Centier BANK

# 2024 annual report

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FIRST BANCSHARES, INC. AND SUBSIDIARIES

**FIRST BANCSHARES, INC.**
**AND SUBSIDIARIES**
**MERRILLVILLE, INDIANA**

# CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024 and 2023

FIRST BANCSHARES, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2024 and 2023

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# Independent Auditor's Report

Board of Directors, Audit and Risk Committee, and Management
First Bancshares, Inc.
Merrillville, Indiana

## *Opinions on the Consolidated Financial Statements and Internal Control Over Financial Reporting*

We have audited the consolidated financial statements of First Bancshares, Inc. (the Corporation), which comprise the consolidated balance sheets as of December 31, 2024 and 2023, and the related consolidated statements of income, comprehensive income, changes in stockholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements. In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as of December 31, 2024 and 2023, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

We also have audited the Corporation's internal control over financial reporting as of December 31, 2024, based on criteria established in the *Internal Control – Integrated Framework* (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Corporation maintained, in all material respects, effective internal control over financial reporting as of December 31, 2024, based on COSO.

## *Basis for Opinions*

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audits of the Financial Statements and Internal Control over Financial Reporting" section of our report. We are required to be independent of the Corporation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## *Responsibilities of Management for the Financial Statements and Internal Control Over Financial Reporting*

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America and for the design, implementation, and maintenance of effective internal control over financial reporting relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. Management also is responsible for its assessment about the effectiveness of internal control over financial reporting, included in the accompanying Management Report.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern within one year after the date that these consolidated financial statements are available to be issued.

### *Auditor's Responsibilities for the Audits of the Financial Statements and Internal Control Over Financial Reporting*

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and about whether effective internal control over financial reporting was maintained in all material respects, and to issue an auditor's report that includes our opinions.

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit of financial statements or an audit of internal control over financial reporting conducted in accordance with GAAS will always detect a material misstatement or a material weakness when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered to be material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit of consolidated financial statements and an audit of internal control over financial reporting in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the consolidated financial statement audit in order to design audit procedures that are appropriate in the circumstances.
- Obtain an understanding of internal control over financial reporting relevant to the audit of internal control over financial reporting, assess the risks that a material weakness exists, and test and evaluate the design and operating effectiveness of internal control over financial reporting based on the assessed risk.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the financial statement audit.

### *Definition and Inherent Limitations of Internal Control Over Financial Reporting*

An entity's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, designed to provide reasonable assurance regarding the preparation of reliable financial statements in accordance with accounting principles generally accepted in the United States of America. Because management's assessment and our audit were conducted to meet the reporting requirements of Section 112 of the Federal Deposit Insurance Corporation Improvement Act (FDICIA), our audit of First Bancshares Inc.'s internal control over financial reporting included controls over the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America and with the instructions to the Consolidated Financial Statements for Bank Holding Companies (Form FR Y-9-C).

An entity's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the entity; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures of the entity are being made only in accordance with authorizations of management and those charged with governance; and (3) provide reasonable assurance regarding prevention or timely detection and correction of unauthorized acquisition, use, or disposition of the entity's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements. Also, projections of any assessment of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Forvis Mazars, LLP

**Indianapolis, Indiana**
**March 27, 2025**

FIRST BANCSHARES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
December 31, 2024 and 2023
(Dollars in thousands, except for per share data)

| | 2024 | 2023 |
|---|---|---|
| **ASSETS** | | |
| Cash and due from financial institutions | $ 58,898 | $ 74,199 |
| Interest-bearing deposits in financial institutions | 119,173 | 108,913 |
| Total cash and cash equivalents | 178,071 | 183,112 |
| Certificates of deposit in other financial institutions | 2,450 | 2,945 |
| Securities available for sale, at fair value with amortized cost of $1,507,895 in 2024 and $1,305,244 in 2023 | 1,389,213 | 1,212,540 |
| Federal Home Loan Bank (FHLB) stock | 50,175 | 28,575 |
| Loans, net of deferred costs and allowance for credit losses of $84,229 in 2024 and $78,402 in 2023 | 7,663,811 | 6,902,120 |
| Loans held for sale | 1,914 | 2,895 |
| Premises and equipment, net | 37,376 | 30,091 |
| Other real estate, net | 3,379 | 17 |
| Investment in bank owned life insurance | 145,960 | 142,384 |
| Deferred tax assets | 44,059 | 39,108 |
| Accrued interest receivable and other assets | 186,836 | 184,848 |
| Total assets | $ 9,703,244 | $ 8,728,635 |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | |
| Liabilities | | |
| Deposits: | | |
| Non-interest bearing | $ 1,434,086 | $ 1,520,780 |
| Interest bearing | 6,116,188 | 5,654,561 |
| Total deposits | 7,550,274 | 7,175,341 |
| Advances from Federal Home Loan Bank (FHLB) | 1,065,000 | 560,000 |
| Federal funds purchased | 50,000 | 50,000 |
| Subordinated debentures | 59,000 | 60,000 |
| Securities purchased not settled | 18,750 | 18,750 |
| Allowance for credit losses on off-balance sheet credit exposures | 3,513 | 3,714 |
| Accrued interest payable and other liabilities | 149,462 | 160,607 |
| Total liabilities | 8,895,999 | 8,028,412 |
| Stockholders' equity | | |
| Common stock, no par value; $1 stated value: 150,000 shares authorized; 113,431 shares issued and outstanding at December 31, 2024 and 2023 | 113 | 113 |
| Capital surplus | 27,695 | 27,695 |
| Retained earnings | 873,103 | 745,552 |
| Accumulated other comprehensive loss, net | (93,666) | (73,137) |
| Total stockholders' equity | 807,245 | 700,223 |
| Total liabilities and stockholders' equity | $ 9,703,244 | $ 8,728,635 |

See accompanying notes to consolidated financial statements.

FIRST BANCSHARES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
Years ended December 31, 2024 and 2023
(Dollars in thousands, except for per share data)

| | 2024 | 2023 |
|---|---|---|
| Interest income | | |
| Loans, including fees | $ 488,172 | $ 398,154 |
| Taxable securities | 53,899 | 32,100 |
| Nontaxable securities | 4,863 | 5,185 |
| Other | 3,382 | 4,314 |
| Total interest income | 550,316 | 439,753 |
| Interest expense | | |
| Deposits | 217,119 | 132,573 |
| Advances from FHLB | 20,893 | 16,779 |
| Federal funds purchased | 2,699 | 3,084 |
| Subordinated debentures | 2,376 | 2,400 |
| Total interest expense | 243,087 | 154,836 |
| Net interest income | 307,229 | 284,917 |
| Provision for (recovery of) credit loss expense | | |
| Loans | 14,200 | 14,035 |
| Off-balance-sheet credit exposures | (200) | (1,260) |
| Total provision for credit loss expense | 14,000 | 12,775 |
| Net interest income after provision for credit loss expense | 293,229 | 272,142 |
| Noninterest income | | |
| Deposit service fees, net | 14,231 | 13,719 |
| Card interchange fees | 16,614 | 16,178 |
| Wealth management fees | 11,517 | 10,310 |
| Mortgage banking income | 5,364 | 4,742 |
| Net gains on sales of securities | 2,172 | 163 |
| Gains on sales of other real estate | 29 | - |
| Gains on interest rate swaps | 1,661 | 5,079 |
| Other income | 9,017 | 7,515 |
| Total noninterest income | 60,605 | 57,706 |
| Noninterest expense | | |
| Salaries and benefits | 100,011 | 91,214 |
| Occupancy expenses, net | 19,141 | 16,859 |
| Data processing expenses | 14,801 | 13,635 |
| Other expenses | 31,783 | 28,688 |
| Total noninterest expense | 165,736 | 150,396 |
| Income before income tax expense | 188,098 | 179,452 |
| Income tax expense | 40,129 | 40,089 |
| Net income | $ 147,969 | $ 139,363 |
| Earnings per share: | | |
| Basic and diluted | $ 1,304.49 | $ 1,228.62 |

See accompanying notes to consolidated financial statements.

FIRST BANCSHARES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
Years ended December 31, 2024 and 2023
(Dollars in thousands, except for per share data)

| | 2024 | 2023 |
|---|---|---|
| Net income | $ 147,969 | $ 139,363 |
| | | |
| Other comprehensive income (loss) | | |
| Change in unrealized gains (losses) on securities available for sale | (23,806) | 16,018 |
| Reclassification adjustment for gains on sale of securities included in net income (1) | (2,172) | (163) |
| Tax effect | 5,449 | (3,356) |
| Total other comprehensive income (loss) | (20,529) | 12,499 |
| Comprehensive income | $ 127,440 | $ 151,862 |

(1) Reclassifications are included in net gains on sales of securities in the consolidated statements of income. Related tax effects, included in income tax expense, were $456 and $34 for the years ended December 31, 2024 and 2023.

See accompanying notes to consolidated financial statements.

FIRST BANCSHARES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
Years ended December 31, 2024 and 2023
(Dollars in thousands, except for per share data)

| | Common Stock | Capital Surplus | Retained Earnings | Accumulated Other Comprehensive Income (Loss) | Total Stockholders' Equity |
|---|---|---|---|---|---|
| Balances, January 1, 2023 | $ 113 | $ 27,695 | $ 625,374 | $ (85,636) | $ 567,546 |
| Net income | - | - | 139,363 | - | 139,363 |
| Cumulative effect of adoption of ASU No. 2016-13 | - | - | (1,036) | - | (1,036) |
| Other comprehensive income | - | - | - | 12,499 | 12,499 |
| Cash dividends ($160.00 per share) | - | - | (18,149) | - | (18,149) |
| Balances, December 31, 2023 | $ 113 | $ 27,695 | $ 745,552 | $ (73,137) | $ 700,223 |
| Net income | - | - | 147,969 | - | 147,969 |
| Other comprehensive loss | - | - | - | (20,529) | (20,529) |
| Cash dividends ($180.00 per share) | - | - | (20,418) | - | (20,418) |
| Balances, December 31, 2024 | $ 113 | $ 27,695 | $ 873,103 | $ (93,666) | $ 807,245 |

See accompanying notes to consolidated financial statements.

FIRST BANCSHARES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
December 31, 2024 and 2023
(Dollars in thousands)

| | 2024 | 2023 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Net income | $ 147,969 | $ 139,363 |
| Adjustments to reconcile net income to net cash | | |
| from operating activities | | |
| Depreciation | 4,091 | 3,392 |
| Provision for credit losses | 14,000 | 12,775 |
| Net gains on sales of securities | (2,172) | (163) |
| Net losses on sales of other real estate | (29) | - |
| Net gains on sales of loans held for sale | (2,003) | (1,547) |
| Loans originated for sale | (135,615) | (74,445) |
| Loan sale proceeds | 138,599 | 76,577 |
| Net accretion of securities | (9,523) | (3,607) |
| Earnings on life insurance | (5,093) | (4,139) |
| Net change in: | | |
| Interest receivable and other assets | (1,988) | 11,576 |
| Deferred tax assets | 498 | (4,925) |
| Interest payable and other liabilities | (11,145) | (5,230) |
| Net cash from operating activities | 137,589 | 149,627 |
| **Cash flows from investing activities** | | |
| Proceeds from calls and maturities of certificates of deposit in other financial institutions | 495 | 2,879 |
| Proceeds from sales, calls and maturities of securities available for sale | 181,312 | 211,845 |
| Purchases of securities available for sale | (372,269) | (534,239) |
| Purchase of FHLB stock | (21,600) | (4,043) |
| Loans made to customers and principal collections, net | (731,410) | (1,603,531) |
| Loans purchased | (47,860) | (89,967) |
| Proceeds from BOLI death benefit | 1,517 | - |
| Proceeds from sales of other real estate | 46 | - |
| Net property and equipment expenditures | (11,376) | (4,271) |
| Net cash used in investing activities | (1,001,145) | (2,021,327) |
| **Cash flows from financing activities** | | |
| Net increase in deposits | 374,933 | 1,730,837 |
| Net change in federal funds purchased | - | 50,000 |
| Proceeds from long-term FHLB advances | - | 240,000 |
| Payments on long-term FHLB advances | (125,000) | - |
| Net change in short-term FHLB advances | 630,000 | (155,000) |
| Repayments on early retirement of subordinated debentures | (1,000) | - |
| Cash dividends paid | (20,418) | (18,149) |
| Net cash from financing activities | 858,515 | 1,847,688 |
| Net change in cash and cash equivalents | (5,041) | (24,012) |
| Cash and cash equivalents at the beginning of the year | 183,112 | 207,124 |
| Cash and cash equivalents at the end of the year | $ 178,071 | $ 183,112 |
| | | |
| Supplemental disclosures of cash flow information | | |
| Cash paid during the year for | | |
| Interest | $ 246,325 | $ 132,847 |
| Income taxes | 44,697 | 47,434 |
| Noncash activities | | |
| Transfer from loans to other real estate | 3,379 | 17 |
| Securities purchased but not settled | - | 586 |

