

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

FORM 10-Q

☒ Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended June 30, 2025

or

☐ Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Commission File Number: 1-13661

STOCK YARDS BANCORP, INC.

STOCK YARDS BANCORP, INC.

(Exact name of registrant as specified in its charter)

Kentucky

(State or other jurisdiction of incorporation or organization)

61-1137529

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

1040 East Main Street, Louisville, Kentucky

(Address of principal executive offices)

40206

(Zip Code)

Registrant's telephone number, including area code: (502) 582-2571

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, no par value	SYBT	The Nasdaq Stock Market, LLC

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

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

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

Large accelerated filer ☒

Accelerated filer ☐

Non-accelerated filer ☐

Smaller reporting company ☐

Emerging growth company ☐

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

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

The number of shares outstanding of the registrant's Common Stock, no par value, as of July 31, 2025, was 29,473,332.

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GLOSSARY OF ABBREVIATIONS AND ACRONYMS

The acronyms and abbreviations identified in alphabetical order below are used throughout this Report on Form 10-Q:

Acronym or Term	Definition	Acronym or Term	Definition	Acronym or Term	Definition
ACH	Automatic Clearing House	ESG	Environmental, Social and Governance	NPV	Net Present Value
AFS	Available for Sale	ETR	Effective Tax Rate	Net Interest Spread	Net Interest Spread (FTE)
APIC	Additional paid-in capital	EVP	Executive Vice President	NM	Not Meaningful
ACL	Allowance for Credit Losses	FASB	Financial Accounting Standards Board	OAEM	Other Assets Especially Mentioned
AOCI	Accumulated Other Comprehensive Income	FDIC	Federal Deposit Insurance Corporation	OREO	Other Real Estate Owned
ASC	Accounting Standards Codification	FFP	Federal Funds Purchased	PPP	SBA Paycheck Protection Program
ASU	Accounting Standards Update	FFS	Federal Funds Sold	PV	Present Value
ATM	Automated Teller Machine	FFTR	Federal Funds Target Rate	PCD	Purchased Credit Deteriorated
AUM	Assets Under Management	FHA	Federal Housing Authority	PD	Probability of Default
Bancorp / the Company	Stock Yards Bancorp, Inc.	FHC	Financial Holding Company	Prime	The Wall Street Journal Prime Interest Rate
Bank / SYB	Stock Yards Bank & Trust Company	FHLB	Federal Home Loan Bank of Cincinnati	Provision	Provision for Credit Losses
BOLI	Bank Owned Life Insurance	FHLMC	Federal Home Loan Mortgage Corporation	PSU	Performance Stock Unit
BP	Basis Point - 1/100th of one percent	FICA	Federal Insurance Contributions Act	ROA	Return on Average Assets
C&D	Construction and Land Development	FNMA	Federal National Mortgage Association	ROE	Return on Average Equity
Captive	SYB Insurance Company, Inc.	FRB	Federal Reserve Bank	RSA	Restricted Stock Award
C&I	Commercial and Industrial	FTE	Fully Tax Equivalent	RSU	Restricted Stock Unit
CB	Commonwealth Bancshares, Inc. and Commonwealth Bank & Trust Company	GAAP	United States Generally Accepted Accounting Principles	SAR	Stock Appreciation Right
CD	Certificate of Deposit	GLB	Gramm-Leach-Bliley Act	SBA	Small Business Administration
CDI	Core Deposit Intangible	GNMA	Government National Mortgage Association	SEC	Securities and Exchange Commission
CECL	Current Expected Credit Loss (ASC-326)	HELOC	Home Equity Line of Credit	SOFR	Secured Overnight Financing Right
CEO	Chief Executive Officer	HTM	Held to Maturity	SSUAR	Securities Sold Under Agreements to Repurchase
CFO	Chief Financial Officer	ITM	Interactive Teller Machine	SVP	Senior Vice President
CFPB	Consumer Financial Protection Bureau	KB	Kentucky Bancshares, Inc. and Kentucky Bank	TBA	To Be Announced
CLI	Customer List Intangible	KSB	King Bancorp, Inc. and King Southern Bank	TBOC	The Bank Oldham County
CRA	Community Reinvestment Act	LGD	Loss Given Default	TCE	Tangible Common Equity
CRE	Commercial Real Estate	Loans	Loans and Leases	TPS	Trust Preferred Securities
DCF	Discounted Cash Flow	MBS	Mortgage Backed Securities	VA	U.S. Department of Veterans Affairs
DTA	Deferred Tax Asset	MSA	Metropolitan Statistical Area	WM&T	Wealth Management and Trust
DTL	Deferred Tax Liability	MSRs	Mortgage Servicing Rights	VA	U.S. Department of Veterans Affairs
Dodd-Frank Act	The Dodd-Frank Wall Street Reform and Consumer Protection Act	Nasdaq	The Nasdaq Stock Market, LLC		
EPS	Earnings Per Share	NIM	Net Interest Margin (FTE)		

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

CONDENSED CONSOLIDATED BALANCE SHEETS

June 30, 2025 (unaudited) and December 31, 2024 (in thousands, except share data)

	June 30, 2025	December 31, 2024
Assets		
Cash and due from banks	\$ 97,606	\$ 78,925
Federal funds sold and interest bearing due from banks	353,806	212,095
Total cash and cash equivalents	451,412	291,020
Mortgage loans held for sale, at fair value	5,014	6,286
Available for sale debt securities (amortized cost of \$1,112,166 in 2025 and \$1,114,961 in 2024, respectively)	1,013,862	990,114
Held to maturity debt securities (fair value of \$187,271 in 2025 and \$341,357 in 2024, respectively)	207,980	370,171
Federal Home Loan Bank stock, at cost	22,839	21,603
Loans	6,850,273	6,520,402
Allowance for credit losses on loans	(90,722)	(86,943)
Net loans	6,759,551	6,433,459
Premises and equipment, net	113,963	112,736
Premises held for sale	1,689	2,321
Bank owned life insurance	90,621	89,370
Accrued interest receivable	27,210	27,697
Goodwill	194,074	194,074
Core deposit intangible	7,833	8,978
Customer list intangible	6,156	6,840
Other assets	306,782	308,750
Total assets	\$ 9,208,986	\$ 8,863,419
Liabilities		
Deposits:		
Non-interest bearing	\$ 1,514,924	\$ 1,456,138
Interest bearing	5,991,826	5,710,263
Total deposits	7,506,750	7,166,401
Securities sold under agreements to repurchase	126,576	162,967
Federal funds purchased	6,709	6,525
Subordinated debentures	26,806	26,806
Federal Home Loan Bank advances	300,000	300,000
Accrued interest payable	1,835	1,912
Other liabilities	234,606	258,332
Total liabilities	8,203,282	7,922,943
Commitments and contingent liabilities (Footnote 12)		
Stockholders' equity		
Preferred stock, no par value. Authorized 1,000,000 shares; no shares issued or outstanding	—	—
Common stock, no par value. Authorized 40,000,000 shares; issued and outstanding 29,473,000 and 29,431,000 shares in 2025 and 2024, respectively	59,081	58,939
Additional paid-in capital	400,459	395,081
Retained earnings	621,475	577,607
Accumulated other comprehensive loss	(75,311)	(91,151)
Total stockholders' equity	1,005,704	940,476
Total liabilities and equity	\$ 9,208,986	\$ 8,863,419

See accompanying notes to unaudited condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME (unaudited)
For the three and six months ended June 30, 2025 and 2024 (in thousands, except per share data)

	Three months ended June 30,		Six months ended June 30,	
	2025	2024	2025	2024
Interest income:				
Loans, including fees	\$ 103,009	\$ 90,018	\$ 202,609	\$ 175,858
Federal funds sold and interest bearing due from banks	2,730	2,157	4,731	4,253
Mortgage loans held for sale	78	74	155	105
Federal Home Loan Bank stock	662	470	1,194	938
Investment securities:				
Taxable	8,052	7,125	16,547	14,782
Tax-exempt	469	460	930	913
Total interest income	115,000	100,304	226,166	196,849
Interest expense:				
Deposits	37,511	31,623	72,092	63,489
Securities sold under agreements to repurchase	625	771	1,439	1,702
Federal funds purchased and other short-term borrowings	72	139	142	275
Federal Home Loan Bank advances	2,908	5,263	7,649	8,260
Subordinated debentures	411	486	819	1,031
Total interest expense	41,527	38,282	82,141	74,757
Net interest income	73,473	62,022	144,025	122,092
Provision for credit losses	2,175	1,300	3,075	2,725
Net interest income after provision expense	71,298	60,722	140,950	119,367
Non-interest income:				
Wealth management and trust services	10,483	10,795	21,130	21,566
Deposit service charges	2,069	2,180	4,148	4,316
Debit and credit card income	4,837	4,923	9,345	9,605
Treasury management fees	3,005	2,825	5,678	5,450
Mortgage banking income	1,094	1,017	2,011	1,965
Net investment product sales commissions and fees	980	800	1,990	1,665
Bank owned life insurance	629	595	1,251	1,183
Gain on sale of premises and equipment	74	20	74	20
Other	1,177	500	1,717	1,156
Total non-interest income	24,348	23,655	47,344	46,926
Non-interest expenses:				
Compensation	27,279	24,634	53,211	48,855
Employee benefits	5,330	5,086	11,115	10,962
Net occupancy and equipment	4,025	3,819	8,148	7,489
Technology and communication	4,773	4,894	9,601	9,963
Debit and credit card processing	1,908	1,811	3,727	3,557
Marketing and business development	1,951	1,596	3,466	2,671
Postage, printing and supplies	937	913	1,906	1,839
Legal and professional	1,088	1,185	1,995	2,300
FDIC insurance	1,260	1,161	2,483	2,273
Capital and deposit based taxes	738	673	1,438	1,303
Intangible amortization	915	1,051	1,829	2,103
Other	2,496	2,286	4,808	4,755
Total non-interest expenses	52,700	49,109	103,727	98,070
Income before income tax expense	42,946	35,268	84,567	68,223
Income tax expense	8,922	7,670	17,272	14,738
Net income	\$ 34,024	\$ 27,598	\$ 67,295	\$ 53,485
Net income per share - basic	\$ 1.16	\$ 0.94	\$ 2.29	\$ 1.83
Net income per share - diluted	\$ 1.15	\$ 0.94	\$ 2.28	\$ 1.82
Weighted average outstanding shares				
Basic	29,364	29,283	29,356	29,267
Diluted	29,505	29,383	29,503	29,372

See accompanying notes to unaudited condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (unaudited)

For the three and six months ended June 30, 2025 and 2024 (in thousands)

	Three months ended June 30,		Six months ended June 30,	
	2025	2024	2025	2024
Net income	\$ 34,024	\$ 27,598	\$ 67,295	\$ 53,485
Other comprehensive income (loss):				
Change in unrealized gain (loss) on AFS debt securities	8,028	(410)	26,543	(6,746)
Change in fair value of derivatives used in cash flow hedge	(2,010)	503	(5,506)	3,828
Total other comprehensive income (loss) before income tax effect	6,018	93	21,036	(2,918)
Income tax effect	1,489	19	5,197	(736)
Total other comprehensive income (loss) net of tax	4,529	74	15,840	(2,182)
Comprehensive income	<u>\$ 38,553</u>	<u>\$ 27,672</u>	<u>\$ 83,135</u>	<u>\$ 51,303</u>

See accompanying notes to unaudited condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (unaudited)

For the three and six months ended June 30, 2025 and 2024 (in thousands, except per share data)

	Common stock		Additional paid-in capital	Retained earnings	Accumulated other comprehensive loss	Total stockholders' equity
	Shares outstanding	Amount				
Balance, January 1, 2025	29,431	\$ 58,939	\$ 395,081	\$ 577,607	\$ (91,151)	\$ 940,476
Activity for three months ended March 31, 2025:						
Net income	—	—	—	33,271	—	33,271
Other comprehensive income	—	—	—	—	11,311	11,311
Stock compensation expense	—	—	1,153	—	—	1,153
Stock issued for share-based awards, net of withholdings to satisfy employee tax obligations	40	133	2,881	(4,622)	—	(1,608)
Cash dividends declared, \$0.31 per share	—	—	—	(9,130)	—	(9,130)
Shares cancelled	(2)	(6)	(111)	117	—	—
Balance, March 31, 2025	<u>29,469</u>	<u>\$ 59,066</u>	<u>\$ 399,004</u>	<u>\$ 597,243</u>	<u>\$ (79,840)</u>	<u>\$ 975,473</u>
Activity for three months ended June 30, 2025:						
Net income	—	—	—	34,024	—	34,024
Other comprehensive income	—	—	—	—	4,529	4,529
Stock compensation expense	—	—	1,121	—	—	1,121
Stock issued for share-based awards, net of withholdings to satisfy employee tax obligations	5	17	373	(698)	—	(308)
Cash dividends declared, \$0.31 per share	—	—	—	(9,135)	—	(9,135)
Shares cancelled	(1)	(2)	(39)	41	—	—
Balance, June 30, 2025	<u>29,473</u>	<u>\$ 59,081</u>	<u>\$ 400,459</u>	<u>\$ 621,475</u>	<u>\$ (75,311)</u>	<u>\$ 1,005,704</u>

