Cash flows from operating activities:		
Net (loss) income	\$ (121,393)	\$ 68,813
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for credit losses	48,224	46,149
Depreciation on premises and equipment	3,672	3,721
Impairment on goodwill	153,977	—
Amortization of intangible assets	2,481	3,056
Amortization of operating lease right-of-use asset	1,178	1,219
Amortization of loan servicing rights	1,703	1,925
Share-based compensation expense	2,185	2,139
Increase in cash surrender value of life insurance	(6,149)	(5,708)
Gain on proceeds from company-owned life insurance	(343)	—
Investment securities accretion, net	(10,287)	(3,741)
(Gain) loss on sales of investment securities, net	(14)	196
Gain on repurchase of subordinated debt	—	(244)
Gain on sales of other real estate owned	(39)	(22)
Impairment on other real estate owned	—	1,278
Origination of loans held for sale	(75,176)	(55,951)
Proceeds from sales of loans and leases held for sale	107,025	67,614
Gain on sale of loans held for sale	(1,963)	(1,716)
Net change in operating assets and liabilities:		
Accrued interest receivable	(1,343)	(904)
Credit enhancement asset	11,039	(5,244)
Other assets	22,869	12,117
Accrued expenses and other liabilities	(4,905)	(13,675)
Net cash provided by operating activities	<u>132,741</u>	<u>121,022</u>
Cash flows from investing activities:		
Purchases of investment securities available for sale	(400,318)	(471,040)
Proceeds from sales of investment securities available for sale	103,759	58,874
Maturities and payments on investment securities available for sale	164,437	140,682
Purchases of equity securities	(152)	(214)
Net decrease in loans	487,562	305,543
Proceeds from sales of consumer loans held for sale	61,099	—
Purchases of premises and equipment	(4,606)	(4,185)
Purchases of nonmarketable equity securities	(107,172)	(169,806)
Proceeds from redemptions of nonmarketable equity securities	103,624	172,057
Proceeds from sales of other real estate owned	4,774	301
Proceeds from company-owned life insurance, net	1,166	—
Net cash provided by investing activities	<u>414,173</u>	<u>32,212</u>
Cash flows from financing activities:		
Net decrease in deposits	(592,418)	(52,693)
Net increase (decrease) in short-term borrowings	59,267	(21,016)
Net increase (decrease) in short-term FHLB advances	60,000	(46,000)
Proceeds from long-term FHLB advances	328,000	255,000
Payments made on long-term FHLB advances and other borrowings	(273,000)	(260,000)
Payments made on subordinated debt	(50,750)	(10,756)
Cash dividends paid on preferred stock	(6,685)	(6,685)
Cash dividends paid on common stock	(20,584)	(20,283)
Common stock repurchased	—	(5,504)
Proceeds from issuance of common stock under employee benefit plans	637	1,515
Net cash used in financing activities	<u>(495,533)</u>	<u>(166,422)</u>
Net increase (decrease) in cash and cash equivalents	51,381	(13,188)
Cash and cash equivalents:		
Beginning of period	114,766	135,061
End of period	<u>\$ 166,147</u>	<u>\$ 121,873</u>
Supplemental disclosures of cash flow information:		
Cash payments for:		
Interest paid on deposits and borrowed funds	\$ 123,045	\$ 144,205
Income tax paid (net of refunds)	(979)	21,870
Supplemental disclosures of noncash investing and financing activities:		
Transfer of loans to loans held for sale	29,400	—
Transfer of loans to other real estate owned	187	982
Right of use assets obtained in exchange for lease obligations	873	2,707
Transfer of premises and equipment, net to assets held for sale	245	—
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)**

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

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

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

Basis of Presentation

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

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

recognition or disclosure. Operating results for the three and nine months ended September 30, 2025 are not necessarily indicative of the results that may be expected for the year ending December 31, 2025 or any other period.

Accounting Guidance Adopted in 2025

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

Accounting Guidance Not Yet Adopted

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

NOTE 2 – INVESTMENT SECURITIES
Investment Securities Available for Sale

Investment securities available for sale at September 30, 2025 and December 31, 2024 were as follows:

(dollars in thousands)	September 30, 2025			
	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	\$ 16,131	\$ 21	\$ (1,029)	\$ 15,123
Mortgage-backed securities - agency ⁽¹⁾	1,123,132	4,248	(78,577)	1,048,803
Mortgage-backed securities - non-agency	94,974	1,456	(2,570)	93,860
Asset-backed student loans	43,341	46	(129)	43,258
State and municipal securities	77,574	289	(4,573)	73,290
Collateralized loan obligations	47,809	86	(50)	47,845
Corporate securities	59,795	44	(3,111)	56,728
Total available for sale securities	\$ 1,462,756	\$ 6,190	\$ (90,039)	\$ 1,378,907

(1) The amount of fair value hedging adjustment included in the amortized cost amount of the hedged investment securities available-for-sale as of September 30, 2025 was \$(3.3) million. See Note 7 - *Derivative Instruments* for additional information regarding these derivative financial instruments.

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

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

Excluding securities issued or backed by U.S. government or its sponsored entities and agencies, there were no investments in securities from one issuer that exceeded 10% of shareholders' equity as of September 30, 2025 and December 31, 2024.

The table below shows the amortized cost and fair value of the investment securities portfolio by contractual maturity for all securities other than mortgage-backed securities, at September 30, 2025. Expected maturities may differ from contractual maturities if borrowers have the right to call or prepay obligations with or without call or prepayment penalties. Securities not due at a single maturity date are shown separately.

(dollars in thousands)	Amortized cost	Fair value
Investment securities available for sale		
Within one year	\$ 4,350	\$ 4,317
After one year through five years	37,879	35,951
After five years through ten years	89,806	84,325
After ten years	112,615	111,651
Mortgage-backed securities	1,218,106	1,142,663
Total available for sale securities	<u>\$ 1,462,756</u>	<u>\$ 1,378,907</u>

Proceeds and gross realized gains and losses on sales of investment securities available for sale for the three and nine months ended September 30, 2025 and 2024 are summarized as follows:

(dollars in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
Investment securities available for sale				
Proceeds from sales	\$ 103,759	\$ 13,049	\$ 103,759	\$ 58,874
Gross realized gains on sales	587	113	587	420
Gross realized losses on sales	(573)	(157)	(573)	(616)

Unrealized losses and fair values for investment securities available for sale as of September 30, 2025 and December 31, 2024, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, are summarized as follows:

(dollars in thousands)	September 30, 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	\$ 4,979	\$ 7	\$ 8,979	\$ 1,022	\$ 13,958	\$ 1,029
Mortgage-backed securities - agency	84,803	1,145	539,599	77,432	624,402	78,577
Mortgage-backed securities - non-agency	712	1	22,787	2,569	23,499	2,570
Asset-backed student loans	14,659	36	15,263	93	29,922	129
State and municipal securities	7,336	51	46,740	4,522	54,076	4,573
Collateralized loan obligations	9,957	50	—	—	9,957	50
Corporate securities	—	—	53,684	3,111	53,684	3,111
Total available for sale securities	<u>\$ 122,446</u>	<u>\$ 1,290</u>	<u>\$ 687,052</u>	<u>\$ 88,749</u>	<u>\$ 809,498</u>	<u>\$ 90,039</u>

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

At September 30, 2025, 253 investment securities available for sale had unrealized losses with aggregate depreciation of 10.01% from their amortized cost basis. For all of the above investment securities, the unrealized losses were generally due to changes in interest rates and other market conditions, and unrealized losses were considered to be temporary as the fair value is expected to recover as the securities approach their respective maturity dates and principal is paid back in full. The Company does not intend to sell and it is likely that the Company will not be required to sell the securities prior to their anticipated recovery.

NOTE 3 – LOANS

The following table presents total loans outstanding by portfolio class, as of September 30, 2025 and December 31, 2024:

(dollars in thousands)	September 30, 2025	December 31, 2024
Commercial:		
Commercial	\$ 1,038,821	\$ 818,496
Commercial other	437,712	541,324
Commercial real estate:		
Commercial real estate non-owner occupied	1,457,627	1,628,961
Commercial real estate owner occupied	425,712	440,806
Multi-family	386,585	454,249
Farmland	66,737	67,648
Construction and land development	260,073	299,842
Total commercial loans	4,073,267	4,251,326
Residential real estate:		
Residential first lien	292,830	315,775
Other residential	60,645	64,782
Consumer:		
Consumer	82,710	96,202
Consumer other	47,152	48,099
Lease financing	310,983	391,390
Total loans	\$ 4,867,587	\$ 5,167,574

Total loans include net deferred loan costs of \$0.8 million and \$1.4 million at September 30, 2025 and December 31, 2024, respectively, and unearned discounts of \$43.6 million and \$56.7 million within the lease financing portfolio at September 30, 2025 and December 31, 2024, respectively.

Classifications of Loan Portfolio

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

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

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

Construction and land development—Secured loans for the construction of business and residential properties. Real estate construction loans often convert to a real estate commercial loan at the completion of the construction period. Secured development loans are made to borrowers for the purpose of infrastructure improvements to vacant land to create finished marketable residential and commercial lots/land. Most land development loans are originated with the intention that the loans will be paid through the sale of developed lots/land by the developers within twelve months of the completion date. Interest reserves may be established on real estate construction loans.

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

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

Lease financing—Our leasing business 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.

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 nine months ended September 30, 2025 and 2024, are summarized as follows:

(dollars in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
Beginning balance	\$ 44,486	\$ 20,894	\$ 40,410	\$ 20,990
New loans and other additions	1,352	1,000	7,027	1,500
Repayments and other reductions	(377)	(264)	(1,976)	(860)
Ending balance	\$ 45,461	\$ 21,630	\$ 45,461	\$ 21,630

The following table represents, by loan portfolio segment, a summary of changes in the allowance for credit losses on loans for the three and nine months ended September 30, 2025 and 2024:

(dollars in thousands)	Commercial Loan Portfolio			Other Loan Portfolio			Total
	Commercial	Commercial real estate	Construction and land development	Residential real estate	Consumer	Lease financing	
Changes in allowance for credit losses on loans for the three months ended September 30, 2025:							
Balance, beginning of period	\$ 34,179	\$ 27,439	\$ 2,869	\$ 7,104	\$ 5,704	\$ 15,395	\$ 92,690
Provision for credit losses on loans	7,841	2,678	1,480	(711)	116	9,101	20,505
Charge-offs	(4,301)	(3,798)	(2,901)	(54)	(897)	(4,088)	(16,039)
Recoveries	1,320	494	1,122	54	103	637	3,730
Balance, end of period	\$ 39,039	\$ 26,813	\$ 2,570	\$ 6,393	\$ 5,026	\$ 21,045	\$ 100,886
Changes in allowance for credit losses on loans for the nine months ended September 30, 2025:							
Balance, beginning of period	\$ 42,776	\$ 36,837	\$ 3,550	\$ 8,002	\$ 5,400	\$ 14,639	\$ 111,204
Provision for credit losses on loans	17,196	15,817	(231)	(1,645)	1,352	16,235	48,724
Charge-offs	(23,762)	(26,974)	(2,901)	(126)	(2,234)	(11,422)	(67,419)
Recoveries	2,829	1,133	2,152	162	508	1,593	8,377
Balance, end of period	\$ 39,039	\$ 26,813	\$ 2,570	\$ 6,393	\$ 5,026	\$ 21,045	\$ 100,886
Changes in allowance for credit losses on loans for the three months ended September 30, 2024:							
Balance, beginning of period	\$ 32,236	\$ 22,197	\$ 12,966	\$ 5,193	\$ 69,563	\$ 13,288	\$ 155,443
Provision for credit losses on loans	5,442	364	(907)	255	9,439	3,332	17,925
Charge-offs	(2,492)	(32)	—	(159)	(17,316)	(2,979)	(22,978)
Recoveries	484	1	2	63	44	83	677
Balance, end of period	\$ 35,670	\$ 22,530	\$ 12,061	\$ 5,352	\$ 61,730	\$ 13,724	\$ 151,067
Changes in allowance for credit losses on loans for the nine months ended September 30, 2024:							
Balance, beginning of period	\$ 29,672	\$ 20,229	\$ 4,163	\$ 5,553	\$ 86,762	\$ 12,940	\$ 159,319
Provision for credit losses on loans	16,435	788	7,895	(138)	14,185	7,184	46,349
Charge-offs	(11,190)	(728)	—	(194)	(39,411)	(6,728)	(58,251)
Recoveries	753	2,241	3	131	194	328	3,650
Balance, end of period	\$ 35,670	\$ 22,530	\$ 12,061	\$ 5,352	\$ 61,730	\$ 13,724	\$ 151,067

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, with the exception of our equipment finance loans and leases. In the third quarter of 2025, the look-back period for the equipment finance loans and leases was shortened to 24 months due to the elevated level of incurred losses compared to the modeled results. When historical credit loss experience is not sufficient for a specific portfolio, the Company may supplement its own portfolio data with external models or data.

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

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

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

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

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 individually evaluated loans on nonaccrual status as of September 30, 2025 and December 31, 2024:

(dollars in thousands)	September 30, 2025			December 31, 2024		
	Nonaccrual with allowance	Nonaccrual with no allowance	Total nonaccrual	Nonaccrual with allowance	Nonaccrual with no allowance	Total nonaccrual
Commercial:						
Commercial	\$ 3,490	\$ 3,849	\$ 7,339	\$ 2,678	\$ 7,074	\$ 9,752
Commercial other	4,695	2,209	6,904	3,439	—	3,439
Commercial real estate:						
Commercial real estate non-owner occupied	1,244	18,544	19,788	9,173	24,187	33,360
Commercial real estate owner occupied	995	10,172	11,167	1,407	16,871	18,278
Multi-family	716	—	716	2,363	51,770	54,133
Farmland	1,267	409	1,676	1,148	—	1,148
Construction and land development	—	5,534	5,534	39	8,399	8,438
Total commercial loans	12,407	40,717	53,124	20,247	108,301	128,548
Residential real estate:						
Residential first lien	2,597	463	3,060	2,501	491	2,992
Other residential	524	—	524	446	—	446
Consumer:						
Consumer	49	—	49	20	—	20
Lease financing	7,364	—	7,364	8,132	—	8,132
Total loans	\$ 22,941	\$ 41,180	\$ 64,121	\$ 31,346	\$ 108,792	\$ 140,138

There was no interest income recognized on nonaccrual loans during the three and nine months ended September 30, 2025 and 2024 while the loans were in nonaccrual status. Additional interest income that would have been recorded on nonaccrual loans had they been current in accordance with their original terms was \$2.5 million and \$9.3 million for the three and nine months ended September 30, 2025 and \$2.7 million and \$6.3 million for the three and nine months ended September 30, 2024, respectively.