See accompanying notes to consolidated financial statements.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation: The consolidated financial statements include the accounts of First Bancshares, Inc. (the Corporation), its wholly owned subsidiaries, Centier Risk Management (CRM), 119th Street Capital LLC (119th Street) and Centier Bank (the Bank), and the Bank's wholly owned subsidiaries, Centier Nevada 2, LLC; Centier Investments Nevada 2, Inc.; and Centier Holdings Nevada 2, Inc. Centier Nevada 2, LLC; Centier Investments Nevada 2, Inc.; and Centier Holdings Nevada 2, Inc. are a Nevada limited liability partnership and Nevada corporations that manage a portion of the Bank's investment portfolio. 119th Street, a Delaware limited liability company, focuses on strategic investments in various sectors, aiming to enhance the value of its portfolio companies through active management and operational improvements. CRM was an insurance company incorporated in Nevada for the purpose of insuring the Corporation and its subsidiaries against certain risks unique to the operations of the Corporation and for which insurance may not be currently available or economically feasible in today's insurance marketplace. In 2023 management determined the supplemental insurance coverage between the Corporation and subsidiaries with CRM was no longer warranted. As a result, Centier Risk Management was dissolved in December 2023. All significant intercompany balances and transactions have been eliminated in the consolidation.

Nature of Operations: The Corporation's revenues, operating income and assets are primarily from the banking industry. The accounting and reporting policies of the Corporation conform with accounting principles generally accepted in the United States of America and general practices within the banking industry. The Bank grants credit and accepts deposits from its customers in the normal course of business primarily in northern Indiana. The following is a summary of the more significant policies.

Subsequent Events: The Corporation has evaluated subsequent events for recognition or disclosure through March 27, 2025, which is the date that the Corporation's financial statements were available to be issued.

Certain Significant Estimates: To prepare financial statements in conformity with accounting principles generally accepted in the United States of America, management makes estimates and assumptions based on available information. These estimates and assumptions affect the amounts reported in the financial statements and the disclosures provided, and future results could differ.

Certificates of Deposits in Other Financial Institutions: Certificates of deposits in other financial institutions have original maturities greater than 3 months and are carried at cost.

Securities: Securities are classified as available for sale when they might be sold before maturity. Securities available for sale are carried at fair value, with unrealized holding gains and losses reported separately in stockholders' equity, net of tax.

Interest income includes amortization of purchase premiums or discounts. Premiums or discounts on securities are amortized on the level-yield method without anticipating prepayments, except for mortgage backed securities where prepayments are anticipated. Gains and losses on sales are recorded on the trade date and determined using the specific identification method.

Federal Home Loan Bank (FHLB) Stock: The Bank is a member of the FHLB system. Members are required to own a certain amount of stock based on the level of borrowings and other factors, and may invest in additional amounts. FHLB stock is carried at cost, classified as a restricted security, and periodically evaluated for impairment based on ultimate recovery of par value. Both cash and stock dividends are reported as income.

(Continued)

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Loans: Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at the principal balance outstanding, net of deferred loan fees and costs and the allowance for credit losses (ACL). Interest income is reported on the interest method and includes amortization of net deferred loan fees and costs over the loan term, without anticipating prepayments.

Interest income is not reported when full loan repayment is in doubt, typically when the loan is impaired, or payments are past due over 89 days (180 days for residential). Past due status is based on the contractual terms of the loan. All interest accrued but not received for loans placed on nonaccrual is reversed against interest income. Interest received on such loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

The Corporation has identified the following loan segments; commercial, residential, and installment loans. Commercial loans may be subject to adverse market conditions which may impact the borrower's ability to make repayments on the loan or could cause a decline in the value of the collateral that secures the loan; the potential for environmental impairment from events occurring on subject or neighboring properties; and obsolescence in location or function. Residential and installment loans may be subject to adverse employment conditions in the local economy leading to increased default rates; decreased market values from oversupply in a geographic area; and impact to borrowers' ability to maintain payments in the event of incremental rate increases on adjustable rate mortgages.

Allowance for Credit Losses - Loans: The ACL on loans replaces the allowance for loan losses as a credit accounting estimate, as of January 1, 2023, with the adoption of ASU 2016–13, Financial Instruments–Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments.

The ACL on loans is a valuation account that is deducted from the loans' amortized cost basis to present the net amount expected to be collected on loans. Loans are charged off against the ACL when management believes the loan balance is verified to be no longer collectible. Expected recoveries do not exceed the aggregate of amounts previously charged off and expected to be charged off.

Management estimates the ACL balance using relevant information, from internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts. Historical credit loss experience provides the basis for the estimation of expected credit losses. Adjustments to historical loss information are made for differences in current loan–specific risk characteristics such as differences in underwriting standards, portfolio mix, delinquency level, or term as well as for changes in environmental conditions, changes in economic conditions, or other relevant factors.

The Corporation considers the following when estimating credit losses: 1. available information relevant to assessing the collectability of cash flows including internal information, external information or a combination of both relating to past events, current conditions and reasonable and supportable forecasts; 2. relevant qualitative and quantitative factors relating to the environment in which the Company operates and factors specific to the borrower; 3. off–balance-sheet credit exposures; and credit support.

ACL on loans is measured on a collective basis and reflects impairment in groups of loans aggregated based on similar risk characteristics which may include any one or a combination of the following: internal credit ratings, risk ratings or classification, financial asset type, collateral type, size, industry of the borrower, historical or expected credit loss patterns, and reasonable and supportable forecast periods. The loan portfolio is segmented by Collateral Type as this pools loans with similar risk characteristics and sensitivities

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

and there is quality data readily available. The ACL for a specific portfolio segment is computed by multiplying the historical loss rate, as calculated through a Discounted Cash Flow methodology, by the amortized cost balance of the segment with adjustments for other qualitative factors as described above. As appropriate, newer credit products or portfolios with limited historical loss may use applicable external data for determining the ACL until experience justifies that sufficient product maturity supports the estimate of expected credit losses.

Pursuant to ASC 326–20–30–9, an entity shall not rely solely on past events to estimate expected credit losses and should consider adjustments to historical information to reflect the extent to which management expects current conditions and forecasted conditions to differ from the periods utilized for the historical loss rate calculation. Management has incorporated quantitative economic variables in the model and adjustments of the historical loss rate to reflect current and forecasted condition and has applied necessary qualitative adjustments to arrive at an appropriate, aggregate loss rate for each segment.

The qualitative adjustment is based on a combination of external econometric data and internal factors including but not limited to portfolio composition, changes in management, and changes in loan policy. Economic forecasts are based in part on economic indexes, statistical analysis, and reasonable inferences. The qualitative adjustment is calculated based on current and forecasted conditions and evaluated each quarter by management, and therefore is dynamic in nature.

Specific reserves reflect collateral shortfalls on loans identified for evaluation or individually considered nonperforming, including troubled debt restructurings and receivables where the Corporation has determined foreclosure is probable. These loans no longer have similar risk characteristics to collectively evaluated loans due to changes in credit risk, borrower circumstances, recognition of write–offs, or cash collections that have been fully applied to principal based on non–accrual policies. At a minimum, the population of loans subject to individual evaluation include individual loans where it is probable the Corporation will be unable to collect all amounts due, according to the original contractual terms.

Loans that do not share risk characteristics are evaluated on an individual basis. Loans evaluated individually are also not included in the collective evaluation. When management determines that foreclosure is probable, expected credit losses are based on the fair value of the collateral at the reporting date, adjusted for selling costs as appropriate.

Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the borrower’s prior payment record, and the amount of the shortfall in relation to the principal and interest owed.

Expected credit losses are estimated over the contractual term of the loans, adjusted for expected prepayments when appropriate. The contractual term excludes expected extensions, renewals, and modifications unless either of the following applies: management has a reasonable expectation at the reporting date that a troubled debt restructuring will be executed with an individual borrower, or the extension or renewal options are included in the original or modified contract at the reporting date and are not unconditionally cancellable by the Corporation.

(Continued)

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Allowance for Credit Losses – Off-Balance-Sheet Credit Exposures: The Corporation estimates expected credit losses over the contractual period in which the Corporation is exposed to credit risk via a contractual obligation to extend credit, unless that obligation is unconditionally cancellable by the Corporation. The allowance for credit losses on off-balance-sheet credit exposures is adjusted through credit loss expense. The estimate includes consideration of the likelihood that funding will occur and an estimate of expected credit losses on commitments expected to be funded over its estimated life.

Allowance for Credit Losses – Available for Sale Securities: For available for sale debt securities in an unrealized loss position, the Corporation first assesses whether it intends to sell, or it is more likely than not that it will be required to sell, the security before recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the security's amortized cost basis is written down to fair value through income. For debt securities available for sale that do not meet the aforementioned criteria, the Corporation evaluates whether the decline in fair value has resulted from credit losses or other factors. In making this assessment, management considers the extent to which fair value is less than amortized cost, any changes to the rating of the security by a rating agency, and adverse conditions specifically related to the security, among other factors. If this assessment indicates that a credit loss exists, the present value of cash flows expected to be collected from the security are compared to the amortized cost basis of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an ACL is recorded for the credit loss, limited by the amount that the fair value is less than the amortized cost basis. Any impairment that has not been recorded through an ACL is recorded in other comprehensive income.

Changes in the ACL are recorded as provision for, or reversal of, credit loss expense. Losses are charged against the allowance when management believes the uncollectibility of an available for sale security is confirmed or when either of the criteria regarding intent or requirement to sell is met. As of December 31, 2024 and 2023, the Corporation had no reserve against available for sale securities. Accrued interest receivable on available for sale debt securities is excluded from the estimate of credit losses.

Loans Held for Sale: Loans held for sale, for which the fair value option has been elected, are recorded at fair value as of each balance sheet date. The fair value includes the servicing value of the loans as well as any accrued interest.

Mortgage loans held for sale are generally sold with servicing rights retained. The carrying value of mortgage loans sold is reduced by the amount allocated to the servicing right. Gains and losses on sales of mortgage loans are based on the difference between the selling price and the carrying value of the related loan sold.

(Continued)

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Concentration of Credit Risk: The Bank is a full-service bank headquartered in Merrillville, Indiana with 59 branch offices located in Lake, Porter, LaPorte, Marion, Marshall, St. Joseph, Allen, Hamilton, Boone, Elkhart, Tippecanoe, and Hendricks counties. The Bank makes a variety of loans including real estate mortgage, consumer, and commercial loans. Substantially all the Bank's loans are made within the eleven Indiana county trade areas. The loan portfolio at December 31, 2024 had a concentration of 53% of total loans classified as commercial real estate (11% commercial construction, 10% multifamily, 7% office including medical, 7% retail, 7% industrial, 6% hospitality, and 5% in other commercial industries). The remainder of the portfolio was well diversified and substantially all loans are secured by specific items of collateral including business assets, consumer assets, and real estate.

Premises and Equipment: Land is carried at cost. Asset cost is reported net of accumulated depreciation. Depreciation and amortization expense is calculated by the straight-line method over the useful lives of the related assets ranging from three years to twenty years, or for leasehold improvements over the term of the lease, if less. These assets are reviewed for impairment when events indicate the carrying amount may not be recoverable.

Leases: Leases are classified as operating or finance leases at the lease commencement date. The Corporation leases retail branches, office space, and land. The Corporation records leases on the balance sheet in the form of a lease liability for the present value of future minimum payments under the lease terms and a right-of-use asset equal to the lease liability adjusted for items such as deferred or prepaid rent, lease incentives, and any impairment of the right-of-use asset. The Corporation uses a risk-free borrowing rate at the lease commencement date in determining the present value of lease payments when the rate implicit in a lease is not known. The Corporation typically does not record leases on the consolidated balance sheets that are classified as short-term (less than one year).