(continued)

(continued)

	Common stock		Additional	Retained	Accumulated	Total
	Shares	Amount	paid-in	earnings	other	stockholders'
	outstanding		capital		comprehensive	equity
					loss	
Balance, January 1, 2024	29,329	\$ 58,602	\$ 385,955	\$ 506,344	\$ (92,798)	\$ 858,103
Activity for three months ended March 31, 2024:						
Net income	—	—	—	25,887	—	25,887
Other comprehensive loss	—	—	—	—	(2,256)	(2,256)
Stock compensation expense	—	—	942	—	—	942
Reclassification adjustment - ASU 2023-02	—	—	—	2,482	—	2,482
Stock issued for share-based awards, net of withholdings to satisfy employee tax obligations	65	212	2,825	(4,675)	—	(1,638)
Cash dividends declared, \$0.30 per share	—	—	—	(8,809)	—	(8,809)
Shares cancelled	(1)	(2)	(37)	39	—	—
Balance, March 31, 2024	<u>29,393</u>	<u>\$ 58,812</u>	<u>\$ 389,685</u>	<u>\$ 521,268</u>	<u>\$ (95,054)</u>	<u>\$ 874,711</u>
Activity for three months ended June 30, 2024:						
Net income	—	—	—	27,598	—	27,598
Other comprehensive income	—	—	—	—	74	74
Stock compensation expense	—	—	1,008	—	—	1,008
Stock issued for share-based awards, net of withholdings to satisfy employee tax obligations	1	3	38	(90)	—	(49)
Cash dividends declared, \$0.30 per share	—	—	—	(8,807)	—	(8,807)
Shares cancelled	(6)	(18)	(277)	295	—	—
Balance, June 30, 2024	<u>29,388</u>	<u>\$ 58,797</u>	<u>\$ 390,454</u>	<u>\$ 540,264</u>	<u>\$ (94,980)</u>	<u>\$ 894,535</u>

See accompanying notes to unaudited condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

For the six months ended June 30, 2025 and 2024 (in thousands)

	2025	2024
Cash flows from operating activities:		
Net income	\$ 67,295	\$ 53,485
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for credit losses	3,075	2,725
Depreciation, amortization and accretion, net	2,021	6,963
Deferred income tax expense (benefit)	(930)	(330)
Gain on sale of mortgage loans held for sale	(1,377)	(1,024)
Origination of mortgage loans held for sale	(68,063)	(51,464)
Proceeds from sale of mortgage loans held for sale	70,712	52,106
Bank owned life insurance income	(1,251)	(1,183)
Gain on the sale of premises and equipment	(74)	(20)
Stock compensation expense	2,274	1,950
Excess tax benefit from share-based compensation arrangements	(532)	(22)
Net change in accrued interest receivable and other assets	12,549	(3,052)
Net change in accrued interest payable and other liabilities	(9,980)	8,397
Net cash provided by operating activities	75,719	68,531
Cash flows from investing activities:		
Proceeds from maturities and paydowns of available for sale debt securities	501,594	61,407
Purchases of available for sale debt securities	(495,032)	—
Proceeds from maturities and paydowns of held to maturity debt securities	162,229	59,286
Purchases of FHLB stock	(17,814)	(27,087)
Proceeds from redemption of FHLB stock	16,578	11,861
Net change in loans	(328,921)	(298,460)
Purchases of premises and equipment	(4,398)	(5,072)
Proceeds from sale or disposal of premises and equipment	710	223
Other investment activities	(34,268)	(8,579)
Proceeds from sales of other real estate owned	75	—
Net cash used in investing activities	(199,247)	(206,421)
Cash flows from financing activities:		
Net change in deposits	340,349	(101,510)
Net change in securities sold under agreements to repurchase and federal funds purchased	(36,207)	(2,866)
Proceeds from FHLB advances	600,000	600,000
Repayments of FHLB advances	(600,000)	(400,000)
Repurchase of common stock	(1,916)	(1,687)
Cash dividends paid	(18,306)	(17,655)
Net cash provided by financing activities	283,920	76,282
Net change in cash and cash equivalents	160,392	(61,608)
Beginning cash and cash equivalents	291,020	265,959
Ending cash and cash equivalents	\$ 451,412	\$ 204,351

(continued)

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited) (continued)**For the six months ended June 30, 2025 and 2024 (in thousands)**

Supplemental cash flow information:	2025	2024
Interest paid	\$ 82,218	\$ 74,696
Income taxes paid, net of refunds	11,035	7,188
Cash paid for operating lease liabilities	2,174	2,373
Supplemental non-cash activity:		
Change in unfunded commitments in tax credit investments	\$ 21,000	\$ 9,250
Dividends payable to stockholders	214	201
Loans transferred to OREO	75	—

See accompanying notes to unaudited condensed consolidated financial statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)**(1) Summary of Significant Accounting Policies**

The accompanying condensed consolidated financial statements include the accounts of Stock Yards Bancorp, Inc. and its wholly owned subsidiary, Stock Yards Bank & Trust Company. The condensed consolidated financial statements in this report have not been audited by the Company's independent registered public accounting firm, but in the opinion of management, reflect all adjustments necessary for a fair statement of results for the interim period. All such adjustments are of a normal, recurring nature and all intercompany accounts and transactions have been eliminated.

To prepare the condensed consolidated financial statements, management must make estimates and assumptions that may require difficult, complex or subjective judgments, some of which may relate to matters that are inherently uncertain. Estimates are susceptible to material changes as a result of changes in facts and circumstances. Actual results could differ significantly from those estimates, and the results of operations for the three and six month periods ended June 30, 2025 do not necessarily indicate the results that Bancorp will achieve for the year ended December 31, 2025, or any other interim period.

The condensed consolidated financial statements have been prepared in accordance with GAAP for interim financial information and with the rules and regulations for Form 10-Q as adopted by the SEC. Accordingly, the condensed consolidated financial statements do not include all of the information and notes required by GAAP for complete financial statements and should be read in conjunction with Bancorp's most recent Annual Report on Form 10-K, which contain the latest audited consolidated financial statements and notes thereto.

Adoption of New Accounting Guidance – Bancorp continually monitors potential accounting pronouncements and evaluates the impact that adoption of new guidance will have on the Company's condensed consolidated financial statements.

In December 2023, the FASB issued ASU 2023-09, "*Income Taxes (Topic 740): Improvements to Income Tax Disclosures*." The amendments in this update address investor requests for more transparency about income tax information through improvements to income tax disclosures, primarily related to effective tax rate reconciliation and information related to income taxes paid, among certain other amendments to improve the effectiveness of such disclosures. The amendments of this ASU are effective for annual periods beginning after December 15, 2024 and are to be applied on a prospective basis. Bancorp will update additional income tax disclosures in its Form 10-K for the year ended December 31, 2025.

On December 31, 2024, Bancorp adopted ASU 2023-07, "*Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*." The amendments in this update improve financial reporting by requiring disclosure of incremental segment information on an annual and interim basis for all public entities to enable investors to develop more decision-useful financial analyses. Adoption of this ASU did not have a material impact on Bancorp's consolidated financial statements.

Accounting Standards Updates – Generally, if an issued but not yet effective ASU with an expected immaterial impact to Bancorp has been disclosed in prior SEC filings, it will not be re-disclosed.

In November 2024, the FASB issued ASU 2024-03, "*Income Statement – Reporting Comprehensive Income – Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses*." This ASU requires public companies to disclose specified information about certain costs and expenses in the notes to financial statements at each interim and annual reporting period. Specifically, public companies will be required to disclose the amounts of (a) purchases of inventory; (b) employee compensation; (c) depreciation; (d) intangible asset amortization; and (e) depreciation, depletion and amortization recognized as part of oil and gas producing activities (or other amounts of depletion expense) included in each relevant expense caption. Within the same tabular disclosure, an entity must disclose certain expense, gain or loss amounts that are already required under current U.S. GAAP. Further, an entity must disclose a qualitative description of the amounts remaining in relevant expense captions that are not separately disaggregated quantitatively. In addition, an entity must disclose the total amount of selling expenses and, in annual reporting periods, an entity's definition of selling expenses. The amendments in this ASU are effective for annual periods beginning after December 15, 2026, and interim periods within fiscal years beginning after December 15, 2027. Early adoption is permitted. We do not expect adoption of this standard to have a material impact on Bancorp's consolidated financial statements.

(2) Investment Securities

Debt securities purchased in which Bancorp has the intent and ability to hold to their maturity are classified as HTM securities. All other investment securities are classified as AFS securities.

AFS Debt Securities

The following table summarizes the amortized cost, unrealized gains and losses, and fair value of Bancorp's AFS debt securities portfolio:

<i>(in thousands)</i>	Amortized cost	Unrealized		Fair value
June 30, 2025		Gains	Losses	
U.S. Treasury and other U.S. Government obligations	\$ 248,012	\$ -	\$ (8)	\$ 248,004
Government sponsored enterprise obligations	82,169	119	(3,240)	79,048
Mortgage backed securities	655,139	29	(82,977)	572,191
Obligations of states and political subdivisions	125,223	3	(12,172)	113,054
Other	1,623	-	(58)	1,565
Total available for sale debt securities	<u>\$ 1,112,166</u>	<u>\$ 151</u>	<u>\$ (98,455)</u>	<u>\$ 1,013,862</u>
December 31, 2024				
U.S. Treasury and other U.S. Government obligations	\$ 198,182	\$ 33	\$ -	\$ 198,215
Government sponsored enterprise obligations	88,895	110	(4,847)	84,158
Mortgage backed securities	696,767	-	(105,790)	590,977
Obligations of states and political subdivisions	128,431	1	(14,198)	114,234
Other	2,686	-	(156)	2,530
Total available for sale debt securities	<u>\$ 1,114,961</u>	<u>\$ 144</u>	<u>\$ (124,991)</u>	<u>\$ 990,114</u>

HTM Debt Securities

The following table summarizes the amortized cost, unrecognized gains and losses, and fair value of Bancorp's HTM debt securities portfolio:

<i>(in thousands)</i>	Carrying value	Unrecognized		Fair value
June 30, 2025		Gains	Losses	
U.S. Treasury and other U.S. Government obligations	\$ 1,985	\$ -	\$ (40)	\$ 1,945
Government sponsored enterprise obligations	23,380	-	(1,303)	22,077
Mortgage backed securities	182,615	3	(19,369)	163,249
Total held to maturity debt securities	<u>\$ 207,980</u>	<u>\$ 3</u>	<u>\$ (20,712)</u>	<u>\$ 187,271</u>
December 31, 2024				
U.S. Treasury and other U.S. Government obligations	\$ 153,850	\$ -	\$ (741)	\$ 153,109
Government sponsored enterprise obligations	25,395	-	(2,034)	23,361
Mortgage backed securities	190,926	2	(26,041)	164,887
Total held to maturity debt securities	<u>\$ 370,171</u>	<u>\$ 2</u>	<u>\$ (28,816)</u>	<u>\$ 341,357</u>

All investment securities classified as HTM by Bancorp as of June 30, 2025 are obligations of the U.S. Government and/or are issued by U.S. Government-sponsored agencies and have an implicit or explicit government guarantee. Therefore, no ACL has been recorded for Bancorp's HTM securities as of June 30, 2025. Further, as of June 30, 2025, none of Bancorp's HTM securities were in non-accrual or past due status.

Debt Securities by Contractual Maturity

A summary of AFS and HTM debt securities by contractual maturity as of June 30, 2025 follows:

<i>(in thousands)</i>	AFS Debt Securities		HTM Debt Securities	
	Amortized cost	Fair value	Carrying value	Fair value
Due within one year	\$ 257,665	\$ 257,556	\$ 24,863	\$ 23,530
Due after one year but within five years	33,170	31,969	-	-
Due after five years but within 10 years	92,360	82,127	-	-
Due after 10 years	73,832	70,019	502	492
Mortgage backed securities	655,139	572,191	182,615	163,249
Total	<u>\$ 1,112,166</u>	<u>\$ 1,013,862</u>	<u>\$ 207,980</u>	<u>\$ 187,271</u>

Actual maturities may differ from contractual maturities because some issuers have the right to call or prepay obligations with or without prepayment penalties. The investment portfolio includes MBS, which are guaranteed by agencies such as FHLMC, FNMA and GNMA. These securities differ from traditional debt securities primarily in that they may have uncertain principal payment dates and are priced based on estimated prepayment rates on the underlying collateral.

At June 30, 2025 and December 31, 2024, there were no holdings of debt securities of any one issuer, other than the U.S. government and its agencies, in an amount greater than 10% of stockholders' equity.