Collateral Dependent Financial Assets

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

The table below presents the amortized cost basis of individually evaluated, collateral dependent loans by loan class, for borrowers experiencing financial difficulty, as of September 30, 2025 and December 31, 2024:

(dollars in thousands)	Type of Collateral			Total
	Real Estate	Blanket Lien	Equipment	
September 30, 2025				
Commercial:				
Commercial	\$ —	\$ 3,849	\$ —	\$ 3,849
Commercial other	—	2,209	801	3,010
Commercial real estate:				
Non-owner occupied	18,534	—	—	18,534
Owner occupied	8,577	1,595	—	10,172
Multi-family	716	—	—	716
Farmland	—	409	—	409
Construction and land development	5,534	—	—	5,534
Lease financing	—	—	—	—
Total collateral dependent loans	<u>\$ 33,361</u>	<u>\$ 8,062</u>	<u>\$ 801</u>	<u>\$ 42,224</u>
December 31, 2024				
Commercial:				
Commercial	\$ —	\$ 7,074	\$ —	\$ 7,074
Commercial other	—	—	—	—
Commercial real estate:				
Non-owner occupied	24,188	—	—	24,188
Owner occupied	9,284	7,587	—	16,871
Multi-family	54,133	—	—	54,133
Construction and land development	8,399	—	—	8,399
Lease financing	—	—	465	465
Total collateral dependent loans	<u>\$ 96,004</u>	<u>\$ 14,661</u>	<u>\$ 465</u>	<u>\$ 111,130</u>

The aging status of the recorded investment in loans by class as of September 30, 2025 was as follows:

(dollars in thousands)	Accruing loans			Total past due	Nonaccrual	Current	Total
	30-59 days past due	60-89 days past due	Past due 90 days or more				
Commercial:							
Commercial	\$ 696	\$ —	\$ —	\$ 696	\$ 7,339	\$ 1,030,786	\$ 1,038,821
Commercial other	10,179	7,035	4,536	21,750	6,904	409,058	437,712
Commercial real estate:							
Commercial real estate non-owner occupied	65	—	—	65	19,788	1,437,774	1,457,627
Commercial real estate owner occupied	230	155	—	385	11,167	414,160	425,712
Multi-family	—	—	—	—	716	385,869	386,585
Farmland	—	—	—	—	1,676	65,061	66,737
Construction and land development	—	—	—	—	5,534	254,539	260,073
Total commercial loans	11,170	7,190	4,536	22,896	53,124	3,997,247	4,073,267
Residential real estate:							
Residential first lien	23	383	35	441	3,060	289,329	292,830
Other residential	135	40	—	175	524	59,946	60,645
Consumer:							
Consumer	190	125	11	326	49	82,335	82,710
Consumer other	571	192	—	763	—	46,389	47,152
Lease financing	4,522	1,478	—	6,000	7,364	297,619	310,983
Total loans	\$ 16,611	\$ 9,408	\$ 4,582	\$ 30,601	\$ 64,121	\$ 4,772,865	\$ 4,867,587

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

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

Loan Restructurings

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

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

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

The following table represents, by loan portfolio segment, a summary of the loan restructuring for the three and nine months ended September 30, 2025 and 2024:

(dollars in thousands)	Three Months Ended September 30,				Nine Months Ended September 30,			
	2025		2024		2025		2024	
	Balance	Count	Balance	Count	Balance	Count	Balance	Count
Commercial:								
Commercial	\$ 10,901	2	\$ 77	2	\$ 11,949	4	\$ 77	2
Commercial other	—	—	370	5	845	4	2,277	17
Commercial real estate:								
Commercial real estate non-owner occupied	8,069	2	3,552	1	8,069	2	9,941	2
Commercial real estate owner occupied	—	—	6,131	3	—	—	6,131	3
Farmland	120	1	—	—	387	2	—	—
Construction and land development	1,571	1	1,334	1	1,571	1	1,334	1
Total commercial loans	20,661	6	11,464	12	22,821	13	19,760	25
Residential real estate:								
Residential first lien	20	1	—	—	162	4	65	1
Other residential	—	—	—	—	10	1	82	2
Consumer:								
Consumer	—	—	11	1	—	—	37	2
Lease financing	—	—	348	2	—	—	2,480	11
Total loan restructurings	\$ 20,681	7	\$ 11,823	15	\$ 22,993	18	\$ 22,424	41
	Balance	Count	Balance	Count	Balance	Count	Balance	Count
Interest Rate Reduction	\$ —	—	\$ 77	1	\$ 294	2	\$ 556	3
Term Extension	12,542	5	4,897	3	13,741	11	8,629	26
Payment Deferral	120	1	370	5	120	1	6,760	6
Interest Rate Reduction and Term Extension	8,019	1	—	—	8,019	1	—	—
Interest Rate Reduction and Payment Deferral	—	—	893	3	—	—	893	3
Term Extension and Payment Deferral	—	—	5,586	3	819	3	5,586	3
Total loan restructurings	\$ 20,681	7	\$ 11,823	15	\$ 22,993	18	\$ 22,424	41

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 September 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	\$ —	\$ —	\$ —	\$ —	\$ 11,949	\$ 11,949
Commercial other	—	—	—	—	845	845
Commercial real estate:						
Commercial real estate non-owner occupied	—	—	—	—	17,920	17,920
Commercial real estate owner occupied	—	—	—	—	—	—
Multi-family	—	—	—	—	—	—
Farmland	—	—	—	—	387	387
Construction and land development	—	—	—	—	1,571	1,571
Total commercial loans	—	—	—	—	32,672	32,672
Residential real estate:						
Residential first lien	—	6	66	72	473	545
Other residential	—	—	—	—	10	10
Consumer:						
Consumer	—	—	—	—	6	6
Lease financing	—	—	430	430	169	599
Total loan restructurings	\$ —	\$ 6	\$ 496	\$ 502	\$ 33,330	\$ 33,832

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 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 September 30, 2025 and December 31, 2024:

			September 30, 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	\$ 395,628	\$ 92,950	\$ 76,292	\$ 14,413	\$ 28,930	\$ 42,645	\$ 362,054	\$ 1,012,912	
		Special mention	—	—	5,229	—	3,803	31	188	9,251	
		Substandard	—	39	2,563	241	318	1,448	4,710	9,319	
		Substandard – nonaccrual	—	142	717	4,251	508	563	1,158	7,339	
		Doubtful	—	—	—	—	—	—	—	—	
		Not graded	—	—	—	—	—	—	—	—	
		Subtotal	395,628	93,131	84,801	18,905	33,559	44,687	368,110	1,038,821	
		Commercial other	Acceptable credit quality	44,305	78,661	67,972	86,981	33,710	17,040	94,169	422,838
			Special mention	201	704	1,561	2,170	1,489	196	663	6,984
			Substandard	—	—	28	—	—	64	894	986
Substandard – nonaccrual	—		727	2,144	930	530	519	2,054	6,904		
Doubtful	—		—	—	—	—	—	—	—		
Not graded	—		—	—	—	—	—	—	—		
Subtotal	44,506	80,092	71,705	90,081	35,729	17,819	97,780	437,712			
Commercial real estate	Non-owner occupied	Acceptable credit quality	251,900	261,820	138,412	345,444	214,777	151,430	8,596	1,372,379	
		Special mention	106	15,657	3,135	—	174	3,685	—	22,757	
		Substandard	—	61	—	10,261	—	32,381	—	42,703	
		Substandard – nonaccrual	—	9,784	—	60	2,867	7,077	—	19,788	
		Doubtful	—	—	—	—	—	—	—	—	
	Not graded	—	—	—	—	—	—	—	—		
	Subtotal	252,006	287,322	141,547	355,765	217,818	194,573	8,596	1,457,627		
	Owner occupied	Acceptable credit quality	76,587	61,110	45,209	89,458	68,561	68,169	718	409,812	
		Special mention	1,357	843	—	—	—	87	—	2,287	
		Substandard	—	431	—	—	24	1,991	—	2,446	
Substandard – nonaccrual		—	200	—	9,710	264	689	304	11,167		
Doubtful		—	—	—	—	—	—	—	—		
Not graded	—	—	—	—	—	—	—	—			
Subtotal	77,944	62,584	45,209	99,168	68,849	70,936	1,022	425,712			
Multi-family	Acceptable credit quality	70,856	30,490	14,393	168,749	39,041	16,275	607	340,411		
	Special mention	—	—	7,595	17,133	—	—	—	24,728		
	Substandard	—	—	—	15,534	5,158	38	—	20,730		
	Substandard – nonaccrual	—	—	—	—	—	716	—	716		
	Doubtful	—	—	—	—	—	—	—	—		
Not graded	—	—	—	—	—	—	—	—			
Subtotal	70,856	30,490	21,988	201,416	44,199	17,029	607	386,585			
Farmland	Acceptable credit quality	16,012	2,062	6,995	3,654	6,968	25,187	879	61,757		
	Special mention	—	—	—	—	847	96	—	943		
	Substandard	600	—	1,210	—	13	538	—	2,361		
	Substandard – nonaccrual	—	—	—	227	267	1,134	48	1,676		
	Doubtful	—	—	—	—	—	—	—	—		
Not graded	—	—	—	—	—	—	—	—			
Subtotal	16,612	2,062	8,205	3,881	8,095	26,955	927	66,737			
Construction and land development	Acceptable credit quality	84,117	95,804	12,804	22,798	14,034	372	8,141	238,070		
	Special mention	—	1,588	—	9,000	—	—	—	10,588		
	Substandard	—	—	—	—	80	—	—	80		
	Substandard – nonaccrual	—	—	—	—	5,534	—	—	5,534		
	Doubtful	—	—	—	—	—	—	—	—		
Not graded	1,524	3,635	316	306	—	20	—	5,801			
Subtotal	85,641	101,027	13,120	32,104	19,648	392	8,141	260,073			
Total	Acceptable credit quality	939,405	622,897	362,077	731,497	406,021	321,118	475,164	3,858,179		
	Special mention	1,664	18,792	17,520	28,303	6,313	4,095	851	77,538		
	Substandard	600	531	3,801	26,036	5,593	36,460	5,604	78,625		
	Substandard – nonaccrual	—	10,853	2,861	15,178	9,970	10,698	3,564	53,124		
	Doubtful	—	—	—	—	—	—	—	—		
Not graded	1,524	3,635	316	306	—	20	—	5,801			
Total commercial loans			\$ 943,193	\$ 656,708	\$ 386,575	\$ 801,320	\$ 427,897	\$ 372,391	\$ 485,183	\$ 4,073,267	

December 31, 2024

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

The following table presents the gross charge-offs by class of loan and year of origination on the commercial loan portfolio for the three and nine months ended September 30, 2025 and 2024:

(dollars in thousands)		Term Loans by Origination Year						Revolving Loans	Total
		2025	2024	2023	2022	2021	Prior		
For the three months ended September 30, 2025									
Commercial	Commercial	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
	Commercial Other	156	6	880	1,253	102	247	1,657	4,301
Commercial Real Estate	Non-owner occupied	—	87	—	—	—	1,906	—	1,993
	Owner occupied	—	—	—	1,297	—	8	—	1,305
	Multi-family	—	—	—	500	—	—	—	500
Construction and land development		—	—	—	—	2,860	41	—	2,901
Total gross commercial charge-offs		\$ 156	\$ 93	\$ 880	\$ 3,050	\$ 2,962	\$ 2,202	\$ 1,657	\$ 11,000

(dollars in thousands)		Term Loans by Origination Year						Revolving Loans	Total
		2025	2024	2023	2022	2021	Prior		
For the nine months ended September 30, 2025									
Commercial	Commercial	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 152	\$ —	\$ 152
	Commercial Other	156	62	1,915	3,183	508	364	17,422	23,610
Commercial Real Estate	Non-owner occupied	—	87	—	7,782	—	7,649	—	15,518
	Owner occupied	—	—	—	7,144	—	8	—	7,152
	Multi-family	—	—	—	2,854	—	1,450	—	4,304
Construction and land development		—	—	—	—	2,860	41	—	2,901
Total gross commercial charge-offs		\$ 156	\$ 149	\$ 1,915	\$ 20,963	\$ 3,368	\$ 9,664	\$ 17,422	\$ 53,637

(dollars in thousands)		Term Loans by Origination Year						Revolving Loans	Total
		2024	2023	2022	2021	2020	Prior		
For the three months ended September 30, 2024									
Commercial	Commercial	\$ —	\$ —	\$ —	\$ —	\$ 22	\$ 2	\$ —	\$ 24
	Commercial Other	—	320	1,608	301	43	196	—	2,468
Commercial Real Estate	Non-owner occupied	—	—	—	—	—	—	—	—
	Owner occupied	—	—	—	—	—	32	—	32
	Multi-family	—	—	—	—	—	—	—	—
Construction and land development		—	—	—	—	—	—	—	—
Total gross commercial charge-offs		\$ —	\$ 320	\$ 1,608	\$ 301	\$ 65	\$ 230	\$ —	\$ 2,524

(dollars in thousands)		Term Loans by Origination Year						Revolving Loans	Total
		2024	2023	2022	2021	2020	Prior		
For the nine months ended September 30, 2024									
Commercial	Commercial	\$ —	\$ 475	\$ —	\$ 750	\$ 32	\$ 17	\$ 102	\$ 1,376
	Commercial Other	—	1,765	6,939	722	66	322	—	9,814
Commercial Real Estate	Non-owner occupied	—	—	—	—	138	5	—	143
	Owner occupied	—	—	—	—	—	585	—	585
	Multi-family	—	—	—	—	—	—	—	—
Construction and land development		—	—	—	—	—	—	—	—
Total gross commercial charge-offs		\$ —	\$ 2,240	\$ 6,939	\$ 1,472	\$ 236	\$ 929	\$ 102	\$ 11,918

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 September 30, 2025 and December 31, 2024:

			September 30, 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	\$ 6,114	\$ 29,464	\$ 39,188	\$ 64,054	\$ 29,690	\$ 121,225	\$ —	\$ 289,735	
		Nonperforming	—	—	275	—	300	2,520	—	3,095	
		Subtotal	6,114	29,464	39,463	64,054	29,990	123,745	—	292,830	
	Other residential	Performing	1,000	2,159	1,943	683	206	1,597	52,533	60,121	
		Nonperforming	—	—	—	—	—	155	369	524	
		Subtotal	1,000	2,159	1,943	683	206	1,752	52,902	60,645	
Consumer	Consumer	Performing	9,455	17,503	15,971	12,605	19,584	6,449	1,083	82,650	
		Nonperforming	—	11	30	2	—	17	—	60	
		Subtotal	9,455	17,514	16,001	12,607	19,584	6,466	1,083	82,710	
	Consumer other	Performing	—	—	344	32,073	6,504	8,231	—	47,152	
		Nonperforming	—	—	—	—	—	—	—	—	
		Subtotal	—	—	344	32,073	6,504	8,231	—	47,152	
Leases financing		Performing	41,553	73,327	71,790	70,799	26,890	19,260	—	303,619	
		Nonperforming	—	672	3,179	2,569	670	274	—	7,364	
		Subtotal	41,553	73,999	74,969	73,368	27,560	19,534	—	310,983	
Total		Performing	58,122	122,453	129,236	180,214	82,874	156,762	53,616	783,277	
		Nonperforming	—	683	3,484	2,571	970	2,966	369	11,043	
Total other loans			\$ 58,122	\$ 123,136	\$ 132,720	\$ 182,785	\$ 83,844	\$ 159,728	\$ 53,985	\$ 794,320	