At lease inception, the Corporation determines the lease term by considering the minimum lease term and all optional renewal periods that the Corporation is reasonably certain to renew. The lease term is also used to calculate straight-line rent expense. The depreciable life of leasehold improvements is limited by the estimated lease term, including renewals if they are reasonably certain to be renewed. The Corporation's leases do not contain residual value guarantees or material variable lease payments that will impact the Corporation's ability to pay dividends or cause the Corporation to incur additional expenses.

Operating lease expense consists of a single lease cost allocated over the remaining lease term on a straight-line basis, variable lease payments not included in the lease liability, and any impairment of the right-of-use asset. Rent expense and variable lease expense are included in occupancy and equipment expense on the Corporation's consolidated statements of income. The Corporation's variable lease expense includes rent escalators that are based on market conditions and include items such as common area maintenance, utilities, parking, property taxes, insurance, and other costs associated with the lease.

Advertising Expense: Advertising costs are expensed as incurred. Advertising expenses were approximately $3,491 and $3,641 for year-end December 31, 2024 and 2023, respectively.

Other Real Estate: Real estate properties acquired through or in lieu of loan foreclosure are initially recorded at fair value less costs to sell when acquired, establishing a new cost basis. Physical possession of residential real estate property collateralizing a consumer mortgage loan occurs when legal title is obtained upon completion of foreclosure or when the borrower conveys all interest in the property to satisfy the loan through completion of a deed in lieu of foreclosure or through a similar legal agreement. These assets are subsequently accounted for at lower of cost or fair value less estimated costs to sell. If fair value declines subsequent to foreclosure, a valuation allowance is recorded through expense. Operating costs after acquisition are expensed.

(Continued)

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Loan Servicing Rights: Servicing rights are recognized separately when they are acquired through sales of loans. When mortgage loans are sold, servicing rights are initially recorded at fair value with the income statement effect recorded in net gains (losses) on sales of loans held for sale. Fair value is based on market prices for comparable mortgage servicing contracts. All classes of servicing assets are subsequently measured using the amortization method which requires servicing rights to be amortized into non-interest income in proportion to, and over the period of, the estimated future net servicing income of the underlying loans.

Impairment is evaluated based on the fair value of the rights, using groupings of the underlying loans as to interest rates and prepayment characteristics. Any impairment of a grouping is reported as a valuation allowance. The fair values of servicing rights are subject to significant fluctuations as a result of changes in estimated and actual prepayment speeds and default rates and losses. The carrying value of loan servicing rights was $7,594 and $7,166 at December 31, 2024 and 2023, respectively, and are included in accrued interest receivable and other assets on the consolidated balance sheets. There was no valuation allowance at December 31, 2024 and 2023. Mortgage servicing rights fair value approximated the carrying value as of December 31, 2024 and 2023.

Servicing fees, late fees, and ancillary fees related to loan servicing are not material.

Loans serviced for others, principally the Federal Home Loan Mortgage Corporation (FHLMC), are not included in loans on the consolidated balance sheets and were $1,006,977 and $983,623 at year-end 2024 and 2023.

Bank Owned Life Insurance: The Bank has purchased life insurance policies for certain key executives. Bank owned life insurance is recorded at the amount that can be realized under the insurance contract at the balance sheet date, which is the cash surrender value adjusted for other charges or other amounts due that are probable at settlement.

Stock-Based Compensation: Compensation cost is recognized in salaries and benefits on the consolidated statements of income for stock appreciation rights issued to employees, based on the intrinsic value method of accounting for the estimated fair value of the awards. The cost is recognized over the three-year vesting period and accrued on a straight-line basis to accrued interest payable and other liabilities on the consolidated balance sheets. The Corporation’s accounting policy is to adjust the value of the awards for forfeitures as they occur. More information on the Corporation’s stock-based compensation can be found in the Employee Benefit Plans note.

Income Taxes: Income tax expense is the total of the current year income tax due or refundable and the change in deferred tax assets and liabilities. Deferred tax assets and liabilities represent the expected future tax consequences of temporary differences between the carrying amounts and tax bases of assets and liabilities, computed using enacted tax rates. A valuation allowance, if needed, reduces deferred tax assets to the amount expected to be realized.

A tax position is recognized as a benefit only if it is “more likely than not” that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on an examination. For tax positions not meeting the "more likely than not" test, no tax benefit is recorded.

The Corporation recognizes interest and/or penalties related to income tax matters in income tax expense.

(Continued)

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Derivatives: The Corporation enters into various stand-alone derivative contracts to provide derivative products to customers which are carried at fair value with changes in fair value recorded as other noninterest income. The Corporation is exposed to losses if a counterparty fails to make its payments under a contract in which the Corporation is in the net receiving position. At December 31, 2024, the Corporation anticipates that the counterparties will be able to fully satisfy their obligations under the agreements. In addition, the Corporation obtains collateral above certain thresholds of the fair value of its hedges for each counterparty based upon their credit standing. All of the contracts to which the Corporation is a party settle monthly. Further, the Corporation has netting agreements with the dealers with which it does business.

Mortgage Banking Derivatives: Commitments to fund mortgage loans (interest rate locks) to be sold into the secondary market and forward commitments for the future delivery of these mortgage loans are accounted for as free-standing derivatives.

The fair value of the interest rate lock is recorded at the time the commitment to fund the mortgage loan is executed and is adjusted for the expected exercise of the commitment before the loan is funded. In order to hedge the change in interest rates resulting from its commitments to fund the loans, the Corporation enters into forward commitments for the future delivery of mortgage loans when interest rate locks are entered into. Fair value of these mortgage derivatives are estimated based on changes in mortgage interest rates from the date the interest on the loan is locked. Changes in the fair value of these derivatives are included in net gains on sales of loans.

Cash Flow Reporting: Cash and cash equivalents are defined as cash and due from banks, short-term interest-bearing deposits in banks, and federal funds sold. Net cash flows are reported for customer loan and deposit transactions, federal funds purchased, and securities sold under agreements to repurchase.

Retirement Plans: Employee 401(k) and profit-sharing plan expense is the amount of matching and other discretionary contributions. Deferred compensation plan expense allocates the benefits over years of service.

Associate Stock Ownership Plan (ASOP): The cost of shares issued to the ASOP, but not yet allocated to participants, is shown as a reduction of shareholders' equity. Compensation expense is based on the market price of shares as they are committed to be released to participant accounts. Dividends on allocated ASOP shares reduce retained earnings; dividends on unearned ASOP shares reduce any related debt and accrued interest. At December 31, 2024 and 2023, there were no unearned ASOP shares.

Earnings Per Share: Basic earnings per share is based on the weighted average common shares outstanding. The weighted average number of common shares outstanding was 113,431 and 113,431 for 2024 and 2023. There was no dilution in 2024 and 2023.

Comprehensive Income: Comprehensive income consists of net income and other comprehensive income (loss). Other comprehensive income (loss) includes unrealized gains and losses on securities available for sale, net of tax, which are also recognized as separate components of stockholders' equity.

Financial Instruments with Off-Balance-Sheet Risk: The Corporation, in the normal course of business, makes commitments to extend credit which are not reflected in the financial statements and are recorded when funded. See the note on Commitments and Contingencies for a summary of these commitments.

(Continued)

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Transfers of Financial Assets: Transfers of financial assets are accounted for as sales, when control over the assets has been relinquished. Control over transferred assets is deemed to be surrendered when the assets have been isolated from the Corporation, the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and the Corporation does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

Long-Term Assets: Premises and equipment and other long-term assets are reviewed for impairment when events indicate their carrying amount may not be recoverable from future undiscounted cash flows. If impaired, the assets are recorded at fair value.

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

Dividend Restriction: Banking regulations require maintaining certain capital levels and may limit the dividends paid by the Bank to the Corporation or by the Corporation to its shareholders.

Fair Values of Financial Instruments: Fair values of financial instruments are estimated using relevant market information and other assumptions, as more fully disclosed in a separate note. Fair value estimates involve uncertainties and matters of significant judgment regarding interest rates, credit risk, prepayments, and other factors, especially in the absence of broad markets for particular items. Changes in assumptions or in market conditions could significantly affect the estimates. The fair value estimates of existing on- and off-balance-sheet financial instruments do not include the value of anticipated future business or the values of assets and liabilities not considered financial instruments.

Revenue Recognition: ASU 2014-09 establishes principles for reporting information about the nature, timing and uncertainty of revenue and cash flows arising from the entity's contracts to provide goods or services to customers. The core principle requires an entity to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration that it expects to be entitled to receive in exchange for those goods or services recognized as performance obligations are satisfied.

The majority of the Corporation's revenue-generating transactions are not subject to ASU 2014-09, including revenue generated from financial instruments, such as loans, letters of credit, derivatives and investment securities, as well as revenue related to mortgage servicing activities, as these activities are subject to other GAAP discussed elsewhere within the disclosures. The Corporation has evaluated the nature of its contracts with customers and determined that further disaggregation of revenue from contracts with customers into more granular categories beyond what is presented in the Consolidated Statements of Income was not necessary. Descriptions of revenue-generating activities that are within the scope of ASU 2014-09, which are presented in our income statements are as follows:

(Continued)

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Service charges on deposit accounts - The Corporation earns fees from its deposit customers for transaction-based, account maintenance, and overdraft services. Transaction-based fees and service charges (such as ATM use fees, stop payment charges, statement rendering, and ACH fees) are recognized at the time the transaction is executed, which is the point in time the Corporation fulfills the customer's request. Account maintenance fees, which relate primarily to monthly maintenance, are earned monthly, representing the period which the Corporation satisfies the performance obligation. Overdraft fees are recognized at the point in time that the overdraft occurs. Service charges on deposits are withdrawn from the customer's account balance.

Fiduciary activities – This represents monthly fees due from wealth management customers as consideration for managing the customers' assets. Wealth management and trust services include custody of assets, investment management, fees for trust services, and similar fiduciary activities. These fees are primarily earned over time as the Corporation provides the contracted monthly or quarterly services and are generally assessed based on the market value of assets under management at month-end. Fees that are transaction-based are recognized at the point in time that the transaction is executed.

Investment brokerage fees – The Corporation earns fees from investment brokerage services provided to its customers by a third-party service provider. The Corporation receives commissions from the third-party provider monthly based upon customer activity for the month. The fees are paid to us by the third party monthly and are recognized when received.

Interchange income – The Corporation earns interchange fees from debit cardholder transactions conducted through the Visa payment networks. Interchange fees from cardholder transactions represent a percentage of the underlying transaction value and are recognized concurrent with the transaction processing services provided to the cardholder.

Reclassifications: Some items in the prior year financial statements may have been reclassified to conform to the current presentation. Such reclassifications had no impact on net income or stockholders' equity.

Adoption of new accounting standards: On January 1, 2023, the Corporation adopted ASU No. 2016–13, "Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments" (CECL). The measurement of expected credit losses under CECL methodology is applicable to financial assets measured at amortized cost, including loan receivables and held to maturity securities. It also applies to off–balance sheet (OBS) credit exposures not accounted for as insurance (loan commitments, standby letters of credit, financial guarantees, and other similar agreements). In addition, ASC 326 made changes to the accounting for available for sale debt securities. One such change is to require credit losses to be presented as an allowance, rather than as a write–down, on available for sale debt securities management does not intend to sell or believe that it is not more likely than not they will be required to sell.

The Corporation adopted ASC 326 using the modified retrospective method for all financial assets measured at amortized cost and OBS credit exposures. Results for reporting periods beginning after December 31, 2022, are presented under ASC 326 while prior period amounts continue to be reported in accordance with previously applicable GAAP. The Corporation recorded a net decrease to retained earnings of $1,036 as of January 1, 2023 for the cumulative effect of adopting ASC 326.

(Continued)

(Dollars in thousands)

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

The following table illustrates the impact of ASC 326:

| | January 1, 2023 | | |
|---|---|---|---|
| | As Reported under ASC 326 | Pre-ASC 326 Adoption | Impact of ASC 326 Adoption |
| Assets: | | | |
| Loans | | | |
| Commercial | $ 59,069 | $ 63,085 | $ (4,016) |
| Residential | 3,746 | 3,631 | 115 |
| Installment | 2,669 | 2,364 | 305 |
| Allowance for credit losses on loans | $ 65,484 | $ 69,080 | $ (3,596) |
| Liabilities: | | | |
| Allowance for credit losses on OBS credit exposures | $ 4,974 | $ - | $ 4,974 |

Accounting policies stated in Note 1 reflect the adoption of Topic 326 as it relates to investment securities, loans, and off–balance sheet credit exposures as of January 1, 2023.