Accrued interest on the investment securities portfolio (AFS and HTM) totaled \$4 million and \$5 million at June 30, 2025 and December 31, 2024, respectively. Accrued interest receivable on the investment securities portfolios is included in the condensed consolidated balance sheets.

Securities with a carrying value of \$899 million and \$852 million were pledged at June 30, 2025 and December 31, 2024, respectively, to secure accounts of commercial depositors in cash management accounts, public deposits and uninsured cash balances for certain WM&T accounts.

Based on an evaluation of available information including security type, counterparty credit quality, past events, current conditions, and reasonable and supportable forecasts that are relevant to collectability, Bancorp has concluded that it expects to receive all contractual cash flows from each security held in its AFS and HTM debt securities portfolio. As such, no allowance or impairment was recorded with respect to investment securities as of June 30, 2025 and December 31, 2024.

Unrealized and Unrecognized Loss Analysis on Debt Securities

Debt securities with unrealized and unrecognized losses at June 30, 2025 and December 31, 2024, aggregated by investment category and length of time securities have been in a continuous unrealized loss position follows:

(in thousands) June 30, 2025	AFS Debt Securities					
	Less than 12 months		12 months or more		Total	
	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
U.S. Treasury and other U.S. Government obligations	\$ 248,004	\$ (8)	\$ -	\$ -	\$ 248,004	\$ (8)
Government sponsored enterprise obligations	5,606	(26)	69,341	(3,214)	74,947	(3,240)
Mortgage-backed securities	15,277	(134)	550,235	(82,843)	565,512	(82,977)
Obligations of states and political subdivisions	4,683	(53)	97,939	(12,119)	102,622	(12,172)
Other	-	-	1,565	(58)	1,565	(58)
Total AFS debt securities	<u>\$ 273,570</u>	<u>\$ (221)</u>	<u>\$ 719,080</u>	<u>\$ (98,234)</u>	<u>\$ 992,650</u>	<u>\$ (98,455)</u>
December 31, 2024						
Government sponsored enterprise obligations	\$ 5,801	\$ (49)	\$ 74,478	\$ (4,798)	\$ 80,279	\$ (4,847)
Mortgage-backed securities	23,159	(579)	567,818	(105,211)	590,977	(105,790)
Obligations of states and political subdivisions	9,181	(164)	101,407	(14,034)	110,588	(14,198)
Other	-	-	2,530	(156)	2,530	(156)
Total AFS debt securities	<u>\$ 38,141</u>	<u>\$ (792)</u>	<u>\$ 746,233</u>	<u>\$ (124,199)</u>	<u>\$ 784,374</u>	<u>\$ (124,991)</u>
(in thousands) June 30, 2025	HTM Debt Securities					
	Less than 12 months		12 months or more		Total	
	Fair value	Unrecognized losses	Fair value	Unrecognized losses	Fair value	Unrecognized losses
U.S. Treasury and other U.S. Government obligations	\$ -	\$ -	\$ 1,946	\$ (40)	\$ 1,946	\$ (40)
Government sponsored enterprise obligations	339	(4)	21,729	(1,299)	22,068	(1,303)
Mortgage-backed securities	12	-	162,779	(19,369)	162,791	(19,369)
Total HTM debt securities	<u>\$ 351</u>	<u>\$ (4)</u>	<u>\$ 186,454</u>	<u>\$ (20,708)</u>	<u>\$ 186,805</u>	<u>\$ (20,712)</u>
December 31, 2024						
U.S. Treasury and other U.S. Government obligations	\$ -	\$ -	\$ 153,109	\$ (741)	\$ 153,109	\$ (741)
Government sponsored enterprise obligations	396	(6)	22,965	(2,028)	23,361	(2,034)
Mortgage-backed securities	-	-	164,724	(26,041)	164,724	(26,041)
Total HTM debt securities	<u>\$ 396</u>	<u>\$ (6)</u>	<u>\$ 340,798</u>	<u>\$ (28,810)</u>	<u>\$ 341,194</u>	<u>\$ (28,816)</u>

Applicable dates for determining when securities are in unrealized and unrecognized loss positions are June 30, 2025 and December 31, 2024. As such, it is possible that a security had a market value lower than its amortized cost on other days during the past 12 months, but is not in the "Less than 12 months" category of the preceding table.

For debt securities with unrealized and unrecognized loss positions, Bancorp evaluates the securities to determine whether the decline in the fair value below the amortized cost basis (impairment) is due to credit-related factors or non-credit related factors. Any impairment that is not credit-related is recognized in AOCI, net of tax. Credit-related impairment is recognized as an ACL for debt securities on the balance sheet, limited to the amount by which the amortized cost basis exceeds the fair value, with a corresponding adjustment to earnings. Accrued interest receivable is excluded from the estimate of credit losses. Both the ACL and the adjustment to net income may be reversed if conditions change. However, if Bancorp intends to sell an impaired debt security or more likely than not will be required to sell such a security before recovering its amortized cost basis, the entire impairment amount would be recognized in earnings with a corresponding adjustment to the security's amortized cost basis. Because the security's amortized cost basis is adjusted to fair value, there is no ACL in this situation.

In evaluating debt securities in unrealized and unrecognized loss positions for impairment and the criteria regarding its intent or requirement to sell such securities, Bancorp considers the extent to which fair value is less than amortized cost, whether the securities are issued by the federal government or its government-sponsored enterprises, whether downgrades by bond rating agencies have occurred, and the results of reviews of the issuers' financial condition, among other factors. Unrealized and unrecognized losses on Bancorp's investment securities portfolio have not been recognized as an expense because the securities are of high credit quality, and the decline in fair values is attributable to changes in the prevailing interest rate environment since the purchase date. Fair value is expected to recover as securities reach maturity and/or the interest rate environment returns to conditions similar to when these securities were purchased. These investments consisted of 452 and 488 separate investment positions as of June 30, 2025 and December 31, 2024, respectively. By dollar value, approximately 98% and 86% of the debt securities portfolio was in a loss position as of June 30, 2025 and December 31, 2024, respectively. There were no credit related factors underlying unrealized and unrecognized losses on debt securities at June 30, 2025 and December 31, 2024.

(3) Loans and Allowance for Credit Losses on Loans

Composition of loans by class follows:

<i>(in thousands)</i>	June 30, 2025	December 31, 2024
Commercial real estate - non-owner occupied	\$ 1,989,982	\$ 1,835,935
Commercial real estate - owner occupied	1,010,692	1,002,853
Total commercial real estate	3,000,674	2,838,788
Commercial and industrial - term	856,838	884,399
Commercial and industrial - lines of credit	634,305	554,255
Total commercial and industrial	1,491,143	1,438,654
Residential real estate - owner occupied	851,284	805,080
Residential real estate - non-owner occupied	390,784	382,744
Total residential real estate	1,242,068	1,187,824
Construction and land development	671,011	623,005
Home equity lines of credit	263,826	247,433
Consumer	140,715	144,644
Leases	14,563	15,514
Credits cards	26,273	24,540
Total loans (1)	<u>\$ 6,850,273</u>	<u>\$ 6,520,402</u>

(1) Total loans are presented inclusive of premiums, discounts and net loan origination fees and costs.

Accrued interest receivable on loans, which is excluded from the amortized cost of loans, totaled \$23 million at both June 30, 2025 and December 31, 2024, respectively, and was included in the condensed consolidated balance sheets.

Loans with carrying amounts of \$3.65 billion and \$3.48 billion were pledged to secure FHLB borrowing capacity at June 30, 2025 and December 31, 2024, respectively.

Loans to directors and their related interests, including loans to companies for which directors are principal owners and executive officers, totaled \$91 million and \$97 million as of June 30, 2025 and December 31, 2024, respectively.

ACL for Loans

The tables below reflect activity in the ACL for loans:

<i>(in thousands)</i> Three Months Ended June 30, 2025	Beginning Balance	Provision for Credit Losses on Loans	Charge-offs	Recoveries	Ending Balance
Commercial real estate - non-owner occupied	\$ 14,616	\$ 654	\$ -	\$ 8	\$ 15,278
Commercial real estate - owner occupied	11,839	195	(38)	-	11,996
Total commercial real estate	26,455	849	(38)	8	27,274
Commercial and industrial - term	21,677	(943)	(82)	25	20,677
Commercial and industrial - lines of credit	6,629	1,312	-	-	7,941
Total commercial and industrial	28,306	369	(82)	25	28,618
Residential real estate - owner occupied	13,438	773	-	54	14,265
Residential real estate - non-owner occupied	4,487	103	(3)	-	4,587
Total residential real estate	17,925	876	(3)	54	18,852
Construction and land development	11,387	(253)	-	-	11,134
Home equity lines of credit	1,280	63	-	-	1,343
Consumer	2,844	293	(377)	117	2,877
Leases	341	49	-	-	390
Credit cards	276	4	(53)	7	234
Total	\$ 88,814	\$ 2,250	\$ (553)	\$ 211	\$ 90,722

<i>(in thousands)</i> Six Months Ended June 30, 2025	Beginning Balance	Provision for Credit Losses on Loans	Charge-offs	Recoveries	Ending Balance
Commercial real estate - non-owner occupied	\$ 13,935	\$ 1,317	\$ -	\$ 26	\$ 15,278
Commercial real estate - owner occupied	10,192	1,842	(38)	-	11,996
Total commercial real estate	24,127	3,159	(38)	26	27,274
Commercial and industrial - term	21,284	(1,707)	(342)	1,442	20,677
Commercial and industrial - lines of credit	6,496	1,445	-	-	7,941
Total commercial and industrial	27,780	(262)	(342)	1,442	28,618
Residential real estate - owner occupied	14,468	(210)	(50)	57	14,265
Residential real estate - non-owner occupied	5,154	(564)	(3)	-	4,587
Total residential real estate	19,622	(774)	(53)	57	18,852
Construction and land development	10,981	153	-	-	11,134
Home equity lines of credit	1,277	76	(10)	-	1,343
Consumer	2,531	696	(580)	230	2,877
Leases	370	20	-	-	390
Credit cards	255	82	(144)	41	234
Total	\$ 86,943	\$ 3,150	\$ (1,167)	\$ 1,796	\$ 90,722

(in thousands)
Three Months Ended June 30, 2024

	Beginning Balance	Provision for Credit Losses on Loans	Charge-offs	Recoveries	Ending Balance
Commercial real estate - non-owner occupied	\$ 21,823	\$ (8,808)	\$ -	\$ 17	\$ 13,032
Commercial real estate - owner occupied	11,230	(1,556)	-	45	9,719
Total commercial real estate	33,053	(10,364)	-	62	22,751
Commercial and industrial - term	13,916	7,478	(67)	302	21,629
Commercial and industrial - lines of credit	6,258	(433)	-	-	5,825
Total commercial and industrial	20,174	7,045	(67)	302	27,454
Residential real estate - owner occupied	11,826	1,501	(7)	5	13,325
Residential real estate - non-owner occupied	4,731	(483)	-	-	4,248
Total residential real estate	16,557	1,018	(7)	5	17,573
Construction and land development	7,459	2,570	-	-	10,029
Home equity lines of credit	1,666	(519)	-	-	1,147
Consumer	1,500	1,108	(203)	147	2,552
Leases	232	179	-	-	411
Credit cards	256	38	(70)	14	238
Total	<u>\$ 80,897</u>	<u>\$ 1,075</u>	<u>\$ (347)</u>	<u>\$ 530</u>	<u>\$ 82,155</u>

(in thousands)
Six Months Ended June 30, 2024

	Beginning Balance	Provision for Credit Losses on Loans	Charge-offs	Recoveries	Ending Balance
Commercial real estate - non-owner occupied	\$ 22,133	\$ (9,134)	\$ -	\$ 33	\$ 13,032
Commercial real estate - owner occupied	11,667	(1,997)	-	49	9,719
Total commercial real estate	33,800	(11,131)	-	82	22,751
Commercial and industrial - term	14,359	6,805	(90)	555	21,629
Commercial and industrial - lines of credit	6,495	(874)	-	204	5,825
Total commercial and industrial	20,854	5,931	(90)	759	27,454
Residential real estate - owner occupied	9,316	4,010	(21)	20	13,325
Residential real estate - non-owner occupied	4,282	(34)	-	-	4,248
Total residential real estate	13,598	3,976	(21)	20	17,573
Construction and land development	7,593	2,436	-	-	10,029
Home equity lines of credit	1,660	(515)	-	2	1,147
Consumer	1,407	1,300	(413)	258	2,552
Leases	220	191	-	-	411
Credit cards	242	62	(85)	19	238
Total	<u>\$ 79,374</u>	<u>\$ 2,250</u>	<u>\$ (609)</u>	<u>\$ 1,140</u>	<u>\$ 82,155</u>

The following tables present the amortized cost basis of non-performing loans and the amortized cost basis of loans on non-accrual status for which there was no related ACL losses:

<i>(in thousands)</i> June 30, 2025	Non-accrual Loans With No Recorded ACL	Total Non-accrual	Past Due 90-Days- or-More and Still Accruing Interest
Commercial real estate - non-owner occupied	\$ —	\$ 4,104	\$ 162
Commercial real estate - owner occupied	434	2,702	—
Total commercial real estate	434	6,806	162
Commercial and industrial - term	302	1,133	3
Commercial and industrial - lines of credit	—	450	20
Total commercial and industrial	302	1,583	23
Residential real estate - owner occupied	252	5,848	—
Residential real estate - non-owner occupied	—	1,548	193
Total residential real estate	252	7,396	193
Construction and land development	1,361	1,361	—
Home equity lines of credit	—	—	—
Consumer	—	374	—
Leases	—	—	—
Credit cards	—	130	—
Total	<u>\$ 2,349</u>	<u>\$ 17,650</u>	<u>\$ 378</u>

<i>(in thousands)</i> December 31, 2024	Non-accrual Loans With No Recorded ACL	Total Non-accrual	Past Due 90-Days- or-More and Still Accruing Interest
Commercial real estate - non-owner occupied	\$ 4,409	\$ 5,221	\$ —
Commercial real estate - owner occupied	434	1,231	73
Total commercial real estate	4,843	6,452	73
Commercial and industrial - term	3,828	4,903	95
Commercial and industrial - lines of credit	—	—	19
Total commercial and industrial	3,828	4,903	114
Residential real estate - owner occupied	371	7,168	—
Residential real estate - non-owner occupied	—	2,451	39
Total residential real estate	371	9,619	39
Construction and land development	—	311	—
Home equity lines of credit	—	70	91
Consumer	—	372	—
Leases	—	—	—
Credit cards	—	—	170
Total	<u>\$ 9,042</u>	<u>\$ 21,727</u>	<u>\$ 487</u>

For the three and six month periods ended June 30, 2025 and 2024, the amount of accrued interest income previously recorded as revenue and subsequently reversed due to the change in accrual status was immaterial.