December 31, 2024

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

The following table presents the gross charge-offs by class of loan and year of origination on the other loan portfolio for the three and nine months ended September 30, 2025 and 2024:

			Term Loans by Origination Year						Revolving Loans	Total
			2025	2024	2023	2022	2021	Prior		
(dollars in thousands)										
For the three months ended September 30, 2025										
Residential real estate	Residential first lien	\$ —	\$ —	\$ 40	\$ —	\$ —	\$ —	\$ —	\$ 40	
	Other residential	—	—	—	—	—	1	13	14	
Consumer	Consumer	23	5	9	2	—	—	6	45	
	Consumer other	—	27	18	348	139	320	—	852	
Lease financing		—	249	1,605	1,843	330	61	—	4,088	
Total gross other charge-offs			\$ 23	\$ 281	\$ 1,672	\$ 2,193	\$ 469	\$ 382	\$ 5,039	

			Term Loans by Origination Year						Revolving Loans	Total
			2025	2024	2023	2022	2021	Prior		
(dollars in thousands)										
For the nine months ended September 30, 2025										
Residential real estate	Residential first lien	\$ —	\$ —	\$ 40	\$ —	\$ —	\$ 27	\$ —	\$ 67	
	Other residential	—	—	—	25	—	2	32	59	
Consumer	Consumer	23	35	21	4	—	1	19	103	
	Consumer other	26	106	68	632	268	1,031	—	2,131	
Lease financing		—	716	5,023	4,261	723	699	—	11,422	
Total gross other charge-offs			\$ 49	\$ 857	\$ 5,152	\$ 4,922	\$ 991	\$ 1,760	\$ 13,782	

		Term Loans						Revolving Loans	Total
		2024	2023	2022	2021	2020	Prior		
(dollars in thousands)									
For the three months ended September 30, 2024									
Residential real estate	Residential first lien	\$ —	\$ 18	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 18
	Other residential	—	—	—	—	—	1	140	141
Consumer	Consumer	1	—	—	—	—	—	7	8
	Consumer other	1	2,779	11,732	1,299	632	865	—	17,308
Lease financing		—	583	1,560	464	245	127	—	2,979
Total gross other charge-offs		\$ 2	\$ 3,380	\$ 13,292	\$ 1,763	\$ 877	\$ 993	\$ 147	\$ 20,454

		Term Loans						Revolving Loans	Total
		2024	2023	2022	2021	2020	Prior		
(dollars in thousands)									
For the nine months ended September 30, 2024									
Residential real estate	Residential first lien	\$ —	\$ 18	\$ 11	\$ —	\$ —	\$ —	\$ —	\$ 29
	Other residential	—	—	16	—	—	1	148	165
Consumer	Consumer	1	22	—	5	16	27	8	79
	Consumer other	2	7,813	22,439	4,140	2,046	2,892	—	39,332
Lease financing		—	1,652	3,831	801	297	147	—	6,728
Total gross other charge-offs		\$ 3	\$ 9,505	\$ 26,297	\$ 4,946	\$ 2,359	\$ 3,067	\$ 156	\$ 46,333

NOTE 4 – PREMISES, EQUIPMENT AND LEASES

A summary of premises, equipment and leases at September 30, 2025 and December 31, 2024 is as follows:

(dollars in thousands)	September 30,	December 31,
	2025	2024
Land	\$ 15,856	\$ 15,986
Buildings and improvements	85,908	83,296
Furniture and equipment	38,084	36,526
Lease right-of-use assets	8,509	8,830
Total	148,357	144,638
Accumulated depreciation	(62,352)	(58,928)
Premises and equipment, net	\$ 86,005	\$ 85,710

Depreciation expense for the three and nine months ended September 30, 2025 was \$1.2 million and \$3.7 million, respectively, and \$1.2 million and \$3.7 million for the three and nine months ended September 30, 2024, respectively.

The Company has entered into operating leases, primarily for banking offices, operating facilities and ATMs, which have remaining lease terms of 3 months to 13 years, some of which may include options to extend the lease terms for up to an additional 10 years. The options to extend are included in the remaining lease term if they are reasonably certain to be exercised. The Company had operating lease right-of-use assets of \$8.5 million and \$8.8 million as of September 30, 2025 and December 31, 2024, respectively, included in premises and equipment on our consolidated balance sheets. The operating lease liabilities of the Company were \$9.8 million as of September 30, 2025, and \$10.1 million as of December 31, 2024, and are included in accrued interest payable and other liabilities on our consolidated balance sheets.

Information related to operating leases for the three and nine months ended September 30, 2025 and 2024 was as follows:

(dollars in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
Operating lease cost	\$ 483	\$ 504	\$ 1,461	\$ 1,461
Operating cash flows from leases	464	600	1,467	1,748
Right-of-use assets obtained in exchange for lease obligations	36	1,168	873	2,707
Weighted average remaining lease term	6.30 years	7.0 years	6.30 years	7.0 years
Weighted average discount rate	3.72 %	3.65 %	3.72 %	3.65 %

The projected minimum rental payments under the terms of the leases as of September 30, 2025 were as follows:

(dollars in thousands)	Amount
Year ending December 31:	
2025 remaining	\$ 350
2026	2,012
2027	1,900
2028	1,847
2029	1,648
Thereafter	3,256
Total future minimum lease payments	11,013
Less imputed interest	(1,234)
Total operating lease liabilities	\$ 9,779

NOTE 5 - OPERATING LEASES - LESSOR

The Company provided financing for various types of equipment through operating leasing arrangements. The equipment leased to others is carried at cost less accumulated depreciation in other assets on our consolidated balance sheets. The Company had equipment leased to others of \$21.8 million and \$30.6 million at September 30, 2025 and December 31, 2024, respectively, net of accumulated depreciation of \$16.2 million and \$18.1 million at September 30, 2025 and December 31, 2024, respectively. The Company recorded lease income related to lease payments for operating leases in other income on our consolidated statements of income of \$2.6 million and \$3.8 million for the three months ended September 30, 2025 and 2024, respectively, and \$8.5 million and \$12.7 million for the nine months ended September 30, 2025 and 2024, respectively. Depreciation expense related to leased equipment was \$2.1 million and \$3.0 million for the three months ended September 30, 2025 and 2024, respectively, and \$6.8 million and \$10.0 million for the nine months ended September 30, 2025 and 2024, respectively.

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

The future lease payments receivable from operating leases as of September 30, 2025 are as follows:

(dollars in thousands)	Amount
Year ending December 31:	
2025 remaining	\$ 1,576
2026	3,390
2027	1,651
2028	583
2029	192
Thereafter	63
Total future minimum lease payments	\$ 7,455

NOTE 6 – GOODWILL

The carrying amount of goodwill by segment at September 30, 2025 and December 31, 2024 is summarized as follows:

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

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

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

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

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

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

NOTE 7 – DERIVATIVE INSTRUMENTS

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

Interest Rate Risk

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

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

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

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

Balance Sheet Presentation

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

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

(dollars in thousands)	September 30, 2025			December 31, 2024		
	Fair Value		Notional amount	Fair Value		Notional amount
	Assets	Liabilities		Assets	Liabilities	
Derivatives designated as accounting hedges						
Interest rate contracts						
Fair value hedges						
Investment securities available for sale	\$ 291	\$ 3,611	\$ 273,763	\$ 2,653	\$ 654	\$ 167,363
Cash flow hedges						
Investment securities available for sale	987	—	90,000	—	—	—
Pools of commercial and commercial real estate loans	1,948	1,762	300,000	—	4,502	200,000
FHLB advances, brokered CDs and other borrowings	60	518	125,000	863	281	75,000
Total derivatives designated as accounting hedges	\$ 3,286	\$ 5,891	\$ 788,763	\$ 3,516	\$ 5,437	\$ 442,363
Derivatives not designated as accounting hedges						
Interest rate contracts						
Swaps	\$ 418	\$ 418	\$ 53,076	\$ 218	\$ 218	\$ 54,390
Interest rate lock commitments	202	—	9,450	71	—	3,907
Forward commitments to sell mortgage-backed securities	4	—	14,373	32	—	10,198
Total derivatives not designated as accounting hedges	\$ 624	\$ 418	\$ 76,899	\$ 321	\$ 218	\$ 68,495

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

(dollars in thousands)	Carrying amount of the hedged items		Cumulative amount of fair value hedging adjustment included in the carrying amount of the hedged items	
	September 30, 2025	December 31, 2024	September 30, 2025	December 31, 2024
	Investment securities available for sale	\$ 359,046	\$ 286,982	\$ (3,322)

Statement of Income Presentation

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

(dollars in thousands)	Location of gain (loss) recognized in income on derivative	Gain (loss) recognized in income on derivative		Location of gain (loss) recognized in income on related hedged item	Gain (loss) recognized in income on related hedged items	
		2025	2024		2025	2024
Three Months Ended September 30,						
Gain (loss) on fair value hedging relationships						
Interest rate contracts						
Fixed-rate mortgage-backed securities	Interest income on investment securities	\$ (328)	\$ (1,731)	Interest income on investment securities available for sale	\$ 391	\$ 1,790
Nine Months Ended September 30,						
Gain (loss) on fair value hedging relationships						
Interest rate contracts						
Fixed-rate mortgage-backed securities	Interest income on investment securities available for sale	\$ (5,322)	\$ (553)	Interest income on investment securities available for sale	\$ 5,431	\$ 653

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

(dollars in thousands)	Gain (loss) recognized in AOCI on derivative		Location of gain (loss) recognized in income on derivative	Gain (loss) reclassified from AOCI into income	
	2025	2024		2025	2024
Three Months Ended September 30,					
Gain (loss) on cash flow hedging relationships					
Interest rate contracts					
Pools of commercial and commercial real estate loans	\$ 3	\$ 2,878	Interest income on loans	\$ (111)	\$ 1,545
Investment securities available for sale	(356)	—	Interest income on investment securities	(55)	—
FHLB advances, brokered CDs and other borrowings	(86)	(1,788)	Interest expense	(31)	(279)
Total gain (loss) on cash flow hedging relationships	<u>\$ (439)</u>	<u>\$ 1,090</u>		<u>\$ (197)</u>	<u>\$ 1,266</u>
Nine Months Ended September 30,					
Gain (loss) on cash flow hedging relationships					
Interest rate contracts					
Pools of commercial and commercial real estate loans	\$ 1,358	\$ (1,123)	Interest income on loans	\$ (1,857)	\$ (1,549)
Investment securities available for sale	161	—	Interest income on investment securities	(32)	—
FHLB advances, brokered CDs and other borrowings	(871)	357	Interest expense	213	282
Total gain (loss) on cash flow hedging relationships	<u>\$ 648</u>	<u>\$ (766)</u>		<u>\$ (1,676)</u>	<u>\$ (1,267)</u>

During the next 12 months, we estimate \$2.4 million of losses will be reclassified into pretax earnings from derivatives designated as cash flow hedges.

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

(dollars in thousands)	Location of gain (loss) recognized in income on derivative	Three Months Ended September 30,		Nine Months Ended September 30,	
		2025	2024	2025	2024
Nine Months Ended September 30,					
Gain (loss) on derivative instruments not designated as accounting hedges					
Interest rate contracts	Residential mortgage banking revenue	\$ 45	\$ (68)	\$ 104	\$ 60
Total (loss) gain on derivative instruments not designated as accounting hedges		\$ 45	\$ (68)	\$ 104	\$ 60

NOTE 8 – DEPOSITS

The following table summarizes the classification of deposits as of September 30, 2025 and December 31, 2024:

(dollars in thousands)	September 30, 2025	December 31, 2024
Noninterest-bearing demand	\$ 1,015,930	\$ 1,055,564
Interest-bearing:		
Checking	1,996,501	2,378,256
Money market	1,240,885	1,173,630
Savings	486,953	507,305
Time	864,556	1,082,488
Total deposits	\$ 5,604,825	\$ 6,197,243

NOTE 9 – FHLB ADVANCES AND OTHER BORROWINGS

The following table summarizes our FHLB advances and other borrowings as of September 30, 2025 and December 31, 2024:

(dollars in thousands)	September 30, 2025	December 31, 2024
FHLB advances – fixed rate, fixed term at rates averaging 4.38% and 4.50% at September 30, 2025 and December 31, 2024 - maturing through October 2029	\$ 188,000	\$ 133,000
FHLB advances – putable fixed rate at rates averaging 3.69% at both September 30, 2025 and December 31, 2024 – maturing through July 2034 with call provisions through November 2025	125,000	125,000
FHLB advances – Short term fixed rate at rates of 4.20% at September 30, 2025	60,000	—
Total FHLB advances and other borrowings	\$ 373,000	\$ 258,000

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 \$2.88 billion and \$3.23 billion at September 30, 2025 and December 31, 2024, respectively. Based on this collateral, the Company was eligible to borrow \$1.05 billion from the FHLB at September 30, 2025.

NOTE 10 – SUBORDINATED DEBT

The following table summarizes the Company's subordinated debt at September 30, 2025 and December 31, 2024:

(dollars in thousands)	Subordinated debt		
	Fixed to Float		Total
	Issued September 2019	Issued September 2019	
At September 30, 2025			
Outstanding amount	\$ —	\$ 27,250	\$ 27,250
Carrying amount	—	27,014	27,014
Current rate	— %	5.50 %	
At December 31, 2024			
Outstanding amount	\$ 50,750	\$ 27,250	\$ 78,000
Carrying amount	50,750	26,999	77,749
Current rate	7.94 %	5.50 %	
Maturity date	9/30/2029	9/30/2034	
Optional redemption date	9/30/2024	9/30/2029	
Fixed to variable conversion date	9/30/2024	9/30/2029	
Variable rate	3-month SOFR plus 3.61%	3-month SOFR plus 4.05%	
Interest payment terms	Semiannually through 9/30/2024; Quarterly for all subsequent periods	Semiannually through 9/30/2029; Quarterly for all subsequent periods	

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

On September 30, 2025, the Company 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. The interest rate on the subordinated notes was 7.91%, equating to approximately \$4.0 million of annual interest expense. The Company's \$27.3 million aggregate principal amount of Fixed-to-Floating Rate Subordinated Notes due September 30, 2034, with an interest rate of 5.50% as of September 30, 2025, remain outstanding.