**NOTE 2 - CASH AND CASH EQUIVALENTS**

The Corporation considers all liquid investments with original maturities of three months or less to be cash equivalents. As of December 31, 2024 cash and cash equivalents is defined to include cash on hand and deposits in other institutions.

At December 31, 2024, the Corporation's interest-bearing cash accounts and non-interest bearing transaction deposits held at other institutions exceeded the $250 federally insured limits by approximately $118,235. The Federal Home Loan Bank and Federal Reserve Bank are government sponsored entities not insured by the FDIC. Of the $118,235 the Corporation held approximately $117,573 with the Federal Home Loan Bank and Federal Reserve Bank. Each correspondent bank's financial performance and market rating are reviewed on a quarterly basis to ensure the Corporation has deposits only at institutions providing minimal risk for those exceeding the federally insured limits.

The Federal Reserve Board announced on March 15, 2020 the reduction of the reserve requirement ratios to zero percent effective March 26, 2020. This action eliminated any restriction on the Bank's cash and cash equivalents for December 31, 2024 and 2023.

(Continued)

(Dollars in thousands)

**NOTE 3 – SECURITIES**

The following table summarizes the amortized cost and fair value of the available for sale securities at December 31, 2024 and 2023 and the corresponding amounts of gross unrealized gains and losses recognized in accumulated other comprehensive income (loss) and gross unrecognized gains and losses:

| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
|---|---|---|---|---|
| Available for Sale 2024: | | | | |
| U.S. government agencies | $ 142,937 | $ 11 | $ (8,744) | $ 134,204 |
| State and political subdivisions | 270,740 | 9 | (41,878) | 228,871 |
| Mortgage-backed - residential | 270,296 | 551 | (23,650) | 247,197 |
| Collateralized mortgage obligations | 803,319 | 996 | (43,440) | 760,875 |
| Other | 20,603 | - | (2,537) | 18,066 |
| Total available-for-sale | $ 1,507,895 | $ 1,567 | $ (120,249) | $ 1,389,213 |

| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
|---|---|---|---|---|
| Available for Sale 2023: | | | | |
| U.S. treasuries | $ 2,178 | $ - | $ (14) | $ 2,164 |
| U.S. government agencies | 113,973 | - | (7,205) | 106,768 |
| State and political subdivisions | 269,206 | 108 | (35,935) | 233,379 |
| Mortgage-backed - residential | 205,308 | 552 | (21,334) | 184,526 |
| Collateralized mortgage obligations | 693,973 | 6,308 | (31,627) | 668,654 |
| Other | 20,606 | - | (3,557) | 17,049 |
| Total available-for-sale | $ 1,305,244 | $ 6,968 | $ (99,672) | $ 1,212,540 |

(Continued)

(Dollars in thousands)

**NOTE 3 - SECURITIES** (Continued)

The following table summarizes securities with unrealized and unrecognized losses at December 31, 2024 and December 31, 2023, aggregated by major security type and length of time in a continuous unrealized or unrecognized loss position:

| | Less than 12 Months | | 12 Months or More | | Total | |
|---|---|---|---|---|---|---|
| | Fair Value | Unrealized Loss | Fair Value | Unrealized Loss | Fair Value | Unrealized Loss |
| At year end 2024: | | | | | | |
| U.S. government agencies | $ 49,068 | $ (1,449) | $ 80,755 | $ (7,295) | $ 129,823 | $ (8,744) |
| State and political subdivisions | 5,402 | (172) | 202,213 | (41,706) | 207,615 | (41,878) |
| Mortgage-backed - residential | 65,623 | (1,421) | 135,395 | (22,229) | 201,018 | (23,650) |
| Collateralized mortgage obligations | 331,646 | (7,301) | 326,940 | (36,139) | 658,586 | (43,440) |
| Other | - | - | 18,066 | (2,537) | 18,066 | (2,537) |
| Total available-for-sale | $ 451,739 | $ (10,343) | $ 763,369 | $ (109,906) | $ 1,215,108 | $ (120,249) |

| | Less than 12 Months | | 12 Months or More | | Total | |
|---|---|---|---|---|---|---|
| | Fair Value | Unrealized Loss | Fair Value | Unrealized Loss | Fair Value | Unrealized Loss |
| At year end 2023: | | | | | | |
| U.S. treasuries | $ 2,178 | $ (14) | $ - | $ - | $ 2,178 | $ (14) |
| U.S. government agencies | 45,106 | (980) | 61,661 | (6,225) | 106,767 | (7,205) |
| State and political subdivisions | 2,476 | (14) | 207,524 | (35,921) | 210,000 | (35,935) |
| Mortgage-backed - residential | 5,446 | (120) | 150,842 | (21,214) | 156,288 | (21,334) |
| Collateralized mortgage obligations | 101,326 | (3,751) | 257,655 | (27,876) | 358,981 | (31,627) |
| Other | 885 | (115) | 16,164 | (3,442) | 17,049 | (3,557) |
| Total available-for-sale | $ 157,417 | $ (4,994) | $ 693,846 | $ (94,678) | $ 851,263 | $ (99,672) |

Certain available for sale securities are reported in the financial statements at amounts less than their historical cost. The historical cost of these securities totaled $1,335,357 and $950,935 at December 31, 2024 and 2023, respectively. Total fair value of these securities was $1,215,108 and $851,263, which is approximately 87% and 70% of the Corporation's available for sale portfolio at December 31, 2024 and 2023, respectively.

The unrealized losses on the Corporation's securities were caused by interest rate increases and have not been recognized into income because the securities are of high credit quality, have undisrupted cash flows, or have been independently evaluated for credit related impairment. Management has the intent and ability to hold the securities for the foreseeable future, and the decline in fair value is largely due to changes in interest rates and volatility in the securities markets. The fair values are expected to recover as the securities approach maturity.

Since the Corporation does not intend to sell the investments and it is not more than likely that the Corporation will be required to sell the investments before recovery of their amortized cost basis, which may be maturity, the Corporation does not consider these investments to have any credit related impairment at December 31, 2024.

(Continued)

(Dollars in thousands)

**NOTE 3 - SECURITIES** (Continued)

The proceeds from sales and calls of securities and the associated gains/(losses) are listed below:

| | 2024 | 2023 |
|---|---|---|
| Proceeds | $ 2,172 | $ 118,956 |
| Gross gains | 2,172 | 1,639 |
| Gross losses | - | (1,476) |

The amortized cost and fair value of debt securities at December 31, 2024 by contractual maturity, are shown below. Expected maturities may differ from contractual maturities because borrowers may 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.

| | Available For Sale | |
|---|---|---|
| | Amortized Cost | Fair Value |
| Due in one year or less | $ - | $ - |
| Due from one to five years | 8,775 | 8,143 |
| Due from five to ten years | 67,600 | 57,640 |
| Due after ten years | 214,968 | 181,154 |
| U.S. government agencies | 142,937 | 134,204 |
| Mortgage-backed - residential | 270,296 | 247,197 |
| Collateralized mortgage obligations | 803,319 | 760,875 |
| | $1,507,895 | $1,389,213 |

Securities with a fair value of $293,336 and $20,311 at December 31, 2024 and 2023, were specifically pledged to secure borrowed funds, securities sold under agreements to repurchase, public deposits and for other purposes as required or permitted by law.

At year-end 2024 and 2023, there were no holdings of securities of any one issuer in an amount greater than 10% of stockholders' equity.

(Continued)

(Dollars in thousands)

**NOTE 4 – LOANS AND ALLOWANCE FOR CREDIT LOSSES**

Loans by major categories at year-end are summarized as follows:

| | 2024 | 2023 |
|---|---|---|
| Commercial, substantially secured by real estate | $6,403,867 | $ 5,675,817 |
| Residential | 556,242 | 664,882 |
| Installment | 701,840 | 559,415 |
| Subtotal | 7,661,949 | 6,900,114 |
| Allowance for loan losses | (84,229) | (78,402) |
| Net deferred loan (fees) costs | 86,091 | 80,408 |
| Loans, net | $7,663,811 | $ 6,902,120 |

Included in commercial loans (commercial non-real estate in subsequent tables) at years ended December 31, 2024 and 2023 were $1,559,022 and $1,130,802 of mortgage warehouse lines. At December 31, 2024, there were 54 lines with maximum individual limits ranging between $3,000 and $300,000. Activity transacted through these mortgage warehouse lines during the years 2024 and 2023 totaled $13,490,086 and $9,670,136.

Included in installment loans are manufactured housing loans presented at amortized cost basis which includes $79,691 and $78,563 of deferred dealer reserve costs at December 31, 2024 and 2023 in subsequent tables. The dealer reserve costs range from 1.00% to 1.50% premium established at the origination of the manufactured home loans. The dealer earns the premium over the life of the loan. The Corporation retains 70% of this premium in a deposit account. Accrued interest receivable associated with those accounts was deemed immaterial for adjustment to amortized cost basis.

(Continued)

(Dollars in thousands)

**NOTE 4 – LOANS AND ALLOWANCE FOR CREDIT LOSSES** (Continued)

The following tables present the activity in the allowance for credit losses by portfolio segment for the years ended December 31, 2024 and 2023:

| December 31, 2024 | Commercial | Residential | Installment | Total |
|---|---|---|---|---|
| Allowance for credit losses: | | | | |
| Beginning balance | $ 71,215 | $ 4,243 | $ 2,944 | $ 78,402 |
| Credit loss expense | 13,782 | (669) | 1,087 | 14,200 |
| Loans charged-off | (7,752) | (75) | (1,025) | (8,852) |
| Recoveries collected | 246 | 94 | 139 | 479 |
| Total ending allowance balance | $ 77,491 | $ 3,593 | $ 3,145 | $ 84,229 |

| December 31, 2023 | Commercial | Residential | Installment | Total |
|---|---|---|---|---|
| Allowance for credit losses: | | | | |
| Beginning balance, prior to adoption of ASC 326 | $ 63,085 | $ 3,631 | $ 2,364 | $ 69,080 |
| Impact of adopting ASC 326 | (4,016) | 115 | 305 | (3,596) |
| Credit loss expense | 12,126 | 511 | 1,398 | 14,035 |
| Loans charged-off | (306) | (38) | (1,207) | (1,551) |
| Recoveries collected | 326 | 24 | 84 | 434 |
| Total ending allowance balance | $ 71,215 | $ 4,243 | $ 2,944 | $ 78,402 |

(Continued)

(Dollars in thousands)

**NOTE 4 – LOANS AND ALLOWANCE FOR CREDIT LOSSES** (Continued)

Nonaccrual loans and loans past due over 89 days still on accrual include both smaller balance homogeneous loans that are collectively evaluated for impairment and individually classified impaired loans.