For the three and six month periods ended June 30, 2025 and 2024, no interest income was recognized on loans on non-accrual status.

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The following table presents the amortized cost basis and ACL allocated for collateral dependent loans, which are individually evaluated to determine expected credit losses:

<i>(in thousands)</i> June 30, 2025	Real Estate	Accounts Receivable / Equipment	Other	Total	ACL Allocation
Commercial real estate - non-owner occupied	\$ 10,611	\$ -	\$ -	\$ 10,611	\$ 1,760
Commercial real estate - owner occupied	4,963	-	-	4,963	844
Total commercial real estate	15,574	-	-	15,574	2,604
Commercial and industrial - term	869	366	76	1,311	715
Commercial and industrial - lines of credit	320	200	451	971	582
Total commercial and industrial	1,189	566	527	2,282	1,297
Residential real estate - owner occupied	5,257	-	-	5,257	1,268
Residential real estate - non-owner occupied	2,028	-	-	2,028	753
Total residential real estate	7,285	-	-	7,285	2,021
Construction and land development	1,361	-	-	1,361	-
Home equity lines of credit	-	-	-	-	-
Consumer	-	-	355	355	26
Leases	-	-	-	-	-
Credit cards	-	-	-	-	-
Total collateral dependent loans	<u>\$ 25,409</u>	<u>\$ 566</u>	<u>\$ 882</u>	<u>\$ 26,857</u>	<u>\$ 5,948</u>

<i>(in thousands)</i> December 31, 2024	Real Estate	Accounts Receivable / Equipment	Other	Total	ACL Allocation
Commercial real estate - non-owner occupied	\$ 11,699	\$ -	\$ -	\$ 11,699	\$ 1,075
Commercial real estate - owner occupied	3,547	-	-	3,547	764
Total commercial real estate	15,246	-	-	15,246	1,839
Commercial and industrial - term	740	4,062	76	4,878	516
Commercial and industrial - lines of credit	349	200	-	549	139
Total commercial and industrial	1,089	4,262	76	5,427	655
Residential real estate - owner occupied	6,514	-	-	6,514	448
Residential real estate - non-owner occupied	2,974	-	-	2,974	852
Total residential real estate	9,488	-	-	9,488	1,300
Construction and land development	311	-	-	311	20
Home equity lines of credit	70	-	-	70	-
Consumer	-	-	356	356	34
Leases	-	-	-	-	-
Credit cards	-	-	-	-	-
Total collateral dependent loans	<u>\$ 26,204</u>	<u>\$ 4,262</u>	<u>\$ 432</u>	<u>\$ 30,898</u>	<u>\$ 3,848</u>

The following tables present the aging of contractually past due loans by portfolio class:

(in thousands)

June 30, 2025	Current	30-59 days Past Due	60-89 days Past Due	90 or more days Past Due	Total Past Due Loans	Total Loans
Commercial real estate - non-owner occupied	\$ 1,981,314	\$ 1,274	\$ 3,128	\$ 4,266	\$ 8,668	\$ 1,989,982
Commercial real estate - owner occupied	1,008,000	490	222	1,980	2,692	1,010,692
Total commercial real estate	2,989,314	1,764	3,350	6,246	11,360	3,000,674
Commercial and industrial - term	854,886	297	518	1,137	1,952	856,838
Commercial and industrial - lines of credit	633,849	436	—	20	456	634,305
Total commercial and industrial	1,488,735	733	518	1,157	2,408	1,491,143
Residential real estate - owner occupied	834,138	8,780	3,847	4,519	17,146	851,284
Residential real estate - non-owner occupied	388,400	472	208	1,704	2,384	390,784
Total residential real estate	1,222,538	9,252	4,055	6,223	19,530	1,242,068
Construction and land development	669,650	—	—	1,361	1,361	671,011
Home equity lines of credit	262,962	286	578	—	864	263,826
Consumer	139,732	456	156	371	983	140,715
Leases	14,563	—	—	—	—	14,563
Credit cards	25,919	183	41	130	354	26,273
Total	<u>\$ 6,813,413</u>	<u>\$ 12,674</u>	<u>\$ 8,698</u>	<u>\$ 15,488</u>	<u>\$ 36,860</u>	<u>\$ 6,850,273</u>

(in thousands)

December 31, 2024	Current	30-59 days Past Due	60-89 days Past Due	90 or more days Past Due	Total Past Due Loans	Total Loans
Commercial real estate - non-owner occupied	\$ 1,831,135	\$ 168	\$ 4,410	\$ 222	\$ 4,800	\$ 1,835,935
Commercial real estate - owner occupied	1,001,351	648	715	139	1,502	1,002,853
Total commercial real estate	2,832,486	816	5,125	361	6,302	2,838,788
Commercial and industrial - term	879,597	103	2,740	1,959	4,802	884,399
Commercial and industrial - lines of credit	552,655	59	1,522	19	1,600	554,255
Total commercial and industrial	1,432,252	162	4,262	1,978	6,402	1,438,654
Residential real estate - owner occupied	789,286	7,737	3,176	4,881	15,794	805,080
Residential real estate - non-owner occupied	381,177	628	56	883	1,567	382,744
Total residential real estate	1,170,463	8,365	3,232	5,764	17,361	1,187,824
Construction and land development	622,614	391	—	—	391	623,005
Home equity lines of credit	246,700	424	194	115	733	247,433
Consumer	143,796	470	69	309	848	144,644
Leases	15,514	—	—	—	—	15,514
Credit cards	24,122	220	27	171	418	24,540
Total	<u>\$ 6,487,947</u>	<u>\$ 10,848</u>	<u>\$ 12,909</u>	<u>\$ 8,698</u>	<u>\$ 32,455</u>	<u>\$ 6,520,402</u>

Loan Risk Ratings

Consistent with regulatory guidance, Bancorp categorizes loans into credit risk rating 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. Pass-rated loans include all risk-rated loans other than those classified as OAEM, substandard, and doubtful, which are defined below:

OAEM – Loans classified as OAEM have potential weaknesses requiring management's heightened attention. These potential weaknesses may result in deterioration of repayment prospects for the loan or of Bancorp's credit position at some future date.

Substandard – Loans classified as substandard are inadequately protected by the paying capacity of the obligor or of collateral pledged, if any. Loans so classified have well-defined weaknesses that jeopardize ultimate repayment of the debt. Default is a distinct possibility if the deficiencies are not corrected.

Substandard non-performing – Loans classified as substandard non-performing have all the characteristics of substandard loans and have been placed on non-accrual status. Loans are usually placed on non-accrual status when prospects for recovering both principal and accrued interest are considered doubtful or when a default of principal or interest has existed for 90 days or more.

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 repayment in full, on the basis of currently existing facts, conditions and values, highly questionable and improbable. A loan is typically charged off once it is classified as doubtful.

Management considers the guidance in ASC 310-20 when determining whether a modification, extension, or renewal of loan constitutes a current period origination. Current period renewals of credit are re-underwritten at the point of renewal and considered current period originations for purposes of the table below. Bancorp has elected not to disclose revolving loans that have converted to term loans, as activity relating to this disclosure, which is included in the tables is currently immaterial to Bancorp's loan portfolio and is expected to be in the future.

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As of June 30, 2025, the risk rating of loans based on year of origination was as follows:

(in thousands)	Term Loans Amortized Cost Basis by Origination Year						Revolving loans amortized cost basis	
June 30, 2025	2025	2024	2023	2022	2021	Prior		Total
Commercial real estate - non-owner occupied:								
Risk rating								
Pass	\$ 331,158	\$ 365,753	\$ 296,719	\$ 348,590	\$ 275,647	\$ 290,424	\$ 27,561	\$ 1,935,852
OAEM	4,974	2,285	11,782	2,442	10,548	14,608	-	46,639
Substandard	1,534	1,538	-	-	-	217	98	3,387
Substandard non-performing	-	263	-	-	-	3,841	-	4,104
Doubtful	-	-	-	-	-	-	-	-
Total Commercial real estate non-owner occupied	\$ 337,666	\$ 369,839	\$ 308,501	\$ 351,032	\$ 286,195	\$ 309,090	\$ 27,659	\$ 1,989,982
Current period gross charge offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Commercial real estate - owner occupied:								
Risk rating								
Pass	\$ 95,290	\$ 109,674	\$ 174,139	\$ 157,815	\$ 168,261	\$ 253,893	\$ 16,417	\$ 975,489
OAEM	35	5,821	188	1,439	1,816	3,290	-	12,589
Substandard	1,100	6,057	5,636	3,400	3,507	212	-	19,912
Substandard non-performing	-	674	1,206	100	722	-	-	2,702
Doubtful	-	-	-	-	-	-	-	-
Total Commercial real estate owner occupied	\$ 96,425	\$ 122,226	\$ 181,169	\$ 162,754	\$ 174,306	\$ 257,395	\$ 16,417	\$ 1,010,692
Current period gross charge offs	\$ -	\$ -	\$ -	\$ (38)	\$ -	\$ -	\$ -	\$ (38)
Commercial and industrial - term:								
Risk rating								
Pass	\$ 136,019	\$ 231,284	\$ 151,842	\$ 164,766	\$ 103,246	\$ 52,988	\$ -	\$ 840,145
OAEM	958	8,041	135	1,187	8	13	-	10,342
Substandard	498	-	133	1,216	3,292	79	-	5,218
Substandard non-performing	3	292	332	12	-	494	-	1,133
Doubtful	-	-	-	-	-	-	-	-
Total Commercial and industrial - term	\$ 137,478	\$ 239,617	\$ 152,442	\$ 167,181	\$ 106,546	\$ 53,574	\$ -	\$ 856,838
Current period gross charge offs	\$ -	\$ (52)	\$ (240)	\$ (46)	\$ (4)	\$ -	\$ -	\$ (342)
Commercial and industrial - lines of credit								
Risk rating								
Pass	\$ 55,484	\$ 122,868	\$ 8,088	\$ 1,782	\$ 2,206	\$ 2,464	\$ 406,438	\$ 599,330
OAEM	-	2,364	-	-	-	-	8,787	11,151
Substandard	-	-	-	-	-	-	23,373	23,373
Substandard non-performing	451	-	-	-	-	-	-	451
Doubtful	-	-	-	-	-	-	-	-
Total Commercial and industrial - lines of credit	\$ 55,935	\$ 125,232	\$ 8,088	\$ 1,782	\$ 2,206	\$ 2,464	\$ 438,598	\$ 634,305
Current period gross charge offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

(continued)

(continued)