NOTE 11 - ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

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

(dollars in thousands)	Unrealized gains and losses on investment securities available for sale	Unrealized gains and losses on cash flow hedges	Total
Changes in AOCI for the three months ended September 30, 2025			
Balance, beginning of period	\$ (72,954)	\$ (1,034)	\$ (73,988)
Other comprehensive income (loss) before reclassifications	11,210	(323)	10,887
Amounts reclassified from AOCI to income ⁽¹⁾	(10)	145	135
Balance, end of period	<u>\$ (61,754)</u>	<u>\$ (1,212)</u>	<u>\$ (62,966)</u>
Changes in AOCI for the three months ended September 30, 2024			
Balance, beginning of period	\$ (77,878)	\$ (4,703)	\$ (82,581)
Other comprehensive income (loss) before reclassifications	22,036	803	22,839
Amounts reclassified from AOCI to income ⁽¹⁾	34	(932)	(898)
Balance, end of period	<u>\$ (55,808)</u>	<u>\$ (4,832)</u>	<u>\$ (60,640)</u>
Changes in AOCI for the nine months ended September 30, 2025			
Balance, beginning of period	\$ (79,021)	\$ (2,939)	\$ (81,960)
Other comprehensive income (loss) before reclassifications	17,277	492	17,769
Amounts reclassified from AOCI to income ⁽¹⁾	(10)	1,235	1,225
Balance, end of period	<u>\$ (61,754)</u>	<u>\$ (1,212)</u>	<u>\$ (62,966)</u>
Changes in AOCI for the nine months ended September 30, 2024			
Balance, beginning of period	\$ (71,556)	\$ (5,197)	\$ (76,753)
Other comprehensive income (loss) before reclassifications	15,604	(504)	15,100
Amounts reclassified from AOCI to income ⁽¹⁾	144	869	1,013
Balance, end of period	<u>\$ (55,808)</u>	<u>\$ (4,832)</u>	<u>\$ (60,640)</u>

See table below for details about reclassifications to income.

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

(dollars in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,		Affected line item in the statement of income
	2025	2024	2025	2024	
Details about AOCI components	Amounts reclassified from AOCI		Amounts reclassified from AOCI		
Gains and losses on cash flow hedges	\$ (197)	\$ 1,266	\$ (1,676)	\$ (1,267)	Interest income (expense)
	52	(334)	441	398	Income tax (expense) benefit
	<u>\$ (145)</u>	<u>\$ 932</u>	<u>\$ (1,235)</u>	<u>\$ (869)</u>	Net income

NOTE 12 – EARNINGS PER COMMON SHARE

Earnings per common share is calculated utilizing the two-class method. Basic earnings per common share is calculated by dividing the sum of distributed earnings to common shareholders and undistributed earnings allocated to common shareholders by the weighted average number of common shares outstanding. Diluted earnings per common share is calculated by dividing the sum of distributed earnings to common shareholders and undistributed earnings allocated to common shareholders by the weighted average number of shares adjusted for the dilutive effect of common stock awards. Presented below are the calculations for basic and diluted earnings per common share for the three and nine months ended September 30, 2025 and 2024:

(dollars in thousands, except per share data)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
Net income (loss)	\$ 7,557	\$ 20,431	\$ (121,393)	\$ 68,813
Preferred dividends declared	(2,229)	(2,229)	(6,685)	(6,685)
Net income (loss) available to common shareholders	5,328	18,202	(128,078)	62,128
Common shareholder dividends	(6,893)	(6,632)	(20,230)	(19,959)
Unvested restricted stock award dividends	(124)	(115)	(354)	(324)
Undistributed earnings to unvested restricted stock awards	—	(181)	—	(645)
Undistributed earnings (loss) to common shareholders	\$ (1,689)	\$ 11,274	\$ (148,662)	\$ 41,200
Basic				
Distributed earnings to common shareholders	\$ 6,893	\$ 6,632	\$ 20,230	\$ 19,959
Undistributed earnings (loss) to common shareholders	(1,689)	11,274	(148,662)	41,200
Total common shareholders earnings (loss), basic	\$ 5,204	\$ 17,906	\$ (128,432)	\$ 61,159
Diluted				
Distributed earnings to common shareholders	\$ 6,893	\$ 6,632	\$ 20,230	\$ 19,959
Undistributed earnings (loss) to common shareholders	(1,689)	11,274	(148,662)	41,200
Total common shareholders earnings (loss)	5,204	17,906	(128,432)	61,159
Add back:				
Undistributed earnings reallocated from unvested restricted stock awards	—	—	—	—
Total common shareholders earnings (loss), diluted	\$ 5,204	\$ 17,906	\$ (128,432)	\$ 61,159
Weighted average common shares outstanding, basic	21,863,911	21,675,818	21,826,566	21,726,143
Dilutive effect of options	—	2,424	—	5,950
Weighted average common shares outstanding, diluted	21,863,911	21,678,242	21,826,566	21,732,093
Basic earnings (loss) per common share	\$ 0.24	\$ 0.83	\$ (5.88)	\$ 2.82
Diluted earnings (loss) per common share	0.24	0.83	(5.88)	2.81
Antidilutive stock options ⁽¹⁾	228,802	279,163	228,802	231,120

(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 13 – FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

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

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

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

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

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

Commercial loans held for sale. The fair value of commercial loans held for sale may be based upon third party bids to purchase the specific notes, or the estimated fair value of the underlying collateral. The fair value of the collateral is based on estimated market prices from an independently prepared appraisal, which is adjusted to reflect the cost of liquidating such collateral, and various other 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).

Consumer loans held for sale. The fair value of consumer loans held for sale are calculated using discounted cash flows or other market indicators (Level 3).

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

Appraisals for both collateral-dependent loans and other real estate owned are performed by certified general appraisers (for commercial properties) or certified residential appraisers (for residential properties) whose qualifications and licenses have been reviewed and verified by the Company. Once received, a member of the Company's asset quality or collections department reviews the assumptions and approaches utilized in the appraisal.

Assets and liabilities measured and recorded at fair value, including financial assets for which the Company has elected the fair value option, on a recurring and nonrecurring basis at September 30, 2025 and December 31, 2024, are summarized below:

(dollars in thousands)	September 30, 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	\$ 15,123	\$ —	\$ 15,123	\$ —
Mortgage-backed securities - agency	1,048,803	—	1,048,803	—
Mortgage-backed securities - non-agency	93,860	—	93,860	—
Asset-backed student loans	43,258	—	43,258	—
State and municipal securities	73,290	—	73,290	—
Collateralized loan obligations	47,845	—	47,845	—
Corporate securities	56,728	—	56,728	—
Equity securities	4,214	4,214	—	—
Residential loans held for sale	7,535	—	7,535	—
Credit enhancement asset	5,765	—	—	5,765
Derivative assets	3,910	—	3,910	—
Total	\$ 1,400,331	\$ 4,214	\$ 1,390,352	\$ 5,765
Liabilities				
Derivative liabilities	\$ 6,309	\$ —	\$ 6,309	\$ —
Total	\$ 6,309	\$ —	\$ 6,309	\$ —
Assets measured at fair value on a non-recurring basis:				
Nonperforming loans	\$ 44,368	\$ —	\$ —	\$ 44,368
Other real estate owned	393	—	—	393

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

The following table presents losses recognized on assets measured on a nonrecurring basis for the three and nine months ended September 30, 2025 and 2024:

(dollars in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
Nonperforming loans	\$ 5,821	\$ 355	16,114	14,225
Other real estate owned	—	548	—	1,278
Total losses on assets measured on a nonrecurring basis	\$ 5,821	\$ 903	\$ 16,114	\$ 15,503

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 September 30, 2025 and December 31, 2024:

(dollars in thousands)	Fair value	Valuation technique	Unobservable input / assumptions	Range (weighted average) ⁽¹⁾
September 30, 2025				
Nonperforming loans	\$ 44,368	Fair value of collateral	Discount for type of property, age of appraisal, and/or current status	0.00% - 60.05% (2.58%)
Other real estate owned	393	Fair value of collateral	Discount for type of property, age of appraisal, and/or current status	39.00% - 72.88% (56.42%)
December 31, 2024				
Nonperforming loans	\$ 120,222	Fair value of collateral	Discount to reflect current market conditions and ultimate collectability	0.00% - 34.15% (0.67%)
Other real estate owned	4,941	Fair value of collateral	Discount for type of property, age of appraisal, and/or current status	0.00% - 43.54% (10.68%)
Consumer loans held for sale ⁽²⁾	336,719	Discounted cash flow	Discount rate	8.98%

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

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

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

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

The following table presents the difference between the aggregate fair value and the aggregate remaining principal balance for loans for which the fair value option has been elected as of September 30, 2025 and December 31, 2024:

(dollars in thousands)	September 30, 2025			December 31, 2024		
	Aggregate fair value	Difference	Contractual principal	Aggregate fair value	Difference	Contractual principal
Residential loans held for sale	\$ 7,535	\$ 369	\$ 7,166	\$ 8,228	\$ 282	\$ 7,946

The following table presents the amount of gains (losses) from fair value changes included in income before income taxes for financial assets carried at fair value for the three and nine months ended September 30, 2025 and 2024:

(dollars in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
Residential loans held for sale	\$ (56)	\$ 133	\$ 80	\$ 150

The carrying values and estimated fair value of certain financial instruments not carried at fair value at September 30, 2025 and December 31, 2024 were as follows:

		September 30, 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	\$ 165,673	\$ 165,673	\$ 165,673	\$ —	\$ —	
Federal funds sold	474	474	474	—	—	
Loans	4,766,701	4,688,350	—	—	4,688,350	
Accrued interest receivable	26,672	26,672	—	26,672	—	
Liabilities						
Deposits	\$ 5,604,825	\$ 5,567,878	\$ —	\$ 5,567,878	\$ —	
Short-term borrowings	146,766	146,766	—	146,766	—	
FHLB and other borrowings	373,000	374,874	—	374,874	—	
Subordinated debt	27,014	23,090	—	23,090	—	
Trust preferred debentures	51,684	49,781	—	49,781	—	
		December 31, 2024				
(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	\$ 114,055	\$ 114,055	\$ 114,055	\$ —	\$ —	
Federal funds sold	711	711	711	—	—	
Loans	5,056,370	4,872,824	—	—	4,872,824	
Accrued interest receivable	25,329	25,329	—	25,329	—	
Liabilities						
Deposits	\$ 6,197,243	\$ 6,183,807	\$ —	\$ 6,183,807	\$ —	
Short-term borrowings	87,499	87,499	75,000	12,499	—	
FHLB and other borrowings	258,000	253,520	—	253,520	—	
Subordinated debt	77,749	69,827	—	69,827	—	
Trust preferred debentures	51,205	49,056	—	49,056	—	

The methods utilized to measure fair value of financial instruments at September 30, 2025 and December 31, 2024 represent an approximation of exit price; however, an actual exit price may differ.

NOTE 14 – COMMITMENTS, CONTINGENCIES AND CREDIT RISK

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

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

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

Our exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit and standby letters of credit is represented by the contractual amount of those instruments. The 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 September 30, 2025 and December 31, 2024 were as follows:

(dollars in thousands)	September 30, 2025	December 31, 2024
Commitments to extend credit	\$ 830,446	\$ 754,202
Financial guarantees – standby letters of credit	27,652	22,298

NOTE 15 – SEGMENT INFORMATION

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

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

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

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

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

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

Selected business segment financial information for the three and nine months ended September 30, 2025 and 2024 were as follows:

(dollars in thousands)	Banking	Wealth Management	Corporate	Total
Three Months Ended September 30, 2025				
Interest income	\$ 98,493	\$ —	\$ —	\$ 98,493
Interest expense	35,011	20	2,345	37,376
Net interest income (expense)	63,482	(20)	(2,345)	61,117
Provision for credit losses	20,005	—	—	20,005
Wealth management revenue	—	8,018	—	8,018
Other noninterest income	13,861	—	(1,863)	11,998
Total noninterest income	13,861	8,018	(1,863)	20,016
Salaries and employee benefits	22,206	4,187	—	26,393
Depreciation expense	1,204	12	—	1,216
Amortization of intangible assets	492	251	—	743
Other noninterest expense	20,727	1,463	(728)	21,462
Total noninterest expense	44,629	5,913	(728)	49,814
Income (loss) before income taxes (benefit)	12,709	2,085	(3,480)	11,314
Income taxes (benefit)	1,614	99	2,044	3,757
Net income (loss)	\$ 11,095	\$ 1,986	\$ (5,524)	\$ 7,557
Total assets	\$ 6,922,828	\$ 35,589	\$ (46,901)	\$ 6,911,515
Nine Months Ended September 30, 2025				
Interest income	\$ 295,772	\$ —	\$ —	\$ 295,772
Interest expense	110,620	55	6,995	117,670
Net interest income (expense)	185,152	(55)	(6,995)	178,102
Provision for credit losses	48,224	—	—	48,224
Wealth management revenue	—	22,747	—	22,747
Other noninterest income	42,183	—	(3,617)	38,566
Total noninterest income	42,183	22,747	(3,617)	61,313
Salaries and employee benefits	66,450	12,044	—	78,494
Depreciation expense	3,639	33	—	3,672
Amortization of intangible assets	1,708	773	—	2,481
Impairment on goodwill	153,977	—	—	153,977
Other noninterest expense ⁽¹⁾	61,560	4,894	(2,267)	64,187
Total noninterest expense	287,334	17,744	(2,267)	302,811
(Loss) income before income (benefit) taxes	(108,223)	4,948	(8,345)	(111,620)
Income (benefit) taxes	7,758	1,387	628	9,773
Net (loss) income	\$ (115,981)	\$ 3,561	\$ (8,973)	\$ (121,393)
Total assets	\$ 6,922,828	\$ 35,589	\$ (46,901)	\$ 6,911,515
(dollars in thousands)				
Three Months Ended September 30, 2024				
Interest income	\$ 108,994	\$ —	\$ —	\$ 108,994
Interest expense	47,743	16	2,125	49,884
Net interest income (expense)	61,251	(16)	(2,125)	59,110
Provision for credit losses	17,925	—	—	17,925
Wealth management revenue	—	7,104	—	7,104
Other noninterest income	26,343	—	98	26,441

Total noninterest income	26,343	7,104	98	33,545
Salaries and employee benefits	21,817	2,565	—	24,382
Depreciation expense	1,235	8	—	1,243
Amortization of intangible assets	678	273	—	951
Other noninterest expense	21,297	2,669	(778)	23,188
Total noninterest expense	45,027	5,515	(778)	49,764
Income (loss) before income taxes (benefit)	24,642	1,573	(1,249)	24,966
Income taxes (benefit)	5,614	1,136	(2,215)	4,535
Net income (loss)	\$ 19,028	\$ 437	\$ 966	\$ 20,431
Total assets	\$ 7,680,957	\$ 33,763	\$ (10,531)	\$ 7,704,189

Nine Months Ended September 30, 2024

Interest income	\$ 321,643	\$ —	\$ 15	\$ 321,658
Interest expense	137,259	36	6,587	143,882
Net interest income (expense)	184,384	(36)	(6,572)	177,776
Provision for credit losses	46,149	—	—	46,149
Wealth management revenue	—	21,037	—	21,037
Other noninterest income	82,691	—	(358)	82,333
Total noninterest income	82,691	21,037	(358)	103,370
Salaries and employee benefits	62,022	9,334	—	71,356
Depreciation expense	3,687	34	—	3,721
Amortization of intangible assets	2,220	836	—	3,056
Other noninterest expense ⁽¹⁾	67,034	6,065	(2,076)	71,023
Total noninterest expense	134,963	16,269	(2,076)	149,156
Income (loss) before income taxes (benefit)	85,963	4,732	(4,854)	85,841
Income taxes (benefit)	18,238	2,444	(3,654)	17,028
Net income (loss)	\$ 67,725	\$ 2,288	\$ (1,200)	\$ 68,813
Total assets	\$ 7,680,957	\$ 33,763	\$ (10,531)	\$ 7,704,189

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

NOTE 16 – REVENUE FROM CONTRACTS WITH CUSTOMERS

The Company's revenue from contracts with customers in the scope of Topic 606 is recognized within noninterest income in the consolidated statements of income. The following presents noninterest income, segregated by revenue streams in-scope and out-of-scope of Topic 606, for the three and nine months ended September 30, 2025 and 2024.