The following tables present the amortized cost basis of loans on nonaccrual and loans past due over 89 days still accruing at years ended December 31, 2024 and 2023:

| | 2024 | | |
|---|---|---|---|
| | Nonaccrual With No Allowance for Credit Loss | Nonaccrual | Loans Past Due Over 89 Days Still Accruing |
| Commercial real estate | $ 810 | $ 842 | $ 2 |
| Commercial non-real estate | 364 | 709 | - |
| Residential | 1,875 | 4,741 | 344 |
| Other consumer | 229 | 401 | 274 |
| Manufactured housing | - | - | 83 |
| Credit lines | 265 | 676 | - |
| Overdrafts | - | - | - |
| Total | $ 3,543 | $ 7,369 | $ 703 |

| | 2023 | | |
|---|---|---|---|
| | Nonaccrual With No Allowance for Credit Loss | Nonaccrual | Loans Past Due Over 89 Days Still Accruing |
| Commercial real estate | $ 131 | $ 6,858 | $ - |
| Commercial non-real estate | 2,238 | 24 | - |
| Residential | 2,002 | 925 | 500 |
| Other consumer | 204 | 182 | 208 |
| Manufactured housing | - | - | 285 |
| Credit lines | - | 207 | - |
| Overdrafts | - | - | - |
| Total | $ 4,575 | $ 8,196 | $ 993 |

(Dollars in thousands)

**NOTE 4 – LOANS AND ALLOWANCE FOR CREDIT LOSSES** (Continued)

The following tables present the amortized cost basis of collateral-dependent loans by class of loans as at years ended December 31, 2024 and 2023:

| | 2024 | | |
|---|---|---|---|
| | Commercial Real Estate | Residential Real Estate | SBA Guaranty |
| Commercial real estate | $ 4,198 | $ - | $ - |
| Commercial non-real estate | - | 92 | 804 |
| Residential | - | 4,217 | - |
| Other consumer | - | 229 | - |
| Manufactured housing | - | - | - |
| Credit lines | - | 264 | - |
| Overdrafts | - | - | - |
| Total | $ 4,198 | $ 4,802 | $ 804 |

| | 2023 | | |
|---|---|---|---|
| | Commercial Real Estate | Residential Real Estate | SBA Guaranty |
| Commercial real estate | $ 7,006 | $ - | $ - |
| Commercial non-real estate | - | - | 2,233 |
| Residential | - | 2,182 | - |
| Other consumer | - | 227 | - |
| Manufactured housing | - | - | - |
| Credit lines | - | - | - |
| Overdrafts | - | - | - |
| Total | $ 7,006 | $ 2,409 | $ 2,233 |

(Continued)

(Dollars in thousands)

**NOTE 4 – LOANS AND ALLOWANCE FOR CREDIT LOSSES** (Continued)

The following tables present the aging of the amortized cost basis in past due loans at years ended December 31, 2024 and 2023 by class of loans:

| December 31, 2024 | Loans Past Due 30-59 Days | Loans Past Due 60-89 Days | Loans Past Due Over 90 Days | Total Past Due | Loans Not Past Due | Total |
|---|---|---|---|---|---|---|
| Commercial real estate | $ 445 | $ - | $ 810 | $ 1,255 | $ 3,299,938 | $ 3,301,193 |
| Commercial non-real estate | 395 | 334 | 624 | 1,353 | 3,100,216 | 3,101,569 |
| Residential | 9,875 | 1,572 | 3,395 | 14,842 | 544,360 | 559,202 |
| Other consumer | 777 | 135 | 462 | 1,374 | 36,693 | 38,067 |
| Manufactured housing | 3,080 | 1,645 | 83 | 4,808 | 487,575 | 492,383 |
| Credit lines | 1,536 | 177 | 334 | 2,047 | 251,276 | 253,323 |
| Overdrafts | 2 | - | - | 2 | 2,301 | 2,303 |
| Total | $ 16,110 | $ 3,863 | $ 5,708 | $ 25,681 | $ 7,722,359 | $ 7,748,040 |

| December 31, 2023 | Loans Past Due 30-59 Days | Loans Past Due 60-89 Days | Loans Past Due Over 90 Days | Total Past Due | Loans Not Past Due | Total |
|---|---|---|---|---|---|---|
| Commercial real estate | $ 3 | $ - | $ 6,842 | $ 6,845 | $ 3,088,810 | $ 3,095,655 |
| Commercial non-real estate | 47 | 4 | 2,249 | 2,300 | 2,572,895 | 2,575,195 |
| Residential | 8,018 | 2,072 | 1,693 | 11,783 | 550,176 | 561,959 |
| Other consumer | 695 | 249 | 367 | 1,311 | 42,681 | 43,992 |
| Manufactured housing | 3,248 | 1,183 | 285 | 4,716 | 482,488 | 487,204 |
| Credit lines | 782 | 177 | 110 | 1,069 | 213,947 | 215,016 |
| Overdrafts | 2 | - | - | 2 | 1,499 | 1,501 |
| Total | $ 12,795 | $ 3,685 | $ 11,546 | $ 28,026 | $ 6,952,496 | $ 6,980,522 |

(Continued)

(Dollars in thousands)

**NOTE 4 – LOANS AND ALLOWANCE FOR CREDIT LOSSES** (Continued)

Occasionally, the Corporation modifies loans to borrowers in financial distress by providing other-than-insignificant payment delay or interest rate reduction.

The following tables present the amortized cost basis of loans at December 31, 2024 and 2023 that were both experiencing financial difficulty and modified during the years ended December 31, 2024 and 2023, by class and by type of modification. The percentage of the amortized cost basis of loans that were modified to borrowers in financial distress as compared to the amortized cost basis of each class of financing receivable is also presented below:

| | 2024 | | |
|---|---|---|---|
| | Payment Delay | Interest Rate Reduction | Total Class of Financing Receivable |
| Commercial real estate | $ - | $ - | 0.00% |
| Commercial non-real estate | - | - | 0.00% |
| Residential | - | 44 | 0.01% |
| Other consumer | - | - | 0.00% |
| Manufactured housing | - | - | 0.00% |
| Credit lines | - | - | 0.00% |
| Overdrafts | - | - | 0.00% |
| Total | $ - | $ 44 | 0.00% |

| | 2023 | | |
|---|---|---|---|
| | Payment Delay | Interest Rate Reduction | Total Class of Financing Receivable |
| Commercial real estate | $ - | $ - | 0.00% |
| Commercial non-real estate | - | - | 0.00% |
| Residential | 147 | 455 | 0.11% |
| Other consumer | 17 | - | 0.04% |
| Manufactured housing | - | - | 0.00% |
| Credit lines | - | - | 0.00% |
| Overdrafts | - | - | 0.00% |
| Total | $ 164 | $ 455 | 0.01% |

(Dollars in thousands)

**NOTE 4 – LOANS AND ALLOWANCE FOR CREDIT LOSSES** (Continued)

The Corporation closely monitors the performance of loans that are modified to borrowers experiencing financial difficulty to understand the effectiveness of its modification efforts. All loans that were modified in the last 12 months are performing to contractual terms.

The following tables present the financial effect of the loan modifications presented above to borrowers experiencing financial difficulty for the years ended December 31, 2024 and 2023:

| | 2024 | 2023 |
|---|---|---|
| | Weighted Average Interest Rate Reduction | Weighted Average Interest Rate Reduction |
| Commercial real estate | 0.00% | 0.00% |
| Commercial non-real estate | 0.00% | 0.00% |
| Residential | 5.00% | 2.63% |
| Other consumer | 0.00% | 0.00% |
| Manufactured housing | 0.00% | 0.00% |
| Credit lines | 0.00% | 0.00% |
| Overdrafts | 0.00% | 0.00% |
| Total | 5.00% | 2.63% |

**NOTE 4 – LOANS AND ALLOWANCE FOR CREDIT LOSSES** (Continued)

The following tables present the amortized cost basis of loans that had a payment default during the years ended December 31, 2024 and 2023 and were modified in the twelve months prior to that default to borrowers experiencing financial difficulty.

| | 2024 | 2023 |
|---|---|---|
| | Payment Delay | Payment Delay |
| Commercial real estate | $ - | $ - |
| Commercial non-real estate | - | - |
| Residential | - | - |
| Other consumer | - | - |
| Manufactured housing | - | 30 |
| Credit lines | - | - |
| Overdrafts | - | - |
| Total | $ - | $ 30 |

Upon the Corporation's determination that a modified loan (or portion of a loan) has subsequently been deemed uncollectible, the loan (or portion of the loan) is written off. Therefore, the amortized cost basis of the loan is reduced by the uncollectible amount and the allowance for credit losses is adjusted by the same amount.

(Dollars in thousands)

**NOTE 4 – LOANS AND ALLOWANCE FOR CREDIT LOSSES** (Continued)

**Credit Quality Indicators:**

The Corporation categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt such as: current financial information, historical payment experience, credit documentation, public information, and current economic trends, among other factors. All commercial loans are evaluated individually at origination by classifying the loans as to credit risk. On a go-forward basis commercial relationships greater than $2,000 are subject to an annual review process and loans between $250 and $2,000 are also subjected to review on a random sampling basis. The Corporation uses the following definitions for risk ratings:

**Watch**. Loans classified as watch may demonstrate early indicators of increasing credit risk. The exposure is acceptable, but should include a clear plan for preventing deterioration.

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

**Substandard.** Loans classified as substandard are inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. Loans so classified have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the institution will sustain some loss if the deficiencies are not corrected.

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

Loans not meeting the criteria above that are analyzed individually as part of the above described process are considered to be pass-rated loans. Loans listed as not rated are included in groups of homogeneous loans.

Based on the most recent analysis performed, the risk category of loans by class of loans is as follows as at years ended December 31, 2024 and 2023:

| December 31, 2024 | Pass | Watch | Special Mention | Substandard | Doubtful | Not Rated | Total |
|---|---|---|---|---|---|---|---|
| Commercial real estate | $2,884,899 | $ 258,083 | $ 157,369 | $ 842 | $ - | $ - | $3,301,193 |
| Commercial non-real estate | 2,951,161 | 107,097 | 42,602 | 709 | - | - | 3,101,569 |
| Residential | - | 53 | - | 300 | - | 558,849 | 559,202 |
| Other consumer | - | - | - | - | - | 38,067 | 38,067 |
| Manufactured housing | - | - | - | - | - | 492,383 | 492,383 |
| Credit lines | - | - | - | - | - | 253,323 | 253,323 |
| Overdrafts | - | - | - | - | - | 2,303 | 2,303 |
| Total | $5,836,060 | $ 365,233 | $ 199,971 | $ 1,851 | $ - | $1,344,925 | $7,748,040 |

(Continued)

(Dollars in thousands)

## NOTE 4 – LOANS AND ALLOWANCE FOR CREDIT LOSSES (Continued)

| December 31, 2023 | Pass | Watch | Special Mention | Substandard | Doubtful | Not Rated | Total |
|---|---|---|---|---|---|---|---|
| Commercial real estate | $2,850,714 | $ 191,705 | $ 46,246 | $ 6,990 | $ - | $ - | $3,095,655 |
| Commercial non-real estate | 2,475,502 | 87,827 | 9,605 | 2,261 | - | - | 2,575,195 |
| Residential | - | 59 | - | - | - | 561,900 | 561,959 |
| Other consumer | - | - | - | - | - | 43,992 | 43,992 |
| Manufactured housing | - | - | - | - | - | 487,204 | 487,204 |
| Credit lines | - | - | - | - | - | 215,016 | 215,016 |
| Overdrafts | - | - | - | - | - | 1,501 | 1,501 |
| Total | $5,326,216 | $ 279,591 | $ 55,851 | $ 9,251 | $ - | $1,309,613 | $6,980,522 |

The following tables present the amortized cost basis of residential and consumer loans by payment activity at years ended December 31, 2024 and 2023:

| December 31, 2024 | Residential | Other Consumer | Manufactured Housing | Credit Lines |
|---|---|---|---|---|
| Performing | $ 554,461 | $ 37,667 | $ 492,383 | $ 252,647 |
| Nonperforming | 4,741 | 400 | - | 676 |
| Total | $ 559,202 | $ 38,067 | $ 492,383 | $ 253,323 |

| December 31, 2023 | Residential | Other Consumer | Manufactured Housing | Credit Lines |
|---|---|---|---|---|
| Performing | $ 559,032 | $ 43,606 | $ 487,204 | $ 214,809 |
| Nonperforming | 2,927 | 386 | - | 207 |
| Total | $ 561,959 | $ 43,992 | $ 487,204 | $ 215,016 |

(Continued)

(Dollars in thousands)

**NOTE 5 - PREMISES AND EQUIPMENT, NET**

Year-end premises and equipment, net was as follows:

| | 2024 | 2023 |
|---|---|---|
| Land | $ 11,693 | $ 11,206 |
| Buildings and improvements | 32,006 | 30,314 |
| Furniture, fixtures and equipment | 54,157 | 50,457 |
| Total cost | 97,856 | 91,977 |
| Accumulated depreciation and amortization | (60,480) | (61,886) |
| | $ 37,376 | $ 30,091 |

**NOTE 6 – LEASES**

The Corporation enters into operating leases for certain retail branches, office space, and land. The Corporation does not have any finance leases.

Right-of-use (ROU) assets represent the Corporation's right to use an underlying asset for the lease term and lease liabilities represent the Corporation's obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. The Corporation uses a risk-free borrowing rate at the lease commencement date in determining the present value of lease payments when the rate implicit in a lease is not known.