(in thousands)	Term Loans Amortized Cost Basis by Origination Year						Revolving loans amortized cost basis	
June 30, 2025	2025	2024	2023	2022	2021	Prior		Total
Residential real estate - owner occupied								
Risk rating								
Pass	\$ 89,613	\$ 154,664	\$ 147,131	\$ 160,090	\$ 150,155	\$ 143,209	\$ -	\$ 844,862
OAEM	154	-	-	-	80	-	-	234
Substandard	-	-	-	11	-	328	-	339
Substandard non-performing	248	754	2,936	1,201	171	539	-	5,849
Doubtful	-	-	-	-	-	-	-	-
Total Residential real estate - owner occupied	\$ 90,015	\$ 155,418	\$ 150,067	\$ 161,302	\$ 150,406	\$ 144,076	\$ -	\$ 851,284
Current period gross charge offs	\$ -	\$ -	\$ (45)	\$ -	\$ -	\$ (5)	\$ -	\$ (50)
Residential real estate - non-owner occupied								
Risk rating								
Pass	\$ 45,967	\$ 70,847	\$ 61,169	\$ 67,682	\$ 65,828	\$ 77,150	\$ -	\$ 388,643
OAEM	-	-	-	-	-	483	-	483
Substandard	-	-	-	-	-	110	-	110
Substandard non-performing	-	150	1,130	159	-	109	-	1,548
Doubtful	-	-	-	-	-	-	-	-
Total Residential real estate - non-owner occupied	\$ 45,967	\$ 70,997	\$ 62,299	\$ 67,841	\$ 65,828	\$ 77,852	\$ -	\$ 390,784
Current period gross charge offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (3)	\$ -	\$ (3)
Construction and land development								
Risk rating								
Pass	\$ 81,345	\$ 282,901	\$ 224,887	\$ 55,027	\$ 6,765	\$ 3,267	\$ 10,783	\$ 664,975
OAEM	-	3,681	-	-	-	-	-	3,681
Substandard	-	-	-	-	-	-	999	999
Substandard non-performing	-	-	1,356	-	-	-	-	1,356
Doubtful	-	-	-	-	-	-	-	-
Total Construction and land development	\$ 81,345	\$ 286,582	\$ 226,243	\$ 55,027	\$ 6,765	\$ 3,267	\$ 11,782	\$ 671,011
Current period gross charge offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Home equity lines of credit								
Risk rating								
Pass	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 263,037	\$ 263,037
OAEM	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	789	789
Substandard non-performing	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-
Total Home equity lines of credit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 263,826	\$ 263,826
Current period gross charge offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (10)	\$ (10)
Consumer								
Risk rating								
Pass	\$ 12,326	\$ 17,642	\$ 15,006	\$ 10,419	\$ 4,939	\$ 1,164	\$ 78,846	\$ 140,342
OAEM	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-
Substandard non-performing	-	151	160	20	22	20	-	373
Doubtful	-	-	-	-	-	-	-	-
Total Consumer	\$ 12,326	\$ 17,793	\$ 15,166	\$ 10,439	\$ 4,961	\$ 1,184	\$ 78,846	\$ 140,715
Current period gross charge offs	\$ (469)	\$ (30)	\$ (57)	\$ (2)	\$ -	\$ (22)	\$ -	\$ (580)

(continued)

(continued)

(in thousands)	Term Loans Amortized Cost Basis by Origination Year						Revolving loans amortized cost basis	
June 30, 2025	2025	2024	2023	2022	2021	Prior		Total
Leases								
Risk rating								
Pass	\$ 2,250	\$ 4,439	\$ 4,541	\$ 1,340	\$ 1,151	\$ 320	\$ -	\$ 14,041
OAEM	-	-	-	-	-	-	-	-
Substandard	-	17	-	477	-	28	-	522
Substandard non-performing	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-
Total Leases	\$ 2,250	\$ 4,456	\$ 4,541	\$ 1,817	\$ 1,151	\$ 348	\$ -	\$ 14,563
Current period gross charge offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Credit cards								
Risk rating								
Pass	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 26,143	\$ 26,143
OAEM	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-
Substandard non-performing	-	-	-	-	-	-	130	130
Doubtful	-	-	-	-	-	-	-	-
Total Credit cards	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 26,273	\$ 26,273
Current period gross charge offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (144)	\$ (144)
Total loans								
Risk rating								
Pass	\$ 849,452	\$ 1,360,072	\$ 1,083,522	\$ 967,511	\$ 778,198	\$ 824,879	\$ 829,226	\$ 6,692,860
OAEM	6,121	22,192	12,105	5,068	12,452	18,394	8,787	85,119
Substandard	3,132	7,612	5,764	5,104	6,799	974	25,259	54,644
Substandard non-performing	702	2,282	7,125	1,492	916	5,003	130	17,650
Doubtful	-	-	-	-	-	-	-	-
Total Loans	\$ 859,407	\$ 1,392,158	\$ 1,108,516	\$ 979,175	\$ 798,365	\$ 849,250	\$ 863,402	\$ 6,850,273
Current period gross charge offs	\$ (469)	\$ (82)	\$ (342)	\$ (86)	\$ (4)	\$ (30)	\$ (154)	\$ (1,167)

As of December 31, 2024, the risk rating of loans based on year of origination was as follows:

(in thousands)	Term Loans Amortized Cost Basis by Origination Year						Revolving loans amortized cost basis	
December 31, 2024	2024	2023	2022	2021	2020	Prior		Total
Commercial real estate - non-owner occupied:								
Risk rating								
Pass	\$ 416,310	\$ 293,890	\$ 402,081	\$ 291,741	\$ 199,039	\$ 157,303	\$ 28,584	\$ 1,788,948
OAEM	10,480	1,533	-	10,709	1,664	13,191	-	37,577
Substandard	1,546	-	2,320	-	-	225	98	4,189
Substandard non-performing	269	-	-	-	-	4,952	-	5,221
Doubtful	-	-	-	-	-	-	-	-
Total Commercial real estate non-owner occupied	\$ 428,605	\$ 295,423	\$ 404,401	\$ 302,450	\$ 200,703	\$ 175,671	\$ 28,682	\$ 1,835,935
Current period gross charge offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Commercial real estate - owner occupied:								
Risk rating								
Pass	\$ 133,404	\$ 163,452	\$ 172,933	\$ 174,638	\$ 156,955	\$ 139,919	\$ 22,012	\$ 963,313
OAEM	6,292	273	1,145	1,856	715	3,385	-	13,666
Substandard	7,192	9,923	3,656	3,643	-	229	-	24,643
Substandard non-performing	434	-	-	731	66	-	-	1,231
Doubtful	-	-	-	-	-	-	-	-
Total Commercial real estate owner occupied	\$ 147,322	\$ 173,648	\$ 177,734	\$ 180,868	\$ 157,736	\$ 143,533	\$ 22,012	\$ 1,002,853
Current period gross charge offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Commercial and industrial - term:								
Risk rating								
Pass	\$ 312,854	\$ 173,383	\$ 198,754	\$ 120,056	\$ 34,013	\$ 30,903	\$ -	\$ 869,963
OAEM	2,679	1,813	833	104	28	-	-	5,457
Substandard	496	311	-	3,036	10	223	-	4,076
Substandard non-performing	3,822	349	343	-	302	87	-	4,903
Doubtful	-	-	-	-	-	-	-	-
Total Commercial and industrial - term	\$ 319,851	\$ 175,856	\$ 199,930	\$ 123,196	\$ 34,353	\$ 31,213	\$ -	\$ 884,399
Current period gross charge offs	\$ (414)	\$ (250)	\$ (6)	\$ (78)	\$ -	\$ -	\$ -	\$ (748)
Commercial and industrial - lines of credit								
Risk rating								
Pass	\$ 119,206	\$ 11,181	\$ 3,967	\$ 2,553	\$ 295	\$ 2,654	\$ 372,866	\$ 512,722
OAEM	7,448	-	-	-	-	-	10,750	18,198
Substandard	-	-	-	-	-	-	23,335	23,335
Substandard non-performing	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-
Total Commercial and industrial - lines of credit	\$ 126,654	\$ 11,181	\$ 3,967	\$ 2,553	\$ 295	\$ 2,654	\$ 406,951	\$ 554,255
Current period gross charge offs	\$ -	\$ -	\$ (555)	\$ -	\$ -	\$ -	\$ -	\$ (555)

(continued)

(continued)

(in thousands)	Term Loans Amortized Cost Basis by Origination Year						Revolving loans amortized cost basis	
December 31, 2024	2024	2023	2022	2021	2020	Prior		Total
Residential real estate - owner occupied								
Risk rating								
Pass	\$ 161,257	\$ 154,799	\$ 166,127	\$ 159,449	\$ 77,516	\$ 78,169	\$ -	\$ 797,317
OAEM	158	-	-	83	-	-	-	241
Substandard	-	-	12	-	-	342	-	354
Substandard non-performing	1,028	3,737	1,400	320	9	674	-	7,168
Doubtful	-	-	-	-	-	-	-	-
Total Residential real estate - owner occupied	\$ 162,443	\$ 158,536	\$ 167,539	\$ 159,852	\$ 77,525	\$ 79,185	\$ -	\$ 805,080
Current period gross charge offs	\$ -	\$ (349)	\$ -	\$ -	\$ -	\$ (7)	\$ -	\$ (356)
Residential real estate - non-owner occupied								
Risk rating								
Pass	\$ 80,717	\$ 66,330	\$ 72,580	\$ 70,585	\$ 41,874	\$ 47,578	\$ -	\$ 379,664
OAEM	-	-	-	-	-	514	-	514
Substandard	-	-	-	-	-	115	-	115
Substandard non-performing	739	1,332	214	17	-	149	-	2,451
Doubtful	-	-	-	-	-	-	-	-
Total Residential real estate - non-owner occupied	\$ 81,456	\$ 67,662	\$ 72,794	\$ 70,602	\$ 41,874	\$ 48,356	\$ -	\$ 382,744
Current period gross charge offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Construction and land development								
Risk rating								
Pass	\$ 237,785	\$ 234,782	\$ 115,429	\$ 8,381	\$ 1,273	\$ 3,569	\$ 15,420	\$ 616,639
OAEM	3,680	1,376	-	-	-	-	-	5,056
Substandard	-	-	-	-	-	-	999	999
Substandard non-performing	311	-	-	-	-	-	-	311
Doubtful	-	-	-	-	-	-	-	-
Total Construction and land development	\$ 241,776	\$ 236,158	\$ 115,429	\$ 8,381	\$ 1,273	\$ 3,569	\$ 16,419	\$ 623,005
Current period gross charge offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Home equity lines of credit								
Risk rating								
Pass	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 246,336	\$ 246,336
OAEM	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	1,027	1,027
Substandard non-performing	-	-	-	-	-	-	70	70
Doubtful	-	-	-	-	-	-	-	-
Total Home equity lines of credit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 247,433	\$ 247,433
Current period gross charge offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (107)	\$ (107)
Consumer								
Risk rating								
Pass	\$ 22,895	\$ 18,200	\$ 12,822	\$ 6,294	\$ 1,095	\$ 1,023	\$ 81,943	\$ 144,272
OAEM	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-
Substandard non-performing	135	113	66	13	17	28	-	372
Doubtful	-	-	-	-	-	-	-	-
Total Consumer	\$ 23,030	\$ 18,313	\$ 12,888	\$ 6,307	\$ 1,112	\$ 1,051	\$ 81,943	\$ 144,644
Current period gross charge offs	\$ (640)	\$ (19)	\$ (12)	\$ (41)	\$ (9)	\$ (45)	\$ (19)	\$ (785)

(continued)

(continued)

(in thousands)	Term Loans Amortized Cost Basis by Origination Year						Revolving loans amortized cost basis	Total	
December 31, 2024	2024	2023	2022	2021	2020	Prior			
Leases									
Risk rating									
Pass	\$ 4,935	\$ 5,439	\$ 1,864	\$ 1,462	\$ 597	\$ 3	\$ -	\$ 14,300	
OAEM	-	-	-	-	-	-	-	-	
Substandard	31	-	586	536	61	-	-	1,214	
Substandard non-performing	-	-	-	-	-	-	-	-	
Doubtful	-	-	-	-	-	-	-	-	
Total Leases	\$ 4,966	\$ 5,439	\$ 2,450	\$ 1,998	\$ 658	\$ 3	\$ -	\$ 15,514	
Current period gross charge offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Credit cards									
Risk rating									
Pass	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 24,540	\$ 24,540	
OAEM	-	-	-	-	-	-	-	-	
Substandard	-	-	-	-	-	-	-	-	
Substandard non-performing	-	-	-	-	-	-	-	-	
Doubtful	-	-	-	-	-	-	-	-	
Total Credit cards	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 24,540	\$ 24,540	
Current period gross charge offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (225)	\$ (225)	
Total loans									
Risk rating									
Pass	\$ 1,489,363	\$ 1,121,456	\$ 1,146,557	\$ 835,159	\$ 512,657	\$ 461,121	\$ 791,701	\$ 6,358,014	
OAEM	30,737	4,995	1,978	12,752	2,407	17,090	10,750	80,709	
Substandard	9,265	10,234	6,574	7,215	71	1,134	25,459	59,952	
Substandard non-performing	6,738	5,531	2,023	1,081	394	5,890	70	21,727	
Doubtful	-	-	-	-	-	-	-	-	
Total Loans	\$ 1,536,103	\$ 1,142,216	\$ 1,157,132	\$ 856,207	\$ 515,529	\$ 485,235	\$ 827,980	\$ 6,520,402	
Current period gross charge offs	\$ (1,054)	\$ (618)	\$ (573)	\$ (119)	\$ (9)	\$ (52)	\$ (351)	\$ (2,776)	

For certain loan classes, such as credit cards, credit quality is evaluated based on the aging status of the loan, which was previously presented, and by payment activity. The following table presents the recorded investment in credit cards based on payment activity:

(in thousands)	June 30, 2025	December 31, 2024
Credit cards		
Performing	\$ 26,143	\$ 24,370
Non-performing	130	170
Total credit cards	\$ 26,273	\$ 24,540

Bancorp had \$717,000 and \$569,000, respectively, in residential real estate loans for which formal foreclosure proceedings were in process at June 30, 2025 and December 31, 2024.