(dollars in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
Noninterest income - in-scope of Topic 606				
<i>Wealth management revenue:</i>				
Trust management/administration fees	\$ 6,975	\$ 6,159	\$ 19,854	\$ 18,280
Investment advisory and brokerage fees	597	494	1,602	1,417
Other	445	451	1,290	1,340
<i>Service charges on deposit accounts:</i>				
Nonsufficient fund fees	2,235	2,058	6,206	5,716
Other	1,364	1,353	4,049	3,932
<i>Interchange revenues</i>	3,444	3,506	10,059	10,427
<i>Other income:</i>				
Merchant services revenue	376	357	1,073	1,058
Other	473	2	1,589	614
Noninterest income - out-of-scope of Topic 606	4,107	19,165	15,591	60,586
Total noninterest income	\$ 20,016	\$ 33,545	\$ 61,313	\$ 103,370

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

Wealth Management Revenue

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

Service Charges on Deposit Accounts

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

Interchange Revenue

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

Other Noninterest Income

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

NOTE 17 – SUBSEQUENT EVENTS

On November 3, 2025, the Company's board of directors authorized a new share repurchase program, pursuant to which the Company is authorized to repurchase up to \$25.0 million of its common stock. The new stock repurchase program will become effective on November 3, 2025 and expires on November 2, 2026. The Company's most recent stock repurchase program expired on December 31, 2024.

Stock repurchases under the Company's authorized program may be made from time to time on the open market, in privately negotiated transactions, or in any other 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 program is 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 prior notice.

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

The following is Management's discussion and analysis of certain significant factors which have affected the financial condition and results of operations of the Company as reflected in the unaudited consolidated balance sheet as of September 30, 2025, as compared to December 31, 2024, and unaudited consolidated operating results for the three and nine months ended September 30, 2025 and 2024. This disclosure should be read in conjunction with the Company's unaudited consolidated financial statements and accompanying notes appearing elsewhere herein and the audited financial statements and accompanying notes provided in our Annual Report on Form 10-K for the year ended December 31, 2024, filed with the SEC on July 1, 2025.

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

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of our consolidated financial statements requires Management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses. These estimates are based upon historical experience and on various other assumptions that management believes are reasonable under current circumstances. These estimates form the basis for making judgments about the carrying value of certain assets and liabilities that are not readily available from other sources. Actual results may differ from these estimates under different assumptions or conditions. The estimates and judgments that management believes have the 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, 2024.

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, 2024. There have been no material changes in the Company’s application of critical accounting estimates since December 31, 2024.

Allowance for Credit Losses on Loans

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

Goodwill

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

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

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

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

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

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

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

Third-party loan origination and servicing programs

Prior to March 31, 2025, the Company operated three significant programs to originate and service unsecured commercial and consumer loans. Loan options under the programs included traditional fully-amortizing loans and promotional

loans with no interest, or “same-as-cash”, features if the loan was fully repaid in the promotional window. The loans were originated at par in the Company’s name and had terms ranging from five months to 25 years with a much shorter effective life due to amortization and prepayments. As of September 30, 2025, the Company is operating only one such program.

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

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

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

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

At September 30, 2025 and December 31, 2024, loans outstanding in this program were \$56.5 million and \$62.3 million, respectively.

Factors Affecting Comparability

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

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

Cessation of equipment finance originations. As a continuation of steps taken to address the Company's credit quality issues, including the sales of non-core loan portfolios and tightened underwriting standards in our specialty finance portfolio, we ceased originations in the equipment finance portfolio effective September 30, 2025. As a result of this decision, the Company recognized \$1.0 million of severance expense in the third quarter of 2025.

Results of Operations

Overview. The following table sets forth condensed income statement information of the Company for the three and nine months ended September 30, 2025 and 2024:

(dollars in thousands, except per share data)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
Income Statement Data:				
Interest income	\$ 98,493	\$ 108,994	\$ 295,772	\$ 321,658
Interest expense	37,376	49,884	117,670	143,882
Net interest income	61,117	59,110	178,102	177,776
Provision for credit losses	20,005	17,925	48,224	46,149
Noninterest income	20,016	33,545	61,313	103,370
Noninterest expense	49,814	49,764	302,811	149,156
Income (loss) before income taxes	11,314	24,966	(111,620)	85,841
Income tax expense	3,757	4,535	9,773	17,028
Net income (loss)	7,557	20,431	(121,393)	68,813
Preferred dividends	2,229	2,229	6,685	6,685
Net income (loss) available to common shareholders	\$ 5,328	\$ 18,202	\$ (128,078)	\$ 62,128
Per Share Data:				
Basic earnings (loss) per common share	\$ 0.24	\$ 0.83	\$ (5.88)	\$ 2.82
Diluted earnings (loss) per common share	\$ 0.24	\$ 0.83	\$ (5.88)	\$ 2.81
Performance Metrics:				
Return on average assets	0.43 %	1.05 %	(2.26)%	1.18 %
Return on average shareholders' equity	5.20 %	10.22 %	(26.14)%	11.64 %

During the three months ended September 30, 2025, we generated net income of \$7.6 million, or diluted earnings per common share of \$0.24 compared to net income of \$20.4 million, or diluted earnings per common share of \$0.83, in the three months ended September 30, 2024. Earnings for the third quarter of 2025 compared to the third quarter of 2024 decreased primarily due to a \$2.1 million increase in provision for credit losses, a \$13.5 million decrease in noninterest income, and a \$0.1 million increase in noninterest expense. These results were partially offset by a \$2.0 million increase in net interest income, and a \$0.8 million decrease in income tax expense.

During the nine months ended September 30, 2025, we generated a net loss of \$121.4 million, or diluted loss per common share of \$5.88, compared to net income of \$68.8 million, or diluted earnings per common share of \$2.81, in the nine months ended September 30, 2024. Earnings for the nine months ended September 30, 2025, compared to the nine months ended September 30, 2024, included a \$0.3 million increase in net interest income, a \$2.1 million increase in provision for credit losses, a \$42.1 million decrease in noninterest income, a \$153.7 million increase in noninterest expense, primarily as a result of \$154.0 million of goodwill impairment recognized in the first quarter of 2025, and a \$7.3 million decrease in income tax expense.

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

At its September 2025 meeting, the FOMC cut its benchmark interest rate by 0.25 percentage points, marking the first reduction in 2025. Following the rate cut, the borrowing rate was in a range between 4.00%-4.25%. The post-meeting statement stated "Job gains have slowed, and the unemployment rate has edged up but remains low. Inflation has moved up and remains somewhat elevated. The Committee is attentive to the risks to both sides of its dual mandate and judges that downside risks to

employment have risen.” In addition, the Federal Reserve cut its benchmark interest rate by an additional 0.25 percentage points at its October 2025 meeting.

The benchmark federal funds rate began 2024 at a target range between 5.25%-5.50%. At its September 2024 FOMC meeting, the Federal Reserve cut its benchmark interest rate by 0.50 percentage points, marking the first reduction in four years.

During the three months ended September 30, 2025, net interest income, on a tax-equivalent basis, totaled \$61.3 million compared to \$59.3 million for the three months ended September 30, 2024. The tax-equivalent net interest margin increased to 3.79% for the third quarter of 2025 compared to 3.34% in the third quarter of 2024.

During the nine months ended September 30, 2025, net interest income, on a tax-equivalent basis, increased to \$178.8 million with a tax-equivalent net interest margin of 3.61% compared to net interest income, on a tax-equivalent basis, of \$178.4 million with a tax-equivalent net interest margin of 3.35% for the nine months ended September 30, 2024.

Average Balance Sheet, Interest and Yield/Rate Analysis. The following tables present the average balance sheets, interest income, interest expense and the corresponding average yields earned and rates paid for the three and nine months ended September 30, 2025 and 2024. The average balances are principally daily averages and, for loans, include both performing and nonperforming balances. Interest income on loans includes the effects of discount accretion and net deferred loan origination costs accounted for as yield adjustments.

(tax-equivalent basis, dollars in thousands)	Three Months Ended September 30,					
	2025			2024		
	Average balance	Interest & fees	Yield/Rate	Average balance	Interest & fees	Yield/Rate
Interest-earning assets:						
Federal funds sold and cash investments	\$ 78,567	\$ 849	4.29 %	\$ 75,255	\$ 1,031	5.45 %
<i>Investment securities:</i>						
Taxable investment securities	1,280,236	15,418	4.78	1,111,147	13,259	4.75
Investment securities exempt from federal income tax ⁽¹⁾	58,761	561	3.79	51,604	493	3.80
Total securities	1,338,997	15,979	4.73	1,162,751	13,752	4.71
<i>Loans:</i>						
Loans ⁽²⁾	4,907,695	80,583	6.51	5,737,805	93,020	6.45
Loans exempt from federal income tax ⁽¹⁾	39,980	429	4.26	45,603	484	4.22
Total loans	4,947,675	81,012	6.50	5,783,408	93,504	6.43
Loans held for sale	9,268	147	6.29	7,505	124	6.57
Nonmarketable equity securities	38,559	715	7.36	41,137	788	7.62
Total interest-earning assets	6,413,066	98,702	6.11	7,070,056	109,199	6.14
Noninterest-earning assets	498,875			653,279		
Total assets	\$ 6,911,941			\$ 7,723,335		
Interest-bearing liabilities:						
<i>Deposits:</i>						
Checking and money market deposits	\$ 3,246,845	\$ 22,264	2.72 %	\$ 3,554,785	\$ 31,061	3.48 %
Savings deposits	497,231	317	0.25	523,112	429	0.33
Time deposits	813,042	6,712	3.28	849,664	8,034	3.76
Brokered time deposits	87,337	926	4.21	205,079	2,446	4.74
Total interest-bearing deposits	4,644,455	30,219	2.58	5,132,640	41,970	3.25
Short-term borrowings	54,839	499	3.61	53,577	602	4.47
FHLB advances and other borrowings	386,772	4,044	4.15	428,739	4,743	4.40
Subordinated debt	77,210	1,393	7.16	89,120	1,228	5.48
Trust preferred debentures	51,602	1,221	9.39	50,990	1,341	10.46
Total interest-bearing liabilities	5,214,878	37,376	2.84	5,755,066	49,884	3.45
Noninterest-bearing liabilities:						
Noninterest-bearing deposits	1,020,196			1,075,712		
Other noninterest-bearing liabilities	100,436			97,235		
Total noninterest-bearing liabilities	1,120,632			1,172,947		
Shareholders' equity	576,431			795,322		
Total liabilities and shareholders' equity	\$ 6,911,941			\$ 7,723,335		
Net interest income / net interest margin ⁽³⁾		\$ 61,326	3.79 %		\$ 59,315	3.34 %

(1) Interest income and average rates for tax-exempt loans and securities are presented on a tax-equivalent basis, assuming a federal income tax rate of 21%. Tax-equivalent adjustments totaled \$0.2 million for both the three months ended September 30, 2025 and 2024.

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

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

(tax-equivalent basis, dollars in thousands)	Nine Months Ended September 30,					
	2025			2024		
	Average balance	Interest & fees	Yield/Rate	Average balance	Interest & fees	Yield/Rate
Interest-earning assets:						
Federal funds sold and cash investments	\$ 71,558	\$ 2,283	4.27 %	\$ 69,960	\$ 2,857	5.45 %
<i>Investment securities:</i>						
Taxable investment securities	1,281,441	47,011	4.90	1,029,008	35,921	4.66
Investment securities exempt from federal income tax ⁽¹⁾	58,013	1,649	3.80	54,589	1,344	3.29
Total securities	1,339,454	48,660	4.86	1,083,597	37,265	4.59
<i>Loans:</i>						
Loans ⁽²⁾	4,994,619	236,765	6.34	5,856,676	277,961	6.34
Loans exempt from federal income tax ⁽¹⁾	47,746	1,605	4.49	46,540	1,463	4.20
Total loans	5,042,365	238,370	6.32	5,903,216	279,424	6.32
Loans held for sale	125,699	5,087	5.41	5,281	263	6.65
Nonmarketable equity securities	37,669	2,056	7.30	40,429	2,438	8.06
Total interest-earning assets	6,616,745	296,456	5.99	7,102,483	322,247	6.06
Noninterest-earning assets	559,587			663,967		
Total assets	\$ 7,176,332			\$ 7,766,450		
Interest-bearing liabilities:						
<i>Deposits:</i>						
Checking and money market deposits	\$ 3,365,833	\$ 70,942	2.82 %	\$ 3,572,032	\$ 89,910	3.36 %
Savings deposits	510,199	973	0.25	541,420	1,377	0.34
Time deposits	818,658	20,245	3.31	849,529	23,096	3.63
Brokered time deposits	158,998	4,964	4.17	179,998	6,277	4.66
Total interest-bearing deposits	4,853,688	97,124	2.68	5,142,979	120,660	3.13
Short-term borrowings	62,838	1,772	3.77	49,750	1,746	4.69
FHLB advances and other borrowings	350,271	10,973	4.19	414,259	13,615	4.39
Subordinated debt	77,571	4,174	7.19	91,921	3,773	5.48
Trust preferred debentures	51,442	3,627	9.43	50,873	4,088	10.73
Total interest-bearing liabilities	5,395,810	117,670	2.92	5,749,782	143,882	3.34
Noninterest-bearing liabilities:						
Noninterest-bearing deposits	1,048,753			1,119,764		
Other noninterest-bearing liabilities	110,871			107,192		
Total noninterest-bearing liabilities	1,159,624			1,226,956		
Shareholders' equity	620,898			789,712		
Total liabilities and shareholders' equity	\$ 7,176,332			\$ 7,766,450		
Net interest income / net interest margin ⁽³⁾		\$ 178,786	3.61 %		\$ 178,365	3.35 %

(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 \$0.7 million and \$0.6 million for the nine months ended September 30, 2025 and 2024, 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.