The Corporation's leases are generally for periods of five to ten years with various renewal options. The exercise of such lease renewal options is not included in the present value of lease obligations unless it is reasonably certain that the option will be exercised. The Corporation has lease agreements which contain both lease and non-lease components such as common area maintenance charges, real estate taxes, and insurance. Non-lease components are not included in the measurement of the lease liability and are recognized in expense when incurred. The Corporation has elected not to recognize short-term leases, with original lease terms of twelve months or less, on the Corporation's balance sheet. Certain of the Corporation's lease agreements include rental payments adjusted periodically for inflation. The Corporation's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Right-of-use assets are included in accrued interest receivable and other assets and the lease liability is included in accrued interest payable and other liabilities on the balance sheet. Supplemental balance sheet information related to leases is presented in the table below as of year-end:

| | 2024 | 2023 |
|---|---|---|
| Operating lease right-of-use assets | $ 23,380 | $ 25,932 |
| Operating lease liabilities | $ 24,234 | $ 26,690 |
| | | |
| Weighted average remaining lease terms (years) | | |
| Operating leases | 5.5 | 5.7 |
| Weighted average discount rate | | |
| Operating leases | 2.71% | 2.46% |

(Continued)

(Dollars in thousands)

**NOTE 6 – LEASES** (continued)

Operating lease costs were $6,565 and $5,996 for years ended December 31, 2024 and 2023, respectively, and are included in occupancy expense in the consolidated statements of income.

Supplemental cash flow information related to leases is presented in the tables below.

Maturity of lease liabilities:

| | Operating Leases |
|---|---|
| 2025 | $ 6,233 |
| 2026 | 6,000 |
| 2027 | 5,338 |
| 2028 | 4,921 |
| 2029 | 2,974 |
| 2030 and after | 4,149 |
| Total lease payments | $ 29,615 |
| Less: Present value discount | 5,381 |
| Present value of lease liabilities | $ 24,234 |

Other information:

| | Twelve Months Ended December 31, 2024 | Twelve Months Ended December 31, 2023 |
|---|---|---|
| Cash paid for amounts included in the measurement of lease liabilities | | |
| Operating cash flows from operating leases | $ 6,457 | $ 5,653 |
| ROU assets obtained in exchange for operating lease liabilities | $ 3,280 | $ 5,542 |

(Dollars in thousands)

## NOTE 7 - TIME DEPOSITS

The aggregate amount of certificates of deposit with a balance of $250 or more was approximately $286,369 at December 31, 2024 and $228,541 at December 31, 2023.

At year-end 2024, stated maturities of time deposits were as follows:

| | |
|---|---|
| 2025 | $1,757,137 |
| 2026 | 146,654 |
| 2027 | 107,548 |
| 2028 | 1,679 |
| 2029 | 1,785 |
| | $2,014,803 |

## NOTE 8 - FEDERAL HOME LOAN BANK ADVANCES

At year-end, advances from the Federal Home Loan Bank were as follows:

| | 2024 | 2023 |
|---|---|---|
| Fixed rate advances - 2024 average rate of 4.23% (1.07% to 4.48%) and 2023 average rate of 3.96% (1.07% to 5.55%) | $ 1,065,000 | $ 560,000 |

Each advance is payable at its maturity date, with a prepayment penalty for fixed rate advances. The advances were collateralized by $2,165,081 of one to four family residential mortgage loans, multifamily residential mortgage loans, commercial real estate loans, home equity line of credit loans and securities under a specific collateral agreement at year-end 2024. The advances were collateralized by $1,310,708 of one to four family residential mortgage loans, multifamily residential mortgage loans and commercial real estate loans under a specific collateral agreement at year-end 2023. Based on this collateral and the Corporation's holdings of FHLB stock, the Corporation is eligible to borrow up to a total of $1,115,000 at year-end 2024.

Payments over the next five years are as follows:

| | |
|---|---|
| 2025 | $ 860,000 |
| 2026 | 120,000 |
| 2027 | - |
| 2028 | 85,000 |
| 2029 | - |
| | $ 1,065,000 |

The Federal Home Loan Bank does not hold a put option on any advance.

At December 31, 2024, the Corporation had available $50,000 in a credit line with the FHLB.

(Continued)

**NOTE 9 - SUBORDINATED DEBENTURES**

On April 5, 2022, the Corporation issued subordinated debentures totaling $60,000. The debentures are unsecured and pay interest at a fixed-to-floating rate. From years 2022 to May 1, 2027, the debentures bear interest at a fixed rate of 4.00% paid semi-annually on May 1st and November 1st. Starting on May 1, 2027, the debentures will bear interest at a floating rate of Three-Month Term SOFR plus 126 basis points paid quarterly February 1st, May 1st, August 1st, and November 1st. Starting with the first quarterly floating interest payment, and on any interest payment thereafter, the Corporation has the option to redeem the debentures in whole or in part. On May 28, 2024, the Corporation cancelled $1,000 of the $60,000 of subordinated debentures at a price of 80.0 recording a gain of $200. The retirement of the debentures brings the total amount of subordinated debentures to $59,000. The remaining debentures mature on May 1, 2032.

The subordinated debentures may be included in the Corporation’s total risk-based capital (with certain limitations) under current regulatory guidelines and interpretations.

**NOTE 10 - EMPLOYEE BENEFIT PLANS**

The Bank has a trusteed contributory profit-sharing plan covering substantially all employees. All contributions to the plan are funded with the trustee and are made at the discretion of the Bank's Board of Directors. The Bank did not make a contribution to the plan for year-end December 31, 2024 or 2023. The Bank's profit-sharing plan also includes a 401(k) feature for the exclusive benefit of its employees. The 401(k) feature is a voluntary benefit and participation is at the discretion of the employee.

For 2024 and 2023, the Bank matched 66.67% of the employee contributions to a maximum of 6% of employee qualified earnings. For the years ended December 31, 2024 and 2023, these matching funds amounted to $3,025 and $2,719.

The Corporation has an Associate Stock Ownership Plan (ASOP). All contributions to the plan are funded with a trustee and are at the discretion of the Corporation's Board of Directors. The Corporation's contributions and expense for the years ended December 31, 2024 and 2023 were $7,000 and $6,000.

During the year-ended December 31, 2024, 11 shares were purchased, and 28 shares were distributed from the plan and during the year-ended December 31, 2023, no shares were purchased, and 211 shares were distributed from the plan. As of December 31, 2024 and 2023, the ASOP held 10,733 and 10,750 shares of the Corporation’s stock of which 586 shares and 686 shares are unallocated to employees. Upon distribution of shares to a participant, the participant has the right to require the Corporation to purchase shares at the most recent appraised value in accordance with the terms and conditions of the plan. The fair value of the shares held by the ASOP approximated $160,104 and $146,705 on December 31, 2024 and 2023.

The Bank has a Stock Appreciation Rights Plan in which awards are granted with a strike price equal to the market value of the Corporation’s common stock on the date of grant. These awards have a contractual term of 3 years at which time the difference between the market value at maturity and the strike price is paid to recipients in cash. The awards do not represent actual shares nor confer any rights as a shareholder of the Corporation to the recipient. The liability for the plan is being recorded utilizing an intrinsic value method to estimate the fair value at maturity and straight-lining the remaining expense over the remainder of the term. At year-end December 31, 2024 and 2023, the accrued liability for the plan was $4,215 and $1,778, respectively.

(Continued)

(Dollars in thousands)

**NOTE 11 - INCOME TAXES**

Income tax expense was as follows:

| | 2024 | 2023 |
|---|---|---|
| Federal | | |
| Current | $ 35,106 | $ 37,777 |
| Deferred | 157 | (3,980) |
| | 35,263 | 33,797 |
| State | | |
| Current | 4,525 | 7,237 |
| Deferred | 341 | (945) |
| | 4,866 | 6,292 |
| Total | $ 40,129 | $ 40,089 |

Effective tax rates differ from federal statutory rate of 21% for 2024 and 2023 applied to income before income tax expense due to the following:

| | 2024 | 2023 |
|---|---|---|
| Income taxes computed at statutory federal income tax rate | $ 39,501 | $ 37,685 |
| Increase (decrease) in taxes resulting from: | | |
| Tax-exempt interest income | (1,467) | (1,267) |
| Bank owned life insurance | (1,070) | (869) |
| Captive insurance income not subject to tax | - | (111) |
| State income tax, net of federal income tax | 3,844 | 4,971 |
| Tax credits | (230) | (230) |
| Other | (449) | (90) |
| Total | $ 40,129 | $ 40,089 |

(Continued)

(Dollars in thousands)

**NOTE 11 - INCOME TAXES** (continued)

Year-end deferred tax assets and liabilities were due to the following:

| | 2024 | 2023 |
|---|---|---|
| Deferred tax assets: | | |
| Allowance for credit losses | $ 21,392 | $ 20,324 |
| Nonaccrual loan and security interest | 235 | 221 |
| Deferred compensation liability | 1,028 | 440 |
| Retirement benefits liability | 240 | 234 |
| Fixed asset depreciation | - | 396 |
| Lease liability | 5,908 | 6,605 |
| Net unrealized loss on securities available for sale | 25,016 | 19,567 |
| Other | 980 | 904 |
| | 54,799 | 48,691 |
| Deferred tax liablities: | | |
| Prepaid assets | (1,196) | (845) |
| Right of use asset | (5,700) | (6,418) |
| Stock dividends | (73) | (81) |
| Mortgage servicing rights | (1,852) | (1,774) |
| Fixed asset depreciation | (351) | - |
| Deferred loan fees and costs | (1,560) | (457) |
| Other | (8) | (8) |
| | (10,740) | (9,583) |
| Net deferred tax assets | $ 44,059 | $ 39,108 |

The Corporation evaluated its deferred tax asset at year-end 2024 and has concluded that it is more likely than not that it will be realized. The Corporation expects to have taxable income in the future such that the deferred tax asset will be realized. Therefore, no valuation allowance is required.

Included in accrued interest payable and other liabilities in the consolidated balance sheet at years ended December 31, 2024 and 2023, were income tax contingency reserves in the amount of $1,500 and $1,375, respectively, related to uncertain matters from state income tax returns. The Corporation does not expect a significant change in unrecognized tax benefits in the next twelve months.

The total amount of interest and penalties recorded in the consolidated statements of income for the years ended December 31, 2024 and 2023 were $0 and $0, and the amount accrued for interest and penalties at December 31, 2024 and 2023 were $0 and $0, respectively.

The Corporation and its subsidiaries are subject to U.S. federal income tax as well as income tax of the State of Indiana and various other states. The Corporation is no longer subject to examination by taxing authorities for years before 2021.

(Continued)

(Dollars in thousands)

**NOTE 12 - RELATED PARTY TRANSACTIONS**

Certain directors and executive officers of the Corporation and the Bank, as well as companies and partnerships with which they are affiliated, are customers of the Bank in the ordinary course of business.

At December 31, 2024 and 2023, the outstanding loans to directors, executive officers and their interests amounted to $219,647 and $155,250, which includes loans originated by the Bank sold servicing retained.

In addition, there are related parties that have ownership interest in certain assets which are leased on a long-term basis by the Bank. These lease commitments are included in Note 6 and are as follows:

| Related Party Leases | Lease Start Date | Lease End Date | Monthly Payments as of 12/31/2024 |
|---|---|---|---|
| Schererville East Branch | January 2016 | December 2025 | $ 22 |
| Retail Operations Department | January 2022 | December 2026 | $ 7 |
| Loan Review | October 2022 | September 2027 | $ 4 |
| Highland Branch - Land | October 2023 | October 2026 | $ 3 |
| Operations Center | November 2017 | June 2028 | $ 273 |
| Dyer Branch | May 2023 | April 2028 | $ 10 |
| Talent Development | July 2023 | June 2028 | $ 3 |
| Mortgage Center | August 2020 | July 2025 | $ 20 |
| Storage Space | September 2020 | July 2025 | $ 3 |
| Various Departments | October 2024 | September 2039 | $ - |

The aggregate rent expense under all related party leases was $4,135 in 2024 and $3,908 in 2023.

**NOTE 13 - COMMITMENTS AND CONTINGENCIES**

The Bank is a party to financial instruments with off-balance-sheet risk in the normal course of business to meet financing needs of its customers. These financial instruments include commitments to make loans, lines of credit, overdraft protection, and standby letters of credit. The Bank's exposure to credit loss in the event of nonperformance by the other party for these financial instruments is represented by the contractual amount of the commitments. The Bank follows the same credit policy to make such commitments as it uses for on-balance-sheet items.