Modifications to Borrowers Experiencing Financial Difficulty

During the three and six month periods ended June 30, 2025 and 2024, there were no modifications made to loans for borrowers experiencing financial difficulty and there were no payment defaults of existing modified loans within 12 months following modification. Default is determined at 90 days or more past due, charge off, or foreclosure.

(4) Goodwill

As of June 30, 2025 and December 31, 2024, goodwill totaled \$194 million, of which \$172 million was attributed to the commercial banking segment and \$22 million is attributed to WM&T.

The composition of goodwill presented by respective acquisition and year follows:

<i>(in thousands)</i>	June 30, 2025	December 31, 2024
Commonwealth Bancshares (2022)	\$ 58,244	\$ 58,244
Kentucky Bancshares (2021)	123,317	123,317
King Southern Bancorp (2019)	11,831	11,831
Austin State Bank (1996)	682	682
Total	\$ 194,074	\$ 194,074

Note: The acquisition of The Bank Oldham County in 2013 resulted in a bargain purchase gain.

GAAP requires that goodwill and intangible assets with indefinite useful lives not be amortized, but instead be tested for impairment at least annually. Impairment exists when a reporting unit's carrying value of goodwill exceeds its fair value. Bancorp's annual goodwill impairment test is conducted as of September 30 of each year or more often as situations dictate.

At September 30, 2024, Bancorp performed its annual qualitative assessment to determine if it was more-likely-than-not that the fair value of the reporting units exceeded their carrying value, including goodwill. The qualitative assessment indicated that it was not more-likely-than-not that the carrying value of the reporting units exceeded their fair value.

(5) Core Deposit and Customer List Intangible Assets

Bancorp recorded initial CDI assets of \$13 million, \$4 million, \$2 million and \$3 million in association with the acquisitions of CB in 2022, KB in 2021, KSB in 2019 and TBOC in 2013, respectively.

Changes in the net carrying amount of CDIs follows:

<i>(in thousands)</i>	Three months ended June 30,		Six months ended June 30,	
	2025	2024	2025	2024
Balance at beginning of period	\$ 8,406	\$ 11,272	\$ 8,978	\$ 11,944
Amortization	(573)	(671)	(1,145)	(1,343)
Balance at end of period	<u>\$ 7,833</u>	<u>\$ 10,601</u>	<u>\$ 7,833</u>	<u>\$ 10,601</u>

As a result of the CB acquisition, Bancorp also recorded initial intangible assets totaling \$14 million associated with the customer list of the acquired WM&T business. Similar to CDI assets, this intangible asset also amortizes over its estimated useful life.

Changes in the net carrying amount of the CLI follows:

<i>(in thousands)</i>	Three months ended June 30,		Six months ended June 30,	
	2025	2024	2025	2024
Balance at beginning of period	\$ 6,498	\$ 7,980	\$ 6,840	\$ 8,360
Amortization	(342)	(380)	(684)	(760)
Balance at end of period	<u>\$ 6,156</u>	<u>\$ 7,600</u>	<u>\$ 6,156</u>	<u>\$ 7,600</u>

Future CDI and CLI amortization expense is estimated as follows:

<i>(in thousands)</i>	CDI	CLI
Remainder of 2025	\$ 1,146	\$ 684
2026	1,979	1,216
2027	1,668	1,064
2028	1,311	912
2029	888	760
2030	576	608
2031	265	456
2032	-	304
2033	-	152
Total future expense	<u>\$ 7,833</u>	<u>\$ 6,156</u>

(6) Other Assets

A summary of the major components of other assets follows:

<i>(in thousands)</i>	June 30, 2025	December 31, 2024
Cash surrender value of life insurance other than BOLI	\$ 21,024	\$ 19,895
Net deferred tax asset	47,374	51,646
Investments in tax credit partnerships	198,044	185,424
Derivative assets	1,265	12,437
Prepaid assets	5,306	6,369
WM&T fees receivable	4,880	4,523
Mortgage servicing rights	10,706	11,333
Other real estate owned	10	10
Other	18,173	17,113
Total other assets	<u>\$ 306,782</u>	<u>\$ 308,750</u>

Bancorp maintains life insurance policies other than BOLI in conjunction with its non-qualified defined benefit retirement and non-qualified compensation plans.

Bancorp periodically invests in certain partnerships that generate federal income tax credits. The tax benefit of these investments exceeds the amortization expense associated with them, resulting in a positive impact on net income. In addition to income tax benefits, these investments also serve as an economical means of achieving CRA goals. The investments in such partnerships are recorded in other assets on the consolidated balance sheets, while the corresponding contribution requirements are recorded in other liabilities. While contributions are made periodically over the life of the respective investments, which can be up to 10 years depending on the type of investment, the majority of contributions associated with a respective investment are made within the first few years after entering the partnership. For additional information, see the footnote titled “*Income Taxes*.”

Bancorp enters into interest rate swap transactions with borrowers who desire to hedge exposure to rising interest rates, while at the same time entering into an offsetting interest rate swap, with substantially matching terms, with another approved independent counterparty. These are undesignated derivative instruments and are recognized on the balance sheet at fair value. For additional information, see the footnote titled “*Derivative Financial Instruments*.”

For additional information related to MSRs, see the footnote titled “*Mortgage Banking Activities*.”

(7) Income Taxes

Components of income tax expense from operations follows:

(in thousands)	Three months ended June 30,		Six months ended June 30,	
	2025	2024	2025	2024
Current income tax expense:				
Federal	\$ 8,640	\$ 7,096	\$ 15,038	\$ 12,212
State	1,796	1,658	3,164	2,856
Total current income tax expense	10,436	8,754	18,202	15,068
Deferred income tax benefit:				
Federal	(1,248)	(857)	(792)	(270)
State	(266)	(227)	(138)	(60)
Total deferred income tax benefit	(1,514)	(1,084)	(930)	(330)
Change in valuation allowance	-	-	-	-
Total income tax expense	\$ 8,922	\$ 7,670	\$ 17,272	\$ 14,738

An analysis of the difference between the statutory and ETRs from operations follows:

	Three months ended June 30,		Six months ended June 30,	
	2025	2024	2025	2024
U.S. federal statutory income tax rate	21.00%	21.00%	21.00%	21.00%
State income taxes, net of federal benefit	2.81	3.21	2.83	3.20
Excess tax benefit from stock-based compensation arrangements	(0.24)	0.09	(0.44)	0.20
Change in cash surrender value of life insurance	(0.90)	(0.45)	(0.56)	(0.70)
Tax Credits	(2.54)	(1.51)	(2.62)	(1.10)
Tax exempt interest income	(0.33)	(0.45)	(0.34)	(0.50)
Other, net	0.97	(0.14)	0.55	(0.50)
Effective tax rate	20.77%	21.75%	20.42%	21.60%

Current state income tax expense for 2025 and 2024 represents tax owed to the states of Kentucky, Indiana and Illinois. Ohio state taxes are based on bank capital levels and are recorded as other non-interest expense.

On April 10, 2023, the IRS issued a proposed regulation that would potentially classify section 831(b) captive activity as a “listed transaction,” and disallow the related tax benefits, both prospectively and retroactively. The regulation was finalized on January 10, 2025, clarifying what is considered a listed transaction or a transaction of interest. Based on the final regulations, there is no change in the status for the captive insurance structure in place previously, which Bancorp dissolved in 2023. The captive remains classified as a transaction of interest for the open tax years and there is no reserve for an uncertain tax position based on the final regulation.

GAAP provides guidance on financial statement recognition and measurement of tax positions taken, or expected to be taken, in tax returns. If recognized, tax benefits would reduce tax expense and accordingly, increase net income. The amount of unrecognized tax benefits may increase or decrease in the future for various reasons including adding amounts for current year tax positions, expiration of open income tax returns due to statutes of limitation, changes in management’s judgment about the level of uncertainty, status of examination, litigation and legislative activity and addition or elimination of uncertain tax positions. As of June 30, 2025 and December 31, 2024, the gross amount of unrecognized tax benefits was immaterial to Bancorp’s consolidated financial statements. Federal income tax returns are subject to examination for the years after 2020 and state income tax returns are subject to examination for the years after 2019.

On July 4, 2025, President Trump signed into law the legislation formally titled “An Act to Provide for Reconciliation Pursuant to Title II of H. Con. Res. 14” and commonly referred to as the One Big Beautiful Bill (“the Act”). Bancorp is currently evaluating income tax implications of the Act, but does not expect the Act to have a material impact on the financial statements.

Bancorp periodically invests in certain partnerships that generate federal income tax credits. The tax benefit of these investments exceeds the amortization expense associated with them, resulting in a positive impact on net income. In addition to income tax benefits, these investments also serve as an economical means of achieving CRA goals. The investments in such partnerships are recorded in other assets on the consolidated balance sheets, while the corresponding contribution requirements are recorded in other liabilities. While contributions are made periodically over the life of the respective investments, which can be up to 10 years depending on the type of investment, the majority of contributions associated with a respective investment are made within the first few years after entering the partnership.

Bancorp’s investments in tax credit partnerships, including the related unfunded contributions, totaled \$198 million and \$185 million as of June 30, 2025 and December 31, 2024, respectively, and are included in other assets on the condensed consolidated balance sheets.

As of June 30, 2025, Bancorp’s expected payments for unfunded contributions related to investments in tax credit partnerships, which are accrued and included in other liabilities on the condensed consolidated balance sheets, were as follows:

<i>(dollars in thousands)</i>	June 30, 2025
Remainder of 2025	\$ 46,710
2026	52,675
2027	23,367
2028	3,166
2029	1,439
Thereafter	7,444
Total unfunded contributions	\$ 134,801

The following table presents tax credits and other tax benefits recognized in addition to amortization expense related to Bancorp’s investment in tax credit partnerships for the three and six month periods ended June 30, 2025 and 2024:

<i>(in thousands)</i>	Three months ended June 30,		Six months ended June 30,	
	2025	2024	2025	2024
Proportional amortization method:				
Tax credits and other tax benefits recognized	\$ 5,705	\$ 3,469	\$ 11,409	\$ 7,122
Amortization expense in provision for income taxes	4,446	2,920	8,893	5,826

There were no impairment losses related to Bancorp’s investments in tax credit partnerships during the three and six month periods ended June 30, 2025 and 2024.

(8) Deposits

The composition of deposits follows:

<i>(in thousands)</i>	June 30, 2025	December 31, 2024
Non-interest bearing demand deposits	\$ 1,514,924	\$ 1,456,138
Interest bearing deposits:		
Interest bearing demand	2,520,405	2,649,142
Savings	424,985	419,355
Money market	1,385,845	1,403,978
Time deposits of \$250 thousand or more	548,179	365,024
Other time deposits	1,112,412	872,764
Total time deposits	1,660,591	1,237,788
Total interest bearing deposits	5,991,826	5,710,263
Total deposits	<u>\$ 7,506,750</u>	<u>\$ 7,166,401</u>

(9) Securities Sold Under Agreements to Repurchase

SSUAR represent a funding source of Bancorp and are primarily used by commercial customers in conjunction with collateralized corporate cash management accounts. Such repurchase agreements are considered financing agreements and mature within one business day from the transaction date. At June 30, 2025 and December 31, 2024, all of these financing arrangements had overnight maturities and were secured by government sponsored enterprise obligations and government agency mortgage-backed securities that were owned and controlled by Bancorp.