(tax-equivalent basis, dollars in thousands)	Three Months Ended September 30, 2025 compared with Three Months Ended September 30, 2024			Nine Months Ended September 30, 2025 compared with Nine Months Ended September 30, 2024		
	Change due to:		Interest Variance	Change due to:		Interest Variance
	Volume	Rate		Volume	Rate	
Earning assets:						
Federal funds sold and cash investments	\$ 42	\$ (224)	\$ (182)	\$ 57	\$ (631)	\$ (574)
Investment securities:						
Taxable investment securities	2,019	140	2,159	8,985	2,105	11,090
Investment securities exempt from federal income tax	68		68	89	216	305
Total securities	2,087	140	2,227	9,074	2,321	11,395
Loans:						
Loans	(13,412)	975	(12,437)	(40,691)	(505)	(41,196)
Loans exempt from federal income tax	(59)	4	(55)	39	103	142
Total loans	(13,471)	979	(12,492)	(40,652)	(402)	(41,054)
Loans held for sale	29	(6)	23	5,427	(603)	4,824
Nonmarketable equity securities	(48)	(25)	(73)	(160)	(222)	(382)
Total earning assets	(11,361)	864	(10,497)	(26,254)	463	(25,791)
Interest-bearing liabilities:						
Checking and money market deposits	(2,362)	(6,435)	(8,797)	(4,807)	(14,161)	(18,968)
Savings deposits	(18)	(94)	(112)	(70)	(334)	(404)
Time deposits	(314)	(1,008)	(1,322)	(812)	(2,039)	(2,851)
Brokered time deposits	(1,325)	(195)	(1,520)	(696)	(617)	(1,313)
Total interest-bearing deposits	(4,019)	(7,732)	(11,751)	(6,385)	(17,151)	(23,536)
Short-term borrowings	14	(117)	(103)	413	(387)	26
FHLB advances and other borrowings	(446)	(253)	(699)	(2,059)	(583)	(2,642)
Subordinated debt	(186)	351	165	(680)	1,081	401
Trust preferred debentures	17	(137)	(120)	41	(502)	(461)
Total interest-bearing liabilities	(4,620)	(7,888)	(12,508)	(8,670)	(17,542)	(26,212)
Net interest income	\$ (6,741)	\$ 8,752	\$ 2,011	\$ (17,584)	\$ 18,005	\$ 421

Interest Income. Interest income, on a tax-equivalent basis, decreased \$10.5 million to \$98.7 million in the three months ended September 30, 2025 as compared to the same quarter in 2024, primarily due to a decline in earning assets. The yield on earning assets decreased three basis points to 6.11% from 6.14%.

Average earning assets decreased to \$6.41 billion in the third quarter of 2025 from \$7.07 billion in the same quarter in 2024. A decrease in average loans of \$835.7 million was partially offset by an increase in investment securities of \$176.2 million.

Average loans decreased \$835.7 million in the third quarter of 2025 compared to the same quarter of 2024. Average consumer loans decreased \$588.0 million. In the fourth quarter of 2024, the Company accelerated the reduction of our non-core consumer loan portfolio through sales. In December 2024, we sold our LendingPoint portfolio and committed to a plan to sell the majority of our GreenSky consumer loan portfolio, transferring these loans to held for sale. In the third quarter of 2024, the average balances of the LendingPoint and GreenSky portfolios were \$92.0 million and \$504.6 million, respectively. Average equipment finance loan and lease balances decreased \$192.7 million to \$675.5 million as the Company continued to reduce its concentration of this product within the overall loan portfolio.

For the nine months ended September 30, 2025, interest income, on a tax-equivalent basis, decreased \$25.8 million to \$296.5 million as compared to the same period in 2024, primarily due to a decline in earning assets. The yield on earning assets decreased seven basis points to 5.99% from 6.06%.

Average earning assets decreased to \$6.62 billion in the first nine months of 2025 from \$7.10 billion in the same period in 2024. Average loans decreased \$860.9 million. This decrease was partially offset by increases in investment securities and loans held for sale of \$255.9 million and \$120.4 million, respectively.

Average loans decreased \$860.9 million in the first three quarters of 2025 compared to the same period of 2024. Average consumer loans decreased \$678.9 million due to the sale of our non-core consumer loan portfolios. Average equipment finance loan and lease balances decreased \$189.6 million to \$730.3 million.

Average loans held for sale for the first three quarters of 2025 primarily reflected the GreenSky consumer loans which were transferred to held for sale in December 2024. The Company completed the sale of this portfolio in April 2025.

Interest Expense. Interest expense decreased \$12.5 million to \$37.4 million for the three months ended September 30, 2025 from the comparable period in 2024. The cost of interest-bearing liabilities decreased to 2.84% for the third quarter of 2025, compared to 3.45% for the third quarter of 2024, due to the decrease in deposit costs as a result of the rate decreases announced by the Federal Reserve in late 2024.

Interest expense on deposits decreased \$11.8 million to \$30.2 million for the three months ended September 30, 2025 from the comparable period in 2024. The decrease was primarily due to a decrease in rates paid on deposits. Average balances of interest-bearing deposit accounts decreased \$488.2 million, or 9.5%, to \$4.64 billion for the three months ended September 30, 2025 compared to the same period one year earlier. Servicing deposits decreased \$286.7 million to \$498.9 million due to the loss of a customer in July 2025. In addition, brokered time deposits decreased \$117.7 million.

For the nine month period ended September 30, 2025, interest expense decreased \$26.2 million to \$117.7 million compared to the nine months ended September 30, 2024. The cost of interest-bearing liabilities decreased to 2.92% for the first nine months of 2025 compared to 3.34% for the same period of 2024. Interest expense on deposits decreased to \$97.1 million from \$120.7 million for the comparable period in 2024, primarily due to decreases in interest rates on deposits.

Interest expense on FHLB advances and other borrowings decreased \$2.6 million for the nine months ended September 30, 2025, from the comparable period in 2024. Average balances decreased \$64.0 million for the nine months ended September 30, 2025, from the comparable period in 2024 as the reduction in earning assets allowed the Company to reduce its reliance on this higher-costing funding source.

Provision for Credit Losses. The Company's provision for credit losses on loans totaled \$20.5 million for the three months ended September 30, 2025, compared to \$17.9 million for the three months ended September 30, 2024. In addition, the Company recognized \$0.5 million recapture of credit losses related to unfunded commitments in the third quarter of 2025. For the nine months ended September 30, 2025, the provision for credit losses was \$48.2 million compared to \$46.1 million for the nine months ended September 30, 2024.

The provision for credit losses on loans recognized during the three and nine months ended September 30, 2025 was made at a level deemed necessary by Management to absorb estimated losses in the loan portfolio. A detailed evaluation of the adequacy of the allowance for credit losses is completed quarterly by Management, the results of which are used to determine provision for credit losses. Management estimates the allowance balance required using past loan loss experience, the nature and volume of the portfolio, information about specific borrower situations and estimated collateral values, economic conditions and reasonable and supportable forecasts along with other qualitative and quantitative factors.

Noninterest Income. The following table sets forth the major components of our noninterest income for the three and nine months ended September 30, 2025 and 2024:

(dollars in thousands)	Three Months Ended September 30,		Increase (decrease)	Nine Months Ended September 30,		Increase (decrease)
	2025	2024		2025	2024	
<i>Noninterest income:</i>						
Wealth management revenue	\$ 8,018	\$ 7,104	\$ 914	\$ 22,747	\$ 21,037	\$ 1,710
Service charges on deposit accounts	3,598	3,411	187	10,254	9,648	606
Interchange revenue	3,445	3,506	(61)	10,059	10,427	(368)
Residential mortgage banking revenue	735	697	38	2,167	1,781	386
Income on company-owned life insurance	2,102	1,982	120	6,504	5,708	796
Loss on sales of investment securities, net	14	(44)	58	14	(196)	210
Credit enhancement income	(242)	14,206	(14,448)	3,028	45,188	(42,160)
Other income	2,346	2,683	(337)	6,540	9,777	(3,237)
Total noninterest income	\$ 20,016	\$ 33,545	\$ (13,529)	\$ 61,313	\$ 103,370	\$ (42,057)

Wealth management revenue. Wealth management revenue increased \$0.9 million and \$1.7 million for the three and nine months ended September 30, 2025 respectively, as compared to the same periods in 2024. Assets under administration increased to \$4.36 billion at September 30, 2025 from \$4.27 billion at September 30, 2024.

Income on company-owned life insurance. Income on company-owned life insurance increased \$0.8 million for the nine months ended September 30, 2025, as compared to the same period in 2024 due in part to death benefits of \$0.3 million received in the first quarter of 2025.

Credit enhancement income. The Company is party to third-party loan origination programs. As part of these programs, the third-party providers offer various credit enhancements with respect to loans originated under the programs, including contributions to reserve accounts, yield maintenance and certain other payments. Credit enhancement income declined \$14.4 million and \$42.2 million for the three and nine months ended September 30, 2025 compared to the same periods of 2024 as a result of loan payoffs and a cessation in loans originated through the LendingPoint and GreenSky programs. The Company is currently operating only one such program due to the sale of the LendingPoint portfolio and GreenSky portfolio, in the fourth quarter of 2024 and the second quarter of 2025, respectively.

Other noninterest income. Other income decreased \$3.2 million for the nine months ended September 30, 2025, as compared to the same period in 2024. The Company recognized incremental servicing revenues related to the GreenSky portfolio of \$0.3 million in the first quarter of 2025 compared to \$3.7 million in the same period of 2024.

Noninterest Expense. The following table sets forth the major components of noninterest expense for the three and nine months ended September 30, 2025 and 2024:

(dollars in thousands)	Three Months Ended September 30,		Increase (decrease)	Nine Months Ended September 30,		Increase (decrease)
	2025	2024		2025	2024	
<i>Noninterest expense:</i>						
Salaries and employee benefits	\$ 26,393	\$ 24,382	\$ 2,011	\$ 78,494	\$ 71,356	\$ 7,138
Occupancy and equipment	4,206	4,393	(187)	12,870	12,499	371
Data processing	7,186	6,955	231	21,140	20,882	258
FDIC insurance	1,512	1,402	110	4,397	3,895	502
Professional services	2,017	1,744	273	7,550	6,242	1,308
Marketing	1,460	967	493	3,536	2,445	1,091
Communications	298	359	(61)	961	1,037	(76)
Loan expense	1,721	1,935	(214)	5,046	4,416	630
Loan servicing fees	1,274	3,031	(1,757)	3,410	10,077	(6,667)
Impairment on goodwill	—	—	—	153,977	—	153,977
Amortization of intangible assets	743	951	(208)	2,481	3,056	(575)
Other expense	3,004	3,645	(641)	8,949	13,251	(4,302)
Total noninterest expense	\$ 49,814	\$ 49,764	\$ 50	\$ 302,811	\$ 149,156	\$ 153,655

Salaries and employee benefits. For the three months ended September 30, 2025, salaries and employee benefits expense increased \$2.0 million, as compared to the same period in 2024, primarily due to annual salary increases, severance expense of \$0.8 million, and increased variable compensation expense, including commissions and annual bonuses. Severance expense accounts for \$2.9 million of the \$7.1 million increase in salaries and employee benefits expense for the nine months ended September 30, 2025, compared to the same period of 2024. The Company employed 869 employees at September 30, 2025 compared to 907 employees at September 30, 2024.

Professional services expense. The \$0.3 million and \$1.3 million increases in professional services expense for the three and nine months ended September 30, 2025, respectively, as compared to the same periods in 2024, were primarily the result of increased audit and consulting fees related to the evaluation of the accounting and reporting of the Company's third-party lending and servicing programs.

Marketing expense. The \$0.4 million and \$1.0 million increases in marketing expense for the three and nine months ended September 30, 2025, respectively, as compared to the same periods in 2024, were primarily the result of increased brand marketing and program expenses related to the acquisition of deposit accounts.

Loan servicing fees. Loan servicing fees expense represents servicing fees paid to third parties associated with our third party lending programs. The decline in servicing fees was a result of loan payoffs and a cessation in loans originated through the GreenSky and LendingPoint programs.

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.

Other expense. Total noninterest expense decreased \$4.3 million in the nine months ended September 30, 2025, as compared to the same period of 2024, as the 2024 period included expenses of \$4.1 million related to OREO impairment, OREO property taxes, and various legal actions.

Income Tax Expense. The Company's effective tax rates were 33.2% and 18.2% for the three nine months ended September 30, 2025 and 2024, respectively. The Company recognized a \$1.3 million return to provision adjustment in the third quarter of 2025. The effective tax rates were 23.1% and 19.8% for the nine months ended September 30, 2025 and 2024, respectively. The effective tax rate calculation for the nine months ended September 30, 2025, also excludes the goodwill impairment charge of \$154.0 million, as this item is not deductible for tax purposes.

Financial Condition

Assets. Total assets were \$6.91 billion at September 30, 2025, as compared to \$7.51 billion at December 31, 2024.

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

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

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

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

The following table presents the balance and associated percentage of the major property types within our commercial real estate and construction and land development loan portfolios at September 30, 2025 and December 31, 2024:

(dollars in thousands)	September 30, 2025		December 31, 2024	
	Balance	Percent	Balance	Percent
Multi-Family	\$ 427,066	16.4 %	\$ 547,016	18.9 %
Skilled Nursing	229,292	8.8	400,902	13.8
Retail	448,621	17.3	460,283	15.9
Industrial/Warehouse	252,895	9.7	235,674	8.2
Hotel/Motel	274,196	10.6	228,764	7.9
Office	134,813	5.2	146,295	5.1
All other	829,851	32.0	872,572	30.2
Total commercial real estate and construction and land development loans	\$ 2,596,734	100.0 %	\$ 2,891,506	100.0 %

Loans secured by office space totaled \$134.8 million and \$146.3 million at September 30, 2025 and December 31, 2024, respectively, primarily located in suburban locations in Illinois and Missouri.

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

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

Lease financing. Our equipment leasing business 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.

The following table presents the balance and associated percentage of each major category in our loan portfolio at September 30, 2025 and December 31, 2024:

(dollars in thousands)	September 30, 2025		December 31, 2024	
	Book Value	%	Book Value	%
Loans:				
Commercial	1,476,533	30.3	1,359,820	26.3
Commercial real estate	2,336,661	48.0	2,591,664	50.1
Construction and land development	260,073	5.3	299,842	5.8
Residential real estate	353,475	7.3	380,557	7.4
Consumer	129,862	2.7	144,301	2.8
Lease financing	310,983	6.4	\$ 391,390	7.6
Total loans, gross	4,867,587	100.0 %	5,167,574	100.0 %
Allowance for credit losses on loans	(100,886)		(111,204)	
Total loans, net	\$ 4,766,701		\$ 5,056,370	

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

- **Community bank** represents predominately in-market loans originated through our banking center network.
- **Specialty finance** provides bridge loan financing for commercial real estate projects, primarily multi-family and healthcare. These projects can include construction and short term financing in anticipation of obtaining permanent secondary market financing. The loans are typically outside of the Company's primary market areas.
- **Equipment finance** portfolio includes loans and leases originated to varying types of businesses throughout the United States for purchases of business equipment and software. As previously disclosed, management has determined to reduce the overall size of the Company's equipment finance portfolio following elevated charge-offs in the portfolio during 2024, and the Company ceased originating new equipment finance leases effective September 30, 2025..
- **Non-core and other** includes our third-party origination and servicing programs, and capital market credits, including loans to finance the sale of the GreenSky portfolio.