A summary of the notional or contractual amounts of financial instruments with off-balance-sheet risk at year-end follows:

| | 2024 | 2023 |
|---|---|---|
| Commitments to extend credit | $ 15,133 | $ 8,345 |
| Lines of credit | 1,206,453 | 1,464,037 |
| Standby letters of credit | 40,481 | 38,937 |

Since many commitments to make loans expire without being used, the amount does not necessarily represent future cash commitments. Collateral obtained upon exercise of the commitment is determined using management's credit evaluation of the borrower and may include real estate, vehicles, business assets, deposits, and other items. The risk of loss is limited to the contractual amount of the financial instruments.

(Continued)

**NOTE 13 - COMMITMENTS AND CONTINGENCIES** (Continued)

There are various contingent liabilities that are not reflected in the financial statements, including claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters is not expected to have a material effect on the Corporation's financial condition or results of operations.

As part of the Corporation's liquidity management, we leverage our FHLB borrowing relationship as well as correspondent lines of credits with several other financial institutions. As of December 31, 2024, based on pledged collateral, there was approximately $262,255 of capacity at the FHLB and $105,000 of capacity with the other correspondent banks. In addition to these firm commitments the Corporation also has access to various overnight funds markets that typically offer between $155,000 and $665,000 of capacity on any given day.

**NOTE 14 - FAIR VALUE**

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

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

The Corporation used the following methods and assumptions to estimate fair value:

Securities: The fair values of securities available for sale are determined by obtaining quoted prices on nationally recognized securities exchanges (Level 1 inputs) or matrix pricing, which is a mathematical technique widely used in the industry to value debt securities without relying exclusively on quoted prices for the specific securities but rather by relying on the securities' relationship to other benchmark quoted securities (Level 2 inputs)

Mortgage Loans Held for Sale, at Fair Value:
The fair value of mortgage loans held for sale is determined using quoted prices from similar assets adjusted for specific attributes of that loan. (Level 2).

Derivatives: The fair value of derivative financial instruments is based on derivative valuation models using market data inputs as of the valuation date. (Level 2).

(Continued)

**NOTE 14 - FAIR VALUE** (Continued)

Collateral-Dependent Loans, Net of ACL: At the time a loan is considered collateral-dependent, it is valued at the lower of cost or fair value. Collateral-dependent loans carried at fair value generally receive specific allocations of the allowance for credit losses. For collateral-dependent loans, fair value is commonly based on recent real estate appraisals. These appraisals may utilize a single valuation approach or a combination of approaches including comparable sales and the income approach. Adjustments are routinely made in the appraisal process by the independent appraisers to adjust for differences between the comparable sales and income data available. Such adjustments are usually significant and typically result in a Level 3 classification of the inputs for determining fair value. Non-real estate collateral may be valued using an appraisal, net book value per the borrower's financial statements, or aging reports, adjusted or discounted based on management's historical knowledge, changes in market conditions from the time of the valuation, and management's expertise and knowledge of the client and client's business, resulting in a Level 3 fair value classification. Collateral-dependent loans are evaluated on a quarterly basis for additional valuation adjustments.

Other Real Estate: Assets acquired through or instead of loan foreclosure are initially recorded at fair value less costs to sell when acquired, establishing a new cost basis. These assets are subsequently accounted for at lower of cost or fair value less estimated costs to sell. Fair value is commonly based on recent real estate appraisals. These appraisals may utilize a single valuation approach or a combination of approaches including comparable sales and the income approach. Adjustments are routinely made in the appraisal process by the independent appraisers to adjust for differences between the comparable sales and income data available. Such adjustments are usually significant and typically result in a Level 3 classification of the inputs for determining fair value.

Appraisals for both collateral-dependent loans and 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 Corporation. Once received, a member of the Credit Department reviews the assumptions and approaches utilized in the appraisal as well as the overall resulting fair value in comparison with independent data sources such as recent market data or industry-wide statistics. After the review of the appraisal, the Corporation typically applies a discount for liquidation and other considerations.

(Continued)

(Dollars in thousands)

**NOTE 14 - FAIR VALUE** (Continued)

Assets Measured on a Recurring Basis
Assets measured at fair value on a recurring basis are summarized below:

| | | Fair Value Measurements at December 31, 2024 Using: | | |
|---|---|---|---|---|
| | Carrying Value | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Financial Assets: | | | | |
| Securities available-for-sale: | | | | |
| U.S. government agencies | 134,204 | - | 134,204 | - |
| State and political subdivisions | 228,871 | - | 228,871 | - |
| Mortgage-backed - residential | 247,197 | - | 247,197 | - |
| Collateralized mortgage obligations | 760,875 | - | 760,875 | - |
| Other | 18,066 | - | 18,066 | - |
| Total securities available-for-sale | $ 1,389,213 | $ - | $ 1,389,213 | $ - |
| Mortgage loans held for sale | $ 1,914 | $ - | $ 1,914 | $ - |
| Mortgage banking derivative asset | $ 206 | $ - | $ 206 | $ - |
| Interest rate swaps - assets | $ 86,368 | $ - | $ 86,368 | $ - |
| Financial Liabilities: | | | | |
| Interest rate swaps - liabilities | $ 86,368 | $ - | $ 86,368 | $ - |
| Forward contracts related to mortgage loans held for sale | $ - | $ - | $ - | $ - |

| | | Fair Value Measurements at December 31, 2023 Using: | | |
|---|---|---|---|---|
| | Carrying Value | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Financial Assets: | | | | |
| Securities available-for-sale: | | | | |
| U.S. treasuries | $ 2,164 | $ 2,164 | $ - | $ - |
| U.S. government agencies | 106,768 | - | 106,768 | - |
| State and political subdivisions | 233,379 | - | 233,379 | - |
| Mortgage-backed - residential | 184,526 | - | 184,526 | - |
| Collateralized mortgage obligations | 668,654 | - | 668,654 | - |
| Other | 17,049 | - | 17,049 | - |
| Total securities available-for-sale | $ 1,212,540 | $ 2,164 | $ 1,210,376 | $ - |
| Mortgage loans held for sale | $ 2,895 | $ - | $ 2,895 | $ - |
| Mortgage banking derivative asset | $ 209 | $ - | $ 209 | $ - |
| Interest rate swaps - assets | $ 88,883 | $ - | $ 88,883 | $ - |
| Financial Liabilities: | | | | |
| Interest rate swaps - liabilities | $ 88,883 | $ - | $ 88,883 | $ - |
| Forward contracts related to mortgage loans held for sale | $ 36 | $ - | $ 36 | $ - |

(Continued)

(Dollars in thousands)

**NOTE 14 - FAIR VALUE** (Continued)

There were no assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended December 31, 2024 and 2023.

Assets Measured on a Non-Recurring Basis
Assets measured at fair value on a non-recurring basis are summarized below:

| | | Fair Value Measurements at December 31, 2024 Using: | | |
|---|---|---|---|---|
| | Carrying Value | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Collateral-dependent loans | $ 1,390 | $ - | $ - | $ 1,390 |
| Other real estate | 3,181 | - | - | 3,181 |

| | | Fair Value Measurements at December 31, 2023 Using: | | |
|---|---|---|---|---|
| | Carrying Value | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Collateral-dependent loans | $ 7,308 | $ - | $ - | $ 7,308 |

The following table presents quantitative information about level 3 fair value measurements for financial instruments measured at fair value on a non-recurring basis at December 31, 2024 and 2023:

| December 31, 2024 | Fair Value | Valuation Technique(s) | Unobservable Input(s) | Range (Weighted Average) |
|---|---|---|---|---|
| Collateral-dependent loans | $ 1,390 | Collateral based and SBA guarantee mearsurements | Discount to reflect current market conditions and ultimate collectibility | 0% - 60% (7.61%) |
| Other real estate | 3,181 | Sales comparison approach | Adjustment for difference between the comparable sales | 9.91% |

| December 31, 2023 | Fair Value | Valuation Technique(s) | Unobservable Input(s) | Range (Weighted Average) |
|---|---|---|---|---|
| Collateral-dependent loans | $ 7,308 | Collateral based and SBA guarantee mearsurements | Discount to reflect current market conditions and ultimate collectibility | 0% - 8.80% (5.88%) |

(Dollars in thousands)

**NOTE 14 - FAIR VALUE** (Continued)

Financial Instruments Recorded Using Fair Value Option

The Corporation records loans held for sale at fair value. These loans are intended for sale and the Corporation believes that the fair value is the best indicator of the resolution of these loans. Interest income is recorded based on the contractual terms of the loan and in accordance with the Corporation's policy on loans held for investment. None of these loans are 90 days or more past due nor classified as nonaccrual as of December 31, 2024 and December 31, 2023.

As of December 31, 2024 and December 31, 2023, the aggregate fair value, contractual balance (including accrued interest), and gain or loss included in mortgage banking income on the consolidated statements of income was as follows:

| | 2024 | 2023 |
|---|---|---|
| Aggregate fair value | $ 1,914 | $ 2,895 |
| Contractual fair value | 1,861 | 2,790 |
| Gain (loss) | $ 53 | $ 105 |

The total amount of gains and losses from changes in fair value included in earnings for the years ended December 31, 2024 and December 31, 2023 for loans held for sale was:

| | 2024 | 2023 |
|---|---|---|
| Interest income | $ - | $ - |
| Interest expense | - | - |
| Change in fair value | (52) | (13) |
| Total change in fair value | $ (52) | $ (13) |

(Continued)

**NOTE 15 - REGULATORY MATTERS**

The Corporation and Bank are subject to regulatory capital requirements administered by federal banking agencies. Capital adequacy guidelines and, for the Bank, prompt corrective action regulations involve quantitative measures of assets, liabilities, and certain off-balance-sheet items calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgments by regulators about components, risk weightings, and other factors, and the regulators can lower classifications in certain cases. Failure to meet various capital requirements can initiate regulatory action that could have a direct material effect on the consolidated financial statements. The final rules implementing Basel Committee on Banking Supervision's capital guidelines for U.S. banks (Basel III rules) became effective for the Corporation on January 1, 2015 with full compliance with all of the requirements being phased in over a multi-year schedule, and fully phased in by January 1, 2019. Under the fully phased Basel III rules, the Bank must hold a capital conservation buffer of 2.50% above the adequately capitalized risk-based capital ratios. The net unrealized gain or loss on available for sale securities is not included in computing regulatory capital. Management believes as of December 31, 2024, the Corporation and the Bank met all capital adequacy requirements to which they are subject.

The Bank's prompt corrective action regulations provide five classifications, including well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized and critically undercapitalized, although these terms are not used to represent overall financial condition. If only adequately capitalized, regulatory approval is required to accept brokered deposits. If undercapitalized, capital distributions are limited, as is asset growth and expansion, and plans for capital restoration are required.

At year-end 2024 and 2023, the most recent regulatory notifications categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. There are no conditions or events since that notification that management believes have changed the institution's category.

(Continued)

(Dollars in thousands)

**NOTE 15 - REGULATORY MATTERS** (continued)

At year-end, the Corporation and Bank's actual capital levels and minimum required levels, including the capital conversion buffer, were:

| | Actual | | Minimum Required For Capital Adequacy Purposes | | Minimum Required To Be Well Capitalized Under Prompt Corrective Action Requirements | |
|---|---|---|---|---|---|---|
| | Amount | Ratio | Amount | Ratio | Amount | Ratio |
| 2024 | | | | | | |
| Total capital (to risk weighted assets) | | | | | | |
| Consolidated | $ 1,047,656 | 12.71% | $ 865,322 | 10.50% | N/A | N/A |
| Bank | $ 1,008,057 | 12.25% | $ 864,193 | 10.50% | $ 823,041 | 10.00% |
| Tier 1 capital (to risk weighted assets) | | | | | | |
| Consolidated | $ 900,912 | 10.93% | $ 700,499 | 8.50% | N/A | N/A |
| Bank | $ 920,313 | 11.18% | $ 699,585 | 8.50% | $ 658,433 | 8.00% |
| Common tier 1 capital (CET1) | | | | | | |
| Consolidated | $ 900,912 | 10.93% | $ 576,882 | 7.00% | N/A | N/A |
| Bank | $ 920,313 | 11.18% | $ 576,129 | 7.00% | $ 534,977 | 6.50% |
| Tier 1 capital (to average total assets) | | | | | | |
| Consolidated | $ 900,912 | 9.40% | $ 383,509 | 4.00% | N/A | N/A |
| Bank | $ 920,313 | 9.61% | $ 383,084 | 4.00% | $ 478,855 | 5.00% |
| 2023 | | | | | | |
| Total capital (to risk weighted assets) | | | | | | |
| Consolidated | $ 915,476 | 12.11% | $ 793,686 | 10.50% | N/A | N/A |
| Bank | $ 885,703 | 11.73% | $ 792,800 | 10.50% | $ 755,047 | 10.00% |
| Tier 1 capital (to risk weighted assets) | | | | | | |
| Consolidated | $ 773,360 | 10.23% | $ 642,508 | 8.50% | N/A | N/A |
| Bank | $ 803,587 | 10.64% | $ 641,790 | 8.50% | $ 604,038 | 8.00% |
| Common tier 1 capital (CET1) | | | | | | |
| Consolidated | $ 773,360 | 10.23% | $ 529,124 | 7.00% | N/A | N/A |
| Bank | $ 803,587 | 10.64% | $ 528,533 | 7.00% | $ 490,781 | 6.50% |
| Tier 1 capital (to average total assets) | | | | | | |
| Consolidated | $ 773,360 | 9.10% | $ 340,050 | 4.00% | N/A | N/A |
| Bank | $ 803,587 | 9.47% | $ 339,521 | 4.00% | $ 424,402 | 5.00% |

(Continued)

(Dollars in thousands)

**NOTE 16 - DERIVATIVE FINANCIAL INSTRUMENTS**

The Corporation enters into derivative instruments for the benefit of its customers. These derivative contracts do not qualify for hedge accounting. These instruments include interest rate swaps. Commonly, the Corporation will economically hedge significant exposures related to these derivative contracts entered into for the benefit of customers by entering into offsetting contracts with approved, reputable, independent counterparties with substantially matching terms.

Credit risk arises from the possible inability of counterparties to meet the terms of their contracts. The Corporation's exposure is limited to the replacement value of the contracts rather than the notional, principal or contract amounts. There are provisions in the agreements with the counterparties that allow for certain unsecured credit exposure up to an agreed threshold. Exposures in excess of the agreed thresholds are collateralized. In addition, the Corporation minimizes credit risk through credit approvals, limits, and monitoring procedures.

The following table reflects the notional amounts of these customer derivative instruments and the offsetting counterparty derivative instruments and fair value swaps included in the Consolidated Balance Sheets as of December 31:

| | 2024 | | 2023 | |
|---|---|---|---|---|
| | Notional Amount | Fair Value | Notional Amount | Fair Value |
| Included in other assets: | | | | |
| Interest rate swaps | $ 2,528,970 | $ 86,368 | $ 2,501,257 | $ 88,883 |
| Included in other liabilities: | | | | |
| Interest rate swaps | $ 2,528,970 | $ 86,368 | $ 2,501,257 | $ 88,883 |

The effect of derivative instruments on the Consolidated Statement of Income for the twelve months ended December 31 are as follows:

| | Amount of Gain Recognized on Derivative | |
|---|---|---|
| | 2024 | 2023 |
| Interest rate swaps: | | |
| Gains on interest rate swaps | $ 1,661 | $ 5,079 |

Mortgage Banking Derivatives:
Commitments to fund certain mortgage loans (interest rate locks) to be sold into the secondary market and forward commitments for the future delivery of mortgage loans to third party investors are considered derivatives. It is the Corporation's practice to enter into forward commitments for the future delivery of residential mortgage loans when interest rate lock commitments are entered into in order to economically hedge the effect of changes in interest rates resulting from its commitments to fund the loans. These mortgage banking derivatives are not designated in hedge relationships.

At year-end 2024, the Corporation had approximately $5,709 of interest rate lock commitments and $6,119 of forward commitments for the future delivery of residential mortgage loans. The fair value of these mortgage banking derivatives was reflected by a derivative asset of $206 and a derivative liability of $0.

(Dollars in thousands)

**NOTE 16 - DERIVATIVE FINANCIAL INSTRUMENTS** (Continued)

At year-end 2023, the Corporation had approximately $5,527 of interest rate lock commitments and $6,586 of forward commitments for the future delivery of residential mortgage loans. The fair value of these mortgage banking derivatives was reflected by a derivative asset of $209 and a derivative liability of $36.

Fair values were estimated based on changes in mortgage interest rates from the date of the commitments. Changes in fair values of these mortgage banking derivatives are included in mortgage banking income.

The net gains (losses) relating to free-standing derivative instruments used for risk management are summarized below as of December 31:

| | 2024 | 2023 |
|---|---|---|
| Forward contracts related to: | | |
| mortgage loans held for sale | $ 66 | $ (35) |
| Interest rate lock commitments | $ (33) | $ 90 |

The following table reflects the amount and market value of mortgage banking derivatives included in the Consolidated Balance Sheet as of December 31:

| | 2024 | | 2023 | |
|---|---|---|---|---|
| | Notional Amount | Fair Value | Notional Amount | Fair Value |
| Included in other assets: | | | | |
| Forward contracts related to | | | | |
| mortgage loans held for sale | $ 5,969 | $ 30 | $ 1,866 | $ - |
| Interest rate lock commitments | 5,709 | 176 | 5,527 | 209 |
| Total included on other assets: | | $ 206 | | $ 209 |
| Included in other liabilities | | | | |
| Forward contracts related to | | | | |
| mortgage loans held for sale | $ 150 | $ - | $ 4,720 | $ 36 |
| Interest rate lock commitments | - | - | - | - |
| Total included on other liabilities: | | $ - | | $ 36 |

(Continued)

(Dollars in thousands)

## NOTE 17 - PARENT COMPANY CONDENSED FINANCIAL STATEMENTS

Condensed financial statements for First Bancshares, Inc. (parent company only) follow:

CONDENSED BALANCE SHEETS
December 31, 2024 and 2023

| | 2024 | 2023 |
|---|---|---|
| **ASSETS** | | |
| Cash | $ 29,045 | $ 19,665 |
| Securities available for sale | - | 2,164 |
| Investment in banking subsidiaries | 826,645 | 730,460 |
| Investment in other subsidiaries | 2,285 | - |
| Other assets | 8,469 | 8,444 |
| Total assets | $866,444 | $760,733 |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | |
| Other borrowings | $ 59,000 | $ 60,000 |
| Accrued interest payable and other liabilities | 199 | 510 |
| Total stockholders' equity | 807,245 | 700,223 |
| Total liabilities and stockholders' equity | $866,444 | $760,733 |

(Continued)

(Dollars in thousands)

**NOTE 17 - PARENT COMPANY CONDENSED FINANCIAL STATEMENTS** (Continued)

CONDENSED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
Years ended December 31, 2024 and 2023

| | 2024 | 2023 |
|---|---|---|
| Dividends from subsidiaries | $ 34,144 | $ 28,864 |
| Interest income | 42 | 2 |
| Other income | 200 | - |
| Interest expense | (2,376) | (2,400) |
| Other expense | (1,271) | (1,131) |
| Income before income tax and undistributed subsidiary income | 30,739 | 25,335 |
| Equity in undistributed subsidiary income | 116,379 | 113,146 |
| Income tax benefits | 851 | 882 |
| Net income | $ 147,969 | $ 139,363 |
| Comprehensive income | $ 127,440 | $ 151,862 |

(Continued)

(Dollars in thousands)

**NOTE 17 - PARENT COMPANY CONDENSED FINANCIAL STATEMENTS** (Continued)

CONDENSED STATEMENTS OF CASH FLOWS
Years ended December 31, 2024 and 2023

| | 2024 | 2023 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Net income | $ 147,969 | $ 139,363 |
| Adjustments to reconcile net income to net cash from operating activities | | |
| Equity in undistributed subsidiary income | (116,379) | (113,146) |
| Accretion of securities | (22) | (7) |
| Change in other assets | 237 | 229 |
| Change in other liabilities | (310) | 78 |
| Net cash from operating activities | 31,495 | 26,517 |
| **Cash flows from investing activities** | | |
| Increase in loan receivable from ASOP | (265) | (3,930) |
| Proceeds from maturity of securities | 2,200 | - |
| Investments in subsidiaries | (2,632) | - |
| Proceeds from subsidiary divestiture | - | 1,970 |
| Net cash used in investing activities | (697) | (1,960) |
| **Cash flows from financing activities** | | |
| Proceeds of borrowings | - | - |
| Repayments of borrowings | (1,000) | - |
| Dividends paid | (20,418) | (18,149) |
| Net cash used in financing activities | (21,418) | (18,149) |
| Net change in cash and cash equivalents | 9,380 | 6,408 |
| Beginning cash and cash equivalents | 19,665 | 13,257 |
| **Ending cash and cash equivalents** | $ 29,045 | $ 19,665 |

# — OFFICE LOCATIONS —

## ALLEN COUNTY
### FORT WAYNE
*127 W. Berry St. Suite 100

## BOONE COUNTY
### WHITESTOWN
*6378 Crane Drive

### ZIONSVILLE
*50 N. Ford Rd.

## ELKHART COUNTY
### ELKHART
*100 S. Main St.
*303 County Rd. 17
*2809 Emerson Dr.

### GOSHEN
*1716 Elkhart Rd.

## HAMILTON COUNTY
### CARMEL
*650 E Carmel Drive, Suite 100

### FISHERS CROSSING
*11684 Allisonville Rd.

### WESTFIELD
*3002 IN-32

## HENDRICKS COUNTY
### BROWNSBURG
*1000 East Main Street

## LAKE COUNTY
### CEDAR LAKE
*9728 W. 133rd Ave

### CROWN POINT
*117 E. Joliet St.
*1276 N. Main St.
*1501 S. Court St.

### DYER
*1121 Sheffield Ave.

### EAST CHICAGO
*720 W. 145th St.

## LAKE COUNTY (CONT.)
### GARY
*504 Broadway (Suite 102)
*650 S. Lake St.
*4883 Broadway

### GRIFFITH
*500 N. Broad St.

### HAMMOND
*5433 Hohman Ave.
*2635 169th St.
(Inside Van Til's)

### HIGHLAND
*9701 Indianapolis Blvd.
*9102 Indianapolis Blvd.

### HOBART
*433 Main St.
*7760 E. 37th Ave.
(Inside Strack & Van Til)

### LOWELL
*1914 E. Commercial Ave.

### MERRILLVILLE
*8310 Broadway
*3198 E. 81st Ave.
(Corner of Colorado and U.S. 30)

### MUNSTER
*9716 White Oak Ave.

### SCHERERVILLE
*5191 W. Lincoln Hwy.

### ST. JOHN
*9621 Wicker Ave. (U.S. Hwy. 41)

### WHITING
*1500 119th St.

### WINFIELD
*8020 E. 109th Ave.

## LAPORTE COUNTY
### LA PORTE
*73 Pine Lake Ave.

### MICHIGAN CITY
*5501 Franklin St. (U.S. Rt. 421)

## MARION COUNTY
### INDIANAPOLIS
*50 S. Meridian St.
*1313 W. 86th Street
*6210 Allisonville Rd

## MARSHALL COUNTY
### PLYMOUTH
*537 N. Oak Dr.

## PORTER COUNTY
### CHESTERTON
103 Broadway
*104 Grant St.
*1600 S. Calumet Rd.

### PORTAGE
*3220 Willowcreek Rd.
*6046 Central Ave.
(Inside Strack & Van Til)

### SOUTH HAVEN
*390 West U.S. Hwy. 6

### VALPARAISO
*150 Lincolnway
*1802 Calumet Ave.
*360 Morthland Dr.
*2707 La Porte Ave.

## ST. JOSEPH COUNTY
### GRANGER
*7108 Gumwood Rd.

### MISHAWAKA
*255 E. Day Rd.

### SOUTH BEND
*108 N. Main St. (Suite 102)
*2850 W. Cleveland Rd.

## TIPPECANOE COUNTY
### LAFAYETTE
*323 Columbia St. (Suite 1A)
*1921 Veterans Memorial Pkwy S.
*5 Executive Dr. (Suite A)

### WEST LAFAYETTE
*1020A Sagamore Pkwy. West
*2636 U.S. 52 (Inside Meijer)

**CORPORATE HEADQUARTERS** - MERRILLVILLE - 600 E. 84TH AVE.

219-756-BANK | 1-888-Centier | Centier.com

*ATM Locations