Information concerning SSUAR follows:

<i>(dollars in thousands)</i>	June 30, 2025	December 31, 2024
Outstanding balance at end of period	\$ 126,576	\$ 162,967
Weighted average interest rate at end of period	1.96%	2.10%

<i>(dollars in thousands)</i>	Three months ended June 30,		Six months ended June 30,	
	2025	2024	2025	2024
Average outstanding balance during the period	\$ 128,493	\$ 147,327	\$ 143,655	\$ 156,153
Average interest rate during the period	1.95%	2.10%	2.02%	2.19
Maximum outstanding at any month end during the period	\$ 151,222	\$ 152,948	\$ 151,483	\$ 179,428

(10) Subordinated Debentures

As a result of its acquisition of Commonwealth Bancshares, Inc. on March 7, 2022, Bancorp became the 100% successor owner of the following unconsolidated trust subsidiaries: Commonwealth Statutory Trust III, Commonwealth Statutory Trust IV and Commonwealth Statutory Trust V. The sole assets of the trust subsidiaries represent the proceeds of offerings loaned in exchange for subordinated debentures with similar terms to the TPS. The TPS are treated as part of Tier I Capital. The subordinated notes and related interest expense are included in Bancorp's consolidated financial statements. The subordinated notes are currently redeemable at Bancorp's option on a quarterly basis. Bancorp chose not to redeem the subordinated notes on July 1, 2025 and carried the notes at the costs noted below at June 30, 2025:

<i>(dollars in thousands)</i>	Face Value	Carrying Value	Origination Date	Maturity Date	Interest Rate
Commonwealth Statutory Trust III	\$ 3,093	\$ 3,093	12/19/2003	1/7/2034	SOFR + 2.85%
Commonwealth Statutory Trust IV	12,372	12,372	12/15/2005	12/30/2035	SOFR + 1.35%
Commonwealth Statutory Trust V	11,341	11,341	6/28/2007	9/15/2037	SOFR + 1.40%
Total	<u>\$ 26,806</u>	<u>\$ 26,806</u>			

As part of the purchase accounting adjustments associated with the CB acquisition, the carrying values of the subordinated notes were adjusted to fair value at acquisition date. The related discounts on the subordinated notes have been amortized and recognized as a component of interest expense in Bancorp's consolidated financial statements. The discounts became fully amortized during the first quarter of 2024.

(11) FHLB Advances and Other Borrowings

FHLB advances outstanding at June 30, 2025 consist of a rolling \$300 million three-month advance that matures in August 2025, which Bancorp utilizes in conjunction with interest rate swaps in an effort to hedge cash flows. FHLB advances outstanding at December 31, 2024 consisted of a rolling \$300 million three-month advance that matured in February 2025, which was also utilized in conjunction with the previously mentioned interest rate swaps.

For the six month period ended June 30, 2025, gross proceeds and repayments related to FHLB advances totaled \$1.13 billion and \$1.13 billion, respectively. Net proceeds and repayments related to FHLB advances (excluding those with maturities of 90 days or less) totaled \$600 million and \$600 million for the three months ended June 30, 2025. For the six month period ended June 30, 2024, gross proceeds and repayments totaled \$1.58 billion and \$1.38 billion, respectively. Net proceeds and repayments (excluding those with maturities of 90 days or less) for the six month period ended June 30, 2024 totaled \$600 million and \$400 million.

Information regarding FHLB advances follows. The average interest rate information provided includes the benefit associated with the related interest rate swaps:

<i>(dollars in thousands)</i>	June 30, 2025	December 31, 2024
Outstanding balance at end of period	\$ 300,000	\$ 300,000
Weighted average interest rate at end of period	3.77%	3.77%

FHLB advances are collateralized by certain CRE and residential real estate mortgage loans under blanket mortgage collateral pledge agreements. Bancorp views these advances as an effective lower-costing funding option compared to other alternatives, such as brokered deposits, to fund loan growth. At June 30, 2025 and December 31, 2024, the amount of available credit from the FHLB totaled \$1.31 billion and \$1.25 billion, respectively.

Bancorp also had unsecured available FFP lines with correspondent banks totaling \$80 million at both June 30, 2025 and December 31, 2024, respectively.

(12) Commitments and Contingent Liabilities

As of June 30, 2025 and December 31, 2024, Bancorp had various commitments outstanding that arose in the normal course of business which are properly not reflected in the condensed consolidated financial statements. Total off-balance sheet commitments to extend credit follows:

<i>(in thousands)</i>	June 30, 2025	December 31, 2024
Commercial and industrial	\$ 851,192	\$ 876,503
Construction and development	587,692	566,045
Home equity lines of credit	429,714	403,461
Credit cards	93,788	92,060
Overdrafts	55,979	58,078
Standby letters of credit	28,109	30,472
Other	82,402	86,010
Future loan commitments	401,402	325,613
Total off balance sheet commitments to extend credit	\$ 2,530,278	\$ 2,438,242

Most commitments to extend credit are an agreement to lend to a customer either unsecured or secured, as long as collateral is available as agreed upon and there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses. Since some of the commitments are expected to expire without being drawn upon, the total commitment amounts do not represent future cash requirements. Bancorp uses the same credit and collateral policies in making commitments and conditional guarantees as for on-balance sheet instruments. Bancorp evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained is based on management's credit evaluation of the customer. Collateral held varies but may include accounts receivable, inventory, securities, equipment and real estate. However, should the commitments be drawn upon and should our customers default on their resulting obligation to us, our maximum exposure to credit loss, without consideration of collateral, is represented by the contractual amount of those instruments.

The ACL for off balance sheet credit exposures, which is separate from the ACL for loans and recorded in other liabilities on the consolidated balance sheets, was \$6.7 million and \$6.8 million as of June 30, 2025 and December 31, 2024, respectively. Negative provision (credit to expense) of \$75,000 for off balance sheet exposures was recorded for the three and six month periods ended June 30, 2025, as line of credit utilization improved during the first half of 2025, reducing the reserve necessary for line availability.

Provision for credit loss expense for off balance sheet credit exposures of \$225,000 and \$475,000 was recorded for the three and six month periods ended June 30, 2024, driven largely by the addition of new C&D lines of credit.

Standby letters of credit are conditional commitments issued by Bancorp to guarantee the performance of a customer to a first party beneficiary. Those guarantees are primarily issued to support commercial transactions. Standby letters of credit generally have maturities of one to two years.

Certain commercial customers require confirmation of Bancorp's letters of credit by other banks since Bancorp does not have a rating by a national rating agency. Terms of the agreements range from one month to a year with certain agreements requiring between one and six months' notice to cancel. If an event of default on all contracts had occurred at June 30, 2025, Bancorp would have been required to make payments of approximately \$4 million, or the maximum amount payable under those contracts. No payments have ever been required because of default on these contracts. These agreements are normally secured by collateral acceptable to Bancorp, which limits credit risk associated with the agreements.

Bancorp periodically invests in certain partnerships that generate federal income tax credits, which result in contribution commitments. Such commitments are recorded in other liabilities on the consolidated balance sheets. While contributions are made periodically over the life of the respective investments, which can be up to 10 years depending on the type of investment, the majority of contributions associated with a respective investment are made within the first few years after entering the partnership. Bancorp invested in several larger tax credit partnerships in recent years, which have served as an economical means of fulfilling CRA goals. As of June 30, 2025, tax credit contribution commitments of \$135 million were recorded in other liabilities on the consolidated balance sheets.

As of June 30, 2025, in the normal course of business, there were pending legal actions and proceedings in which claims for damages are asserted. Management, after discussion with legal counsel, believes the ultimate result of these legal actions and proceedings will not have a material adverse effect on the consolidated financial position or results of operations of Bancorp.

(13) Assets and Liabilities Measured and Reported at Fair Value

Fair value represents 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. There are three levels of inputs that may be used to measure fair values:

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 company's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

Authoritative guidance requires maximization of use of observable inputs and minimization of use of unobservable inputs in fair value measurements. Where there exists limited or no observable market data, Bancorp derives its own estimates by generally considering characteristics of the asset/liability, the current economic and competitive environment and other factors. For this reason, results cannot be determined with precision and may not be realized on an actual sale or immediate settlement of the asset or liability.

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

AFS debt securities - Except for Bancorp's U.S Treasury securities, the fair value of AFS debt securities is typically determined by matrix pricing, which is a mathematical technique used widely 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). Bancorp's U.S. Treasury securities are based on quoted market prices (Level 1 inputs).

Mortgage loans held for sale - The fair value of mortgage loans held for sale is determined using quoted secondary market prices (Level 2 inputs).

Mortgage banking derivatives – Mortgage banking derivatives used in the ordinary course of business consist primarily of interest rate lock loan commitments and mandatory forward sales contracts. The fair value of the Bancorp's derivative instruments is primarily measured by obtaining pricing from broker-dealers recognized to be market participants. The pricing is derived from observable market inputs that can generally be verified and do not typically involve significant judgement by Bancorp (Level 2 inputs).

Interest rate swap agreements – Interest rate swaps are valued using valuations received from the relevant dealer counterparty. These valuations consider multiple observable market inputs, including interest rate yield curves, time value and volatility factors (Level 2 inputs).

Carrying values of assets measured at fair value on a recurring basis follows:

June 30, 2025 (in thousands)	Fair Value Measurements Using:			Total Fair Value
	Level 1	Level 2	Level 3	
Assets:				
Available for sale debt securities:				
U.S. Treasury and other U.S. Government obligations	\$ 248,004	\$ —	\$ —	\$ 248,004
Government sponsored enterprise obligations	—	79,048	—	79,048
Mortgage backed securities - government agencies	—	572,191	—	572,191
Obligations of states and political subdivisions	—	113,054	—	113,054
Other	—	1,565	—	1,565
Total available for sale debt securities	248,004	765,858	—	1,013,862
Mortgage loans held for sale	—	5,014	—	5,014
Rate lock loan commitments	—	450	—	450
Interest rate swap assets	—	1,265	—	1,265
Total assets	\$ 248,004	\$ 772,587	\$ —	\$ 1,020,591
Liabilities:				
Interest rate swap liabilities	\$ —	\$ 2,924	\$ —	\$ 2,923
Mandatory forward contracts	—	86	—	86
Total liabilities	\$ —	\$ 3,009	\$ —	\$ 3,009

December 31, 2024 (in thousands)	Fair Value Measurements Using:			Total Fair Value
	Level 1	Level 2	Level 3	
Assets:				
Available for sale debt securities:				
U.S. Treasury and other U.S. Government obligations	\$ 198,215	\$ —	\$ —	\$ 198,215
Government sponsored enterprise obligations	—	84,158	—	84,158
Mortgage backed securities - government agencies	—	590,977	—	590,977
Obligations of states and political subdivisions	—	114,234	—	114,234
Other	—	2,530	—	2,530
Total available for sale debt securities	198,215	791,899	—	990,114
Mortgage loans held for sale	—	6,286	—	6,286
Rate lock loan commitments	—	255	—	255
Mandatory forward contracts	—	56	—	56
Interest rate swap assets	—	12,437	—	12,437
Total assets	\$ 198,215	\$ 810,933	\$ —	\$ 1,009,148
Liabilities:				
Interest rate swap liabilities	\$ -	\$ 8,589	\$ —	\$ 8,589

There were no transfers into or out of Level 3 of the fair value hierarchy during 2025 or 2024.

Discussion of assets measured at fair value on a non-recurring basis follows:

Collateral dependent loans – For collateral-dependent loans where Bancorp has determined that the liquidation or foreclosure of the collateral is probable, or where the borrower is experiencing financial difficulty and the Company expects repayment of the loan to be provided substantially through the operation or sale of the collateral, the ACL is measured based on the difference between the estimated fair value of the collateral and the amortized cost basis of the loan as of the measurement date. For real estate loans, fair value of the loan’s collateral is determined by third party or internal appraisals, which are then adjusted for the estimated selling and closing costs related to liquidation of the collateral. For this asset class, the actual valuation methods (income, comparable sales, or cost) vary based on the status of the project or property. The unobservable inputs may vary depending on the individual assets with no one of the three methods being the predominant approach. Bancorp reviews the third party appraisal for appropriateness and adjusts the value to consider selling and closing costs, which typically range from 8% to 10% of the appraised value. For non-real estate loans, fair value of the loan’s collateral may be determined 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 or knowledge of the client and client’s business.

OREO – OREO is primarily comprised of real estate acquired in partial or full satisfaction of loans. OREO is recorded at its estimated fair value less estimated selling and closing costs at the date of transfer, with any excess of the related loan balance over the fair value less expected selling costs charged to the ACL. Subsequent changes in fair value are reported as adjustments to the carrying amount and are recorded against earnings. Bancorp obtains the valuation of OREO with material balances from third party appraisers. For this asset class, the actual valuation methods (income, sales comparable, or cost) vary based on the status of the project or property. The unobservable inputs may vary depending on the individual assets with no one of the three methods being the predominant approach. Bancorp reviews the appraisal for appropriateness and adjusts the value to consider selling and closing costs, which typically range from 8% to 10% of the appraised value.

Carrying values of assets measured at fair value on a non-recurring basis follows:

June 30, 2025 (in thousands)	Fair Value Measurements Using:			Total Fair Value	Losses recorded	
	Level 1	Level 2	Level 3		Three months ended June 30, 2025	Six months ended June 30, 2025
Collateral dependent loans	\$ —	\$ —	\$ 9,103	\$ 9,103	\$ 38	\$ 38
Other real estate owned	—	—	10	10	—	—

December 31, 2024 (in thousands)	Fair Value Measurements Using:			Total Fair Value	Losses recorded	
	Level 1	Level 2	Level 3		Three months ended June 30, 2024	Six months ended June 30, 2024
Collateral dependent loans	\$ —	\$ —	\$ 12,227	\$ 12,227	\$ 58	\$ 58

There were no liabilities measured at fair value on a non-recurring basis at June 30, 2025 and December 31, 2024.