The following tables present our outstanding loans by business sector at September 30, 2025 and December 31, 2024:

(dollars in thousands)	September 30, 2025					Total
	Community bank	Specialty finance	Equipment finance	Non-core and other		
Commercial	\$ 686,945	\$ 210,116	\$ 326,860	\$ 252,612	\$	1,476,533
Commercial real estate	1,968,519	368,142	—	—		2,336,661
Construction and land development	196,164	63,909	—	—		260,073
Residential real estate	346,911	—	—	6,564		353,475
Consumer	70,313	—	—	59,549		129,862
Lease financing	—	—	310,983	—		310,983
Total	\$ 3,268,852	\$ 642,167	\$ 637,843	\$ 318,725	\$	4,867,587

(dollars in thousands)	December 31, 2024					Total
	Community bank	Specialty finance	Equipment finance	Non-core and other		
Commercial	\$ 587,785	\$ 269,620	\$ 416,969	\$ 85,446	\$	1,359,820
Commercial real estate	1,950,498	641,166	—	—		2,591,664
Construction and land development	184,185	115,657	—	—		299,842
Residential real estate	374,062	—	—	6,495		380,557
Consumer	81,380	—	—	62,921		144,301
Lease financing	—	—	391,390	—		391,390
Total	\$ 3,177,910	\$ 1,026,443	\$ 808,359	\$ 154,862	\$	5,167,574

Total loans decreased \$300.0 million, or 5.8%, to \$4.87 billion at September 30, 2025, as compared to December 31, 2024. Community bank portfolio increased \$90.9 million, or 2.9%, during the first nine months of 2025. This growth partially offset the strategic declines in the Specialty finance and Equipment finance portfolios of \$384.3 million and \$170.5 million, respectively. The increase in our Non-core and other business sector is the due to the financing we provided related to the sale of the GreenSky portfolio.

The following table shows the contractual maturities of our loan portfolio and the distribution between fixed and adjustable interest rate loans at September 30, 2025:

(dollars in thousands)	September 30, 2025								Total	
	Within One Year		One Year to Five Years		Five Years to 15 Years		After 15 Years			
	Fixed Rate	Adjustable Rate	Fixed Rate	Adjustable Rate	Fixed Rate	Adjustable Rate	Fixed Rate	Adjustable Rate		
Commercial	\$ 53,927	\$ 472,775	\$ 465,341	\$ 93,734	\$ 257,693	\$ 90,787	\$ —	\$ 42,276	\$	1,476,533
Commercial real estate	350,053	160,132	1,002,403	305,455	239,332	257,801	5,396	16,089		2,336,661
Construction and land development	34,287	96,316	13,041	54,140	1,581	59,433	—	1,275		260,073
Total commercial loans	438,267	729,223	1,480,785	453,329	498,606	408,021	5,396	59,640		4,073,267
Residential real estate	4,541	2,640	7,591	18,659	18,799	36,706	176,869	87,670		353,475
Consumer	4,789	783	92,648	—	29,150	2,492	—	—		129,862
Lease financing	20,891	—	240,851	—	49,241	—	—	—		310,983
Total loans	\$ 468,488	\$ 732,646	\$ 1,821,875	\$ 471,988	\$ 595,796	\$ 447,219	\$ 182,265	\$ 147,310	\$	4,867,587

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 \$100.9 million, or 2.07% of total loans, at September 30, 2025, compared to \$111.2 million, or 2.15% of total loans, at December 31, 2024. The following table allocates the allowance for credit losses on loans by loan category:

(dollars in thousands)	September 30, 2025		December 31, 2024	
	Allowance	Percent ⁽¹⁾	Allowance	Percent ⁽¹⁾
Commercial	\$ 39,039	2.64 %	\$ 42,776	3.15 %
Commercial real estate	26,813	1.15	36,837	1.42
Construction and land development	2,570	0.99	3,550	1.18
Total commercial loans	68,422	1.68	83,163	1.96
Residential real estate	6,393	1.81	8,002	2.10
Consumer	5,026	3.87	5,400	3.74
Lease financing	21,045	6.77	14,639	3.74
Total allowance for credit losses on loans	\$ 100,886	2.07 %	\$ 111,204	2.15 %

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

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

In estimating expected credit losses as of September 30, 2025, we utilized certain forecasted macroeconomic variables from Oxford Economics in our models. The forecasted projections included, among other things, (i) U.S. gross domestic product ranging from 1.6% to 2.2% over the next four quarters; (ii) the 10-year treasury rate averaging 4.3% over the next four quarters; and (iii) Illinois unemployment rate averaging 5.0% through the third quarter of 2026.

We qualitatively adjust the model results based on this scenario for various risk factors that are not considered within our modeling processes but are nonetheless relevant in assessing the expected credit losses within our loan pools. These Q-Factor adjustments are based upon management judgment and current assessment as to the impact of risks related to changes in lending policies and procedures; economic and business conditions; loan portfolio attributes and credit concentrations; and external factors, among other things, that are not already fully captured within the modeling inputs, assumptions and other processes. Management assesses the potential impact of such items within a range of severely negative impact to positive impact and adjusts the modeled expected credit loss by an aggregate adjustment percentage based upon the assessment. The qualitative factor adjustment at September 30, 2025, was approximately 59 basis points of total loans, decreasing slightly from 62 basis points at December 31, 2024.

The allowance allocated to commercial loans totaled \$39.0 million, or 2.64% of total commercial loans, at September 30, 2025, compared to \$42.8 million, or 3.15%, at December 31, 2024. First quarter of 2025 charge-offs related to the non-core loan program of \$11.1 million resulted in a significant decrease in the allowance allocated to commercial loans. Excluding these charge-offs, modeled expected credit losses increased \$6.5 million. Qualitative factor adjustments and specific allocations for commercial loans that were evaluated for expected credit losses on an individual basis increased \$0.5 million and \$0.4 million, respectively.

The allowance allocated to commercial real estate loans totaled \$26.8 million, or 1.15% of total commercial real estate loans, at September 30, 2025, decreasing \$10.0 million, from \$36.8 million, or 1.42% of total commercial real estate loans, at December 31, 2024. Outstanding loan balances decreased \$255.0 million, or 9.8%, during the first nine months of 2025. Specific allocations for loans that were individually evaluated decreased \$10.4 million as three relationships totaling \$10.9 million were charged-off in the second quarter of 2025. The commercial real estate portfolio does not include significant exposure to urban office properties.

The allowance allocated to construction and land development loans totaled \$2.6 million, or 0.99% of total construction and land development loans, at September 30, 2025, decreasing \$1.0 million, from \$3.6 million, or 1.18% of total constructions loans, at December 31, 2024. Modeled expected credit losses decreased \$0.1 million and qualitative factor adjustments related to construction loans decreased \$0.9 million. There were no specific allocations for construction loans that were evaluated for expected credit losses on an individual basis at September 30, 2025 or December 31, 2024.

The allowance allocated to residential real estate loans totaled \$6.4 million, or 1.81% of total residential real estate loans, at September 30, 2025, decreasing \$1.6 million, from \$8.0 million, or 2.10% of total residential real estate loans, at December 31, 2024. Modeled expected credit losses and qualitative factor adjustments decreased \$1.1 million and \$0.6 million, respectively. There were no specific allocations for residential real estate loans that were evaluated for expected credit losses on an individual basis at September 30, 2025, or December 31, 2024.

The allowance allocated to consumer loans totaled \$5.0 million, or 3.87% of total consumer loans, at September 30, 2025, compared to \$5.4 million, or 3.74%, at December 31, 2024. Qualitative factor adjustments increased \$1.7 million and specific allocation reserves decreased \$2.0 million.

The allowance allocated to the lease portfolio totaled \$21.0 million, or 6.77% of total commercial leases, at September 30, 2025, increasing \$6.4 million, from \$14.6 million, or 3.74% of total commercial leases at December 31, 2024. Modeled expected credit losses increased \$6.1 million as recent charge-off activity led to an increase in loss given default factors in the model. Qualitative factor adjustments increased \$0.5 million.

The following table provides an analysis of the allowance for credit losses on loans, provision for credit losses on loans and net charge-offs for the three and nine months ended September 30, 2025 and 2024:

(dollars in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
Balance, beginning of period	\$ 92,690	\$ 155,442	\$ 111,204	\$ 159,319
Charge-offs:				
Commercial	4,301	2,492	23,762	11,191
Commercial real estate	3,798	32	26,974	728
Construction and land development	2,901	—	2,901	—
Residential real estate	54	159	126	194
Consumer	897	17,316	2,234	39,411
Lease financing	4,088	2,979	11,422	6,728
Total charge-offs	16,039	22,978	67,419	58,252
Recoveries:				
Commercial	1,320	484	2,829	753
Commercial real estate	494	1	1,133	2,241
Construction and land development	1,122	2	2,152	3
Residential real estate	54	62	162	130
Consumer	103	44	508	194
Lease financing	637	83	1,593	328
Total recoveries	3,730	676	8,377	3,649
Net charge-offs	12,309	22,302	59,042	54,603
Provision for credit losses on loans	20,505	17,926	48,724	46,350
Balance, end of period	\$ 100,886	\$ 151,066	\$ 100,886	\$ 151,066
Gross loans, end of period	\$ 4,867,587	\$ 5,728,237	\$ 4,867,587	\$ 5,728,237
Average total loans	\$ 4,947,675	\$ 5,783,408	\$ 5,042,365	\$ 5,903,216
Net charge-offs to average loans	0.99 %	1.53 %	1.57 %	1.24 %
Allowance for credit losses to total loans	2.07 %	2.65 %	2.07 %	2.65 %

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 September 30, 2025 and 2024:

Three months ended September 30, 2025					
(dollars in thousands)	Community bank	Specialty finance	Equipment finance	Non-core and other	Total charge-offs
Commercial	\$ 40	\$ —	\$ 2,604	\$ 1,657	\$ 4,301
Commercial real estate	2,001	1,797	—	—	3,798
Construction and land development	37	2,864	—	—	2,901
Residential real estate	54	—	—	—	54
Consumer	278	—	—	619	897
Lease financing	—	—	4,088	—	4,088
Total	\$ 2,410	\$ 4,661	\$ 6,692	\$ 2,276	\$ 16,039

Three months ended September 30, 2024					
(dollars in thousands)	Community bank	Specialty finance	Equipment finance	Non-core and other	Total charge-offs
Commercial	\$ 42	\$ 9	\$ 2,441	\$ —	\$ 2,492
Commercial real estate	32	—	—	—	32
Construction and land development	—	—	—	—	—
Residential real estate	159	—	—	—	159
Consumer	226	—	—	17,090	17,316
Lease financing	—	—	2,979	—	2,979
Total	\$ 459	\$ 9	\$ 5,420	\$ 17,090	\$ 22,978

Charge-offs in the third quarter of 2025 were \$16.0 million compared to \$23.0 million in the third quarter of 2024. The Community bank commercial real estate charge-offs in the third quarter of 2025 were related to two separate relationships, and charge-offs within the Specialty finance sector were primarily related to three relationships. Our Equipment finance business saw charge-offs increase \$1.3 million in the third quarter of 2025 compared to the same period one year prior, due primarily to continued weakness within the trucking sector.

The following tables present charge-offs by business sector for the nine months ended September 30, 2025 and 2024:

Nine months ended September 30, 2025					
(dollars in thousands)	Community bank	Specialty finance	Equipment finance	Non-core and other	Total charge-offs
Commercial	\$ 123	\$ 152	\$ 6,065	\$ 17,422	\$ 23,762
Commercial real estate	11,366	15,608	—	—	26,974
Construction and land development	37	2,864	—	—	2,901
Residential real estate	126	—	—	—	126
Consumer	638	—	—	1,596	2,234
Lease financing	—	—	11,422	—	11,422
Total	\$ 12,290	\$ 18,624	\$ 17,487	\$ 19,018	\$ 67,419

Nine months ended September 30, 2024					
(dollars in thousands)	Community bank	Specialty finance	Equipment finance	Non-core and other	Total charge-offs
Commercial	\$ 1,441	\$ 30	\$ 6,398	\$ 3,322	\$ 11,191
Commercial real estate	728	—	—	—	728
Construction and land development	—	—	—	—	—
Residential real estate	194	—	—	—	194
Consumer	662	—	—	38,749	39,411
Lease financing	—	—	6,728	—	6,728
Total	\$ 3,025	\$ 30	\$ 13,126	\$ 42,071	\$ 58,252

Charge-offs in the nine months ended September 30, 2025 were \$67.4 million compared to \$58.3 million in the same period one year prior. Community bank commercial real estate charge-offs were related to six separate relationships, with one being partially specifically reserved for in a prior period. Charge-offs within the Specialty finance sector were primarily related to five relationships, two of which were specifically reserved for in 2024. Our Equipment finance business saw charge-offs increase \$4.4 million in the nine months ended September 30, 2025 compared to the same period last year. The non-core sector saw charge-offs decrease \$23.1 million in the nine months ended September 30, 2025 compared to the same period last year primarily due to the sales of the LendingPoint and GreenSky portfolios in the fourth quarter of 2024 and first quarter of 2025, respectively.

Nonperforming Loans. The following table presents the change in our nonperforming loans for the nine months ended September 30, 2025:

(dollars in thousands)	Nine months ended September 30, 2025
Balance, beginning of period	\$ 150,907
New nonperforming loans	34,034
Return to performing status	(3,120)
Payments received	(32,460)
Transfer to OREO and other repossessed assets	(12)
Transfer to loans held for sale	(29,400)
Charge-offs	(51,246)
Balance, end of period	\$ 68,703

Nonperforming loans were \$68.7 million, or 1.41% of total loans, at September 30, 2025, compared to \$150.9 million, or 2.92% of total loans at December 31, 2024. The Company continues to prioritize improving its credit quality by tightening its loan underwriting standards and pursuing opportunities to resolve nonperforming loans.