For Level 3 assets measured at fair value on a non-recurring basis, the significant unobservable inputs used in the fair value measurements are presented below.

June 30, 2025				
<i>(dollars in thousands)</i>	Fair Value	Valuation Technique	Unobservable Inputs	Weighted Average
Collateral dependent loans	\$ 9,103	Appraisal	Appraisal discounts	31.0%
Other real estate owned	10	Appraisal	Appraisal discounts	92.5

December 31, 2024				
<i>(dollars in thousands)</i>	Fair Value	Valuation Technique	Unobservable Inputs	Weighted Average
Collateral dependend loans	\$ 12,227	Appraisal	Appraisal discounts	15.7%

(14) Disclosure of Financial Instruments Not Reported at Fair Value

GAAP requires disclosure of the fair value of financial assets and liabilities, including those financial assets and financial liabilities that are not measured and reported at fair value on a recurring basis or nonrecurring basis. The estimated fair values of Bancorp's financial instruments not measured at fair value on a recurring or non-recurring basis follows:

June 30, 2025 (in thousands)	Carrying amount	Fair value	Fair Value Measurements Using:			
			Level 1	Level 2	Level 3	
Assets						
Cash and cash equivalents	\$ 451,412	\$ 451,412	\$ 451,412	\$ —	\$ —	
HTM debt securities	207,980	187,271	1,945	185,326	—	
Federal Home Loan Bank stock	22,839	22,839	—	22,839	—	
Loans, net	6,759,551	6,644,380	—	—	6,644,380	
Accrued interest receivable	27,210	27,210	27,210	—	—	
Liabilities						
Non-interest bearing deposits	\$ 1,514,924	\$ 1,514,924	\$ 1,514,924	\$ —	\$ —	
Transaction deposits	4,331,235	4,331,235	—	4,331,235	—	
Time deposits	1,660,591	1,662,602	—	1,662,602	—	
Securities sold under agreement to repurchase	126,576	126,576	—	126,576	—	
Federal funds purchased	6,709	6,709	—	6,709	—	
Subordinated debentures	26,806	26,413	—	26,413	—	
FHLB advances	300,000	295,597	—	295,597	—	
Accrued interest payable	1,835	1,835	1,835	—	—	

December 31, 2024 (in thousands)	Carrying Amount	Fair Value	Fair Value Measurements Using:			
			Level 1	Level 2	Level 3	
Assets						
Cash and cash equivalents	\$ 291,020	\$ 291,020	\$ 291,020	\$ —	\$ —	
HTM debt securities	370,171	341,357	153,108	188,249	—	
Federal Home Loan Bank stock	21,603	21,603	—	21,603	—	
Loans, net	6,433,459	6,256,752	—	—	6,256,752	
Accrued interest receivable	27,697	27,697	27,697	—	—	
Liabilities						
Non-interest bearing deposits	\$ 1,456,138	\$ 1,456,138	\$ 1,456,138	\$ —	\$ —	
Transaction deposits	4,472,475	4,472,475	—	4,472,475	—	
Time deposits	1,237,788	1,236,463	—	1,236,463	—	
Securities sold under agreement to repurchase	162,967	162,967	—	162,967	—	
Federal funds purchased	6,525	6,525	—	6,525	—	
Subordinated debentures	26,806	26,346	—	26,346	—	
FHLB advances	300,000	294,848	—	294,848	—	
Accrued interest payable	1,912	1,912	1,912	—	—	

Fair value estimates are made at a specific point in time based on relevant market information and information about financial instruments. Because no market exists for a significant portion of Bancorp's financial instruments, fair value estimates are based on judgments regarding future expected loss experience, current economic conditions, risk characteristics of various financial instruments and other factors. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Therefore, calculated fair value estimates in many instances cannot be substantiated by comparison to independent markets and, in many cases, may not be realizable in a current sale of the instrument. Changes in assumptions could significantly impact estimates.

(15) Mortgage Banking Activities

Mortgage banking activities primarily include residential mortgage originations and servicing. Mortgages originated and intended for sale in the secondary market are carried at fair value, as determined by outstanding commitments from investors.

Activity for mortgage loans held for sale, at fair value, was as follows:

<i>(in thousands)</i>	Three months ended June 30,		Six months ended June 30,	
	2025	2024	2025	2024
Balance, beginning of period:	\$ 7,797	\$ 6,462	\$ 6,286	\$ 6,056
Origination of mortgage loans held for sale	37,536	29,196	68,063	51,464
Proceeds from the sale of mortgage loans held for sale	(41,142)	(29,903)	(70,712)	(52,106)
Net gain realized on sale of mortgage loans held for sale	823	683	1,377	1,024
Balance, end of period	<u>\$ 5,014</u>	<u>\$ 6,438</u>	<u>\$ 5,014</u>	<u>\$ 6,438</u>

The following table represents the components of Mortgage banking income:

<i>(in thousands)</i>	Three months ended June 30,		Six months ended June 30,	
	2025	2024	2025	2024
Net gain realized on sale of mortgage loans held for sale	\$ 823	\$ 683	\$ 1,377	\$ 1,024
Net change in fair value recognized on loans held for sale	(92)	(3)	(24)	31
Net change in fair value recognized on rate lock loan commitments	(134)	(108)	221	149
Net change in fair value recognized on forward contracts	(19)	82	(231)	108
Net gain recognized	<u>578</u>	<u>654</u>	<u>1,343</u>	<u>1,312</u>
Net loan servicing income	788	817	1,604	1,778
Amortization of mortgage servicing rights	(402)	(582)	(1,133)	(1,319)
Change in mortgage servicing rights valuation allowance	-	-	-	-
Net servicing income recognized	<u>386</u>	<u>235</u>	<u>471</u>	<u>459</u>
Other mortgage banking income	130	128	197	194
Total mortgage banking income	<u>\$ 1,094</u>	<u>\$ 1,017</u>	<u>\$ 2,011</u>	<u>\$ 1,965</u>

Activity for capitalized mortgage servicing rights was as follows:

<i>(in thousands)</i>	Three months ended June 30,		Six months ended June 30,	
	2025	2024	2025	2024
Balance, beginning of period	\$ 10,817	\$ 12,544	\$ 11,333	\$ 13,082
Additions for mortgage loans sold	291	235	506	434
Amortization	(402)	(582)	(1,133)	(1,319)
Impairment	—	—	—	—
Balance, end of period	<u>\$ 10,706</u>	<u>\$ 12,197</u>	<u>\$ 10,706</u>	<u>\$ 12,197</u>

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The estimated fair value of MSRs at June 30, 2025 and December 31, 2024 was \$23 million and \$25 million, respectively. There was no valuation allowance recorded for MSRs as of June 30, 2025 and December 31, 2024, as fair value exceeded carrying value. The fair value of MSRs at June 30, 2025 was determined using discount rates ranging from 10.0% to 13.0%, prepayment speeds ranging from 5.9% to 10.9%, depending on the characteristics of the specific rights (rate, maturity, etc.), and a weighted average default rate of 0.5%. The fair value of MSRs at December 31, 2024 was determined using discount rates ranging from 10.0% to 13.0%, prepayment speeds ranging from 5.3% to 10.5%, depending on the characteristics of the specific rights, and a weighted average default rate of 0.6%.

Total outstanding principal balances of loans serviced for others were \$1.77 billion and \$1.82 billion at June 30, 2025 and December 31, 2024, respectively.

Mortgage banking derivatives used in the ordinary course of business consist primarily of mandatory forward sales contracts and interest rate lock loan commitments. Mandatory forward contracts represent future loan commitments to deliver loans at a specified price and date and are used to manage interest rate risk on loan commitments and mortgage loans held for sale. Interest rate lock loan commitments represent commitments to fund loans at a specific rate. These derivatives involve underlying items, such as interest rates, and are designed to transfer risk. Substantially all of these instruments expire within 90 days from the date of issuance. Notional amounts are amounts on which calculations and payments are based, but which do not represent credit exposure, as credit exposure is limited to the amount required to be received or paid.

Mandatory forward contracts also contain an element of risk in that the counterparties may be unable to meet the terms of such agreements. In the event the counterparties fail to deliver commitments or are unable to fulfill their obligations, the Bank could potentially incur significant additional costs by replacing the positions at then current market rates. The Bank manages its risk of exposure by limiting counterparties to those banks and institutions deemed appropriate by management. The Bank does not expect any counterparty to default on their obligations and therefore, the Bank does not expect to incur any cost related to counterparty default.

Bancorp is exposed to interest rate risk on loans held for sale and rate lock loan commitments. As market interest rates fluctuate, the fair value of mortgage loans held for sale and rate lock commitments may decline or increase. To offset this interest rate risk the Bank enters into derivatives, such as mandatory forward contracts to sell loans. The fair value of these mandatory forward contracts will fluctuate as market interest rates fluctuate, and the change in the value of these instruments is expected to largely, though not entirely, offset the change in fair value of loans held for sale and rate lock commitments. The objective of this activity is to minimize the exposure to losses on rate lock loan commitments and loans held for sale due to market interest rate fluctuations. The net effect of derivatives on earnings will depend on risk management activities and a variety of other factors, including: market interest rate volatility; the amount of rate lock commitments that close; the ability to fill the forward contracts before expiration; and the time period required to close and sell loans.

The following table includes the notional amounts and fair values of mortgage loans held for sale and mortgage banking derivatives:

	June 30, 2025		December 31, 2024	
	Notional Amount	Fair Value	Notional Amount	Fair Value
<i>(in thousands)</i>				
Included in Mortgage loans held for sale:				
Mortgage loans held for sale, at fair value	\$ 4,804	\$ 5,014	\$ 6,199	\$ 6,286
Included in other assets:				
Rate lock loan commitments	\$ 10,103	\$ 450	\$ 7,138	\$ 225
Mandatory forward contracts	-	-	9,000	56
Included in other liabilities				
Mandatory forward contracts	\$ 10,250	\$ 86	\$ -	\$ -

(16) Accumulated Other Comprehensive Income (Loss)

The following table illustrates activity within the balances of AOCI, net of tax, by component:

<i>(in thousands)</i>	Net unrealized gains (losses) on available for sale debt securities	Net unrealized gains (losses) on cash flow hedges	Minimum pension liability adjustment	Total
Three months ended June 30, 2025				
Balance, beginning of period	\$ (80,223)	\$ 266	\$ 117	\$ (79,840)
Net current period other comprehensive income (loss)	6,055	(1,526)	-	4,529
Balance, end of period	<u>\$ (74,168)</u>	<u>\$ (1,260)</u>	<u>\$ 117</u>	<u>\$ (75,311)</u>
Three months ended June 30, 2024				
Balance, beginning of period	\$ (97,453)	\$ 2,340	\$ 59	\$ (95,054)
Net current period other comprehensive income (loss)	(307)	381	-	74
Balance, end of period	<u>\$ (97,760)</u>	<u>\$ 2,721</u>	<u>\$ 59</u>	<u>\$ (94,980)</u>

<i>(in thousands)</i>	Net unrealized gains (losses) on available for sale debt securities	Net unrealized gains (losses) on cash flow hedges	Minimum pension liability adjustment	Total
Six months ended June 30, 2025				
Balance, beginning of period	\$ (94,190)	\$ 2,922	\$ 117	\$ (91,151)
Net current period other comprehensive income (loss)	20,022	(4,182)	-	15,840
Balance, end of period	<u>\$ (74,168)</u>	<u>\$ (1,260)</u>	<u>\$ 117</u>	<u>\$ (75,311)</u>
Six months ended June 30, 2024				
Balance, beginning of period	\$ (92,678)	\$ (179)	\$ 59	\$ (92,798)
Net current period other comprehensive income (loss)	(5,082)	2,900	-	(2,182)
Balance, end of period	<u>\$ (97,760)</u>	<u>\$ 2,721</u>	<u>\$ 59</u>	<u>\$ (94,980)</u>

(17) Preferred Stock

Bancorp has one class of preferred stock (no par value; 1,000,000 shares authorized), the relative rights, preferences and other terms of the class or any series within the class will be determined by the Board of Directors prior to any issuance. None of this stock has been issued to date.

(18) Net Income Per Share

The following table reflects net income (numerator) and average shares outstanding (denominator) for basic and diluted net income per share computations:

<i>(in thousands, except per share data)</i>	Three months ended June 30,		Six months ended June 30,	
	2025	2024	2025	2024
Net income	\$ 34,024	\$ 27,598	\$ 67,295	\$ 53,485
Weighted average shares outstanding - basic	29,364	29,283	29,356	29,267
Dilutive securities	141	100	147	105
Weighted average shares outstanding- diluted	<u>29,505</u>	<u>29,383</u>	<u>29,503</u>	<u>29,372</u>
Net income per share - basic	\$ 1.16	\$ 0.94	\$ 2.29	\$ 1.83
Net income per share - diluted	1.15	0.94	2.28	1.82

Certain SARs that were excluded from the EPS calculation because their impact was antidilutive were as follows:

<i>(shares in thousands)</i>	Three