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

(dollars in thousands)	September 30, 2025	December 31, 2024
Nonperforming loans:		
Commercial	\$ 18,779	\$ 23,960
Commercial real estate	33,347	106,919
Construction and land development	5,534	8,438
Residential real estate	3,619	3,438
Consumer	60	20
Lease financing	7,364	8,132
Total nonperforming loans	68,703	150,907
Other real estate owned and other repossessed assets	1,666	6,502
Nonperforming assets	\$ 70,369	\$ 157,409
Nonperforming loans to total loans	1.41 %	2.92 %
Nonperforming assets to total assets	1.02 %	2.10 %
Allowance for credit losses to nonperforming loans	146.84 %	73.69 %

There was no interest income recognized on nonaccrual loans during the three and nine months ended September 30, 2025 and 2024 while the loans were in nonaccrual status. Additional interest income that would have been recorded on nonaccrual loans had they been current in accordance with their original terms was \$2.5 million and \$9.3 million for the three and nine months ended September 30, 2025, respectively, and \$2.7 million and \$6.3 million for the three and nine months ended September 30, 2024, respectively.

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

The following table sets forth the book value and percentage of each category of investment securities at September 30, 2025 and December 31, 2024.

(dollars in thousands)	September 30, 2025		December 31, 2024	
	Balance	Percent	Balance	Percent
Investment securities available for sale:				
U.S. government sponsored entities and U.S. agency securities	\$ 15,123	1.2 %	\$ 20,141	1.7 %
Mortgage-backed securities - agency	1,048,803	76.0	847,056	70.1
Mortgage-backed securities - non-agency	93,860	6.8	101,012	8.4
Asset-backed student loans	43,258	3.1	49,973	4.1
State and municipal securities	73,290	5.3	69,061	5.7
Collateralized loan obligations	47,845	3.5	40,450	3.4
Corporate securities	56,728	4.1	79,881	6.6
Total investment securities, available for sale, at fair value	\$ 1,378,907	100.0 %	\$ 1,207,574	100.0 %

The following table sets forth the book value, maturities and weighted average yields for our investment portfolio at September 30, 2025.

(dollars in thousands)	Balance	Percent	Weighted average yield
Investment securities available for sale:			
<i>U.S. government sponsored entities and U.S. agency securities:</i>			
Maturing within one year	\$ —	— %	— %
Maturing in one to five years	8,979	0.7	1.11
Maturing in five to ten years	4,979	0.4	5.06
Maturing after ten years	1,165	0.1	5.88
Total U.S. government sponsored entities and U.S. agency securities	\$ 15,123	1.2 %	2.78 %
<i>Mortgage-backed securities - agency:</i>			
Maturing within one year	\$ —	— %	— %
Maturing in one to five years	33,281	2.4	1.96
Maturing in five to ten years	13,426	1.0	3.81
Maturing after ten years	1,002,096	72.6	4.51
Total mortgage-backed securities - agency	\$ 1,048,803	76.0 %	4.42 %
<i>Mortgage-backed securities - non-agency:</i>			
Maturing within one year	\$ —	— %	— %
Maturing in one to five years	5,059	0.4	7.67
Maturing in five to ten years	7,634	0.6	4.99
Maturing after ten years	81,167	5.8	4.85
Total mortgage-backed securities - non-agency	\$ 93,860	6.8 %	5.02 %
<i>Asset-backed student loans:</i>			
Maturing within one year	\$ 3,617	0.3 %	5.14 %
Maturing in one to five years	—	—	—
Maturing in five to ten years	1,044	0.1	5.24
Maturing after ten years	38,597	2.7	5.15
Total asset-backed student loans	\$ 43,258	3.1 %	5.15 %
<i>State and municipal securities ⁽¹⁾:</i>			
Maturing within one year	\$ 700	0.1 %	1.59 %
Maturing in one to five years	9,506	0.7	2.52
Maturing in five to ten years	25,217	1.7	2.34
Maturing after ten years	37,867	2.8	4.88
Total state and municipal securities	\$ 73,290	5.3 %	3.67 %
<i>Collateralized loan obligations:</i>			
Maturing within one year	\$ —	— %	— %
Maturing in one to five years	—	—	—
Maturing in five to ten years	13,823	1.0	5.99
Maturing after ten years	34,022	2.5	4.59
Total collateralized loan obligations	\$ 47,845	3.5 %	4.99 %
<i>Corporate securities:</i>			
Maturing within one year	\$ —	— %	— %
Maturing in one to five years	17,465	1.3	6.26
Maturing in five to ten years	39,263	2.8	3.47
Maturing after ten years	—	—	—
Total corporate securities	\$ 56,728	4.1 %	4.33 %
Total investment securities, available for sale	\$ 1,378,907	100.0 %	4.44 %

(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 September 30, 2025.

(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	\$ 16,131	\$ 15,123	\$ —	\$ 15,123	\$ —	\$ —	\$ —	\$ —
Mortgage-backed securities - agency	1,123,132	1,048,803	—	1,048,803	—	—	—	—
Mortgage-backed securities - non-agency	94,974	93,860	88,801	—	—	—	—	5,059
Asset-backed student loans	43,341	43,258	1,888	34,544	6,826	—	—	—
State and municipal securities	77,574	73,290	9,720	60,425	335	—	—	2,810
Collateralized loan obligations	47,809	47,845	37,895	9,950	—	—	—	—
Corporate securities	59,795	56,728	—	—	14,540	39,763	—	2,425
Total investment securities, available for sale	<u>\$ 1,462,756</u>	<u>\$ 1,378,907</u>	<u>\$ 138,304</u>	<u>\$ 1,168,845</u>	<u>\$ 21,701</u>	<u>\$ 39,763</u>	<u>\$ —</u>	<u>\$ 10,294</u>

Loans Held for Sale. Loans held for sale totaled \$7.5 million at September 30, 2025, comprised entirely of residential real estate loans. Loans held for sale totaled \$344.9 million at December 31, 2024, comprised of \$336.7 million of consumer loans and \$8.2 million of residential real estate loans. At December 31, 2024, we committed to a plan to sell our GreenSky consumer loan portfolio and transferred these loans to held for sale. The sale was completed in the second quarter of 2025.

Credit enhancement asset. The Company has recognized derivative instruments associated with agreements entered into with third-party providers that support loan programs for which the Company originates and holds loans on its balance sheet. These third-party agreements include contractual credit enhancements that transfer certain risks and benefits to or from the Company, resulting in recognition of a derivative. The value of these derivatives consists primarily of two components: (1) the credit loss reimbursement value, representing the present value of expected future payments from the third party for loan losses, and (2) the interest yield guarantee value, representing the present value of cash flows the Company expects to receive to ensure a minimum yield (e.g., Prime + 2%) on the portfolio when actual borrower payments fall short. Under certain programs, additional features such as reimbursement for waived promotional interest are also included in the derivative valuation. At September 30, 2025, the Company had only one such agreement in place.

The fair value of these derivative instruments was \$5.7 million and \$16.8 million as of September 30, 2025 and December 31, 2024, respectively. The decrease in the asset value is primarily due to loan charge-offs of \$11.1 million that were recognized on the third-party loan origination program in the first quarter of 2025. These charge-offs were fully recovered from the third-party partner, as required by the credit enhancements offered through the program agreement.

Liabilities. At September 30, 2025, liabilities totaled \$6.33 billion compared to \$6.80 billion at December 31, 2024.

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

Total deposits decreased \$592.4 million to \$5.60 billion at September 30, 2025, as compared to December 31, 2024. Decreases in interest-bearing checking account and time deposit account balance of \$381.8 million and \$217.9 million, respectively, during this period, were partially offset by increases in noninterest-bearing demand, money market account and savings account balances. Brokered time deposit account balances decreased to \$59.8 million at September 30, 2025 from \$259.5 million at December 31, 2024, accounting for the decrease in time deposit account balances.

(dollars in thousands)	September 30, 2025		December 31, 2024	
	Balance	Percent	Balance	Percent
Noninterest-bearing demand	\$ 1,015,930	18.1 %	\$ 1,055,564	17.0 %
Interest-bearing:				
Checking	1,996,501	35.6	2,378,256	38.4
Money market	1,240,885	22.2	1,173,630	18.9
Savings	486,953	8.7	507,305	8.2
Time	864,556	15.4	1,082,488	17.5
Total deposits	\$ 5,604,825	100.0 %	\$ 6,197,243	100.0 %

The following table sets forth the maturity of uninsured time deposits as of September 30, 2025:

(dollars in thousands)	Amount
Three months or less	\$ 42,042
Three to six months	9,927
Six to 12 months	18,285
After 12 months	9,134
Total	\$ 79,388

Subordinated Debt. Subordinated debt totaled \$27.0 million and \$77.7 million as of September 30, 2025 and December 31, 2024, respectively. On September 30, 2025, the Company redeemed the outstanding Fixed-to-Floating Rate Subordinated Notes due September 30, 2029, having an aggregate principal amount of \$50.8 million. The interest rate on the subordinated notes was 7.91%, equating to approximately \$4.0 million of annual interest expense.

Capital Resources and Liquidity Management

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

Shareholders' equity decreased \$126.8 million to \$584.0 million at September 30, 2025, as compared to December 31, 2024. The change in shareholders' equity was the result of the net loss of \$121.4 million, dividends to common shareholders of \$20.6 million, dividends to preferred shareholders of \$6.7 million, and decrease in accumulated other comprehensive losses of \$19.0 million.

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

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

Securities sold under agreements to repurchase, which are classified as secured borrowings, generally mature within one to four days from the transaction date. Securities sold under agreements to repurchase are reflected at the amount of cash received in connection with the transaction, which represents the amount of the Bank's obligation. The Bank may be required to provide additional collateral based on the fair value of the underlying securities. Investment securities with a carrying amount of \$17.7 million and \$15.0 million at September 30, 2025 and December 31, 2024, respectively, were pledged for securities sold under agreements to repurchase.

The table below presents our sources of liquidity as of September 30, 2025 and December 31, 2024:

(dollars in thousands)	September 30, 2025	December 31, 2024
Cash and cash equivalents	\$ 166,147	\$ 114,766
Unpledged securities	791,263	672,399
FHLB committed liquidity	1,048,227	1,290,246
FRB discount window availability	388,336	538,835
Total Estimated Liquidity	\$ 2,393,973	\$ 2,616,246
Conditional Funding Based on Market Conditions		
Additional credit facility	\$ 274,000	\$ 360,000
Brokered CDs (additional capacity)	500,000	350,000
ICS One Way Buy (additional capacity)	500,000	—

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 September 30, 2025, that these limitations will not impact our ability to meet our ongoing short-term cash obligations.

Regulatory Capital Requirements

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

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

At September 30, 2025, the Company and the Bank exceeded the regulatory minimums and met the regulatory definition of well-capitalized. The following table presents the Company's and the Bank's capital ratios and the minimum requirements at September 30, 2025:

Ratio	Actual	Minimum Regulatory Requirements ⁽¹⁾	Well Capitalized
Total risk-based capital ratio			
Midland States Bancorp, Inc.	14.29 %	10.50 %	N/A
Midland States Bank	13.34	10.50	10.00 %
Tier 1 risk-based capital ratio			
Midland States Bancorp, Inc.	12.54	8.50	N/A
Midland States Bank	12.08	8.50	8.00
Common equity tier 1 risk-based capital ratio			
Midland States Bancorp, Inc.	9.37	7.00	N/A
Midland States Bank	12.08	7.00	6.50
Tier 1 leverage ratio			
Midland States Bancorp, Inc.	9.93	4.00	N/A
Midland States Bank	9.57	4.00	5.00

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

Quantitative and Qualitative Disclosures About Market Risk

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

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

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

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

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

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

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

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

(dollars in thousands)	Net interest income sensitivity (Shocks)			
	Immediate change in rates			
	-200	-100	+100	+200
September 30, 2025:				
Dollar change	\$ 124	\$ (745)	\$ 1,204	\$ 1,789
Percent change	0.1 %	(0.3)%	0.5 %	0.8 %
December 31, 2024:				
Dollar change	\$ 2,395	\$ 1,395	\$ (2,727)	\$ (5,596)
Percent change	1.1 %	0.6 %	(1.2)%	(2.5)%

We report NII at Risk to isolate the change in income related solely to interest-earning assets and interest-bearing liabilities. The NII at Risk results included in the table above reflect the analysis used quarterly by management. It models -200, -100, +100 and +200 basis point parallel shifts in market interest rates. We were within board policy limits for all scenarios at September 30, 2025.

Tolerance levels for risk management require the continuing development of remedial plans to maintain residual risk within approved levels as we adjust the balance sheet. NII at Risk reported at September 30, 2025 projects that our earnings exhibit increasing profitability in a declining rate environment, consistent with our modeling at December 31, 2024. Throughout the course of 2025, the Bank has been holding to its non-maturity beta assumptions and lowering rates along with the industry overall. Coupled with market expectations, the Bank continued its strategy of layering on protection to lower short-term rates through deposit pricing, securities purchase selection and hedging. These aspects are reflective of the Bank becoming more biased to lower rates year over year.

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

ITEM 3 – QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

ITEM 4 – CONTROLS AND PROCEDURES

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

Notwithstanding the material weaknesses that have not been fully remediated, the Company’s Management, including the Chief Executive Officer and our Chief Financial Officer, has concluded that the consolidated financial statements, included in this Form 10-Q, as of and for the three and nine months ended September 30, 2025, fairly present, in all material respects, the Company’s financial condition, results of operations and cash flows for the periods presented in conformity with generally accepted accounting principles for interim financial statements.

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

PART II – OTHER INFORMATION

ITEM 1 – LEGAL PROCEEDINGS

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

ITEM 1A– RISK FACTORS

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

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

None.

Issuer Purchases of Equity Securities

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

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
July 1 - 31, 2025	102	\$ 18.73	—	\$ —
August 1 - 31, 2025	3,480	17.25	—	—
September 1 - 30, 2025	—	—	—	—
Total	3,582	\$ 17.29	—	\$ —

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

ITEM 5 – OTHER INFORMATION

During the three months ended September 30, 2025, no director or officer of the Company adopted or terminated a “Rule 10b5-1 trading arrangement” or “non-Rule 10b5-1 trading arrangement,” as each term is defined in Item 408(a) of Regulation S-K.

ITEM 6 – EXHIBITS

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.
101	Financial information from the Company’s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2025 formatted in iXBRL (Inline extensible Business Reporting Language): (i) Consolidated Balance Sheets; (ii) Consolidated Statements of Income; (iii) Consolidated Statements of Comprehensive Income; (iv) Consolidated Statements of Shareholders’ Equity; (v) Consolidated Statements of Cash Flows; and (vi) Notes to Consolidated Financial Statements – filed herewith.
104	The cover page from Midland States Bancorp, Inc.’s Form 10-Q Report for the quarterly period ended September 30, 2025 formatted in inline XBRL and contained in Exhibit 101.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Midland States Bancorp, Inc.

Date: November 6, 2025

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

Date: November 6, 2025

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

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

I, Jeffrey G. Ludwig, certify that:

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

Midland States Bancorp, Inc.

Dated as of: November 6, 2025

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

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

I, Eric T. Lemke, certify that:

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

Midland States Bancorp, Inc.

Dated as of: November 6, 2025

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

**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 September 30, 2025 (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: November 6, 2025

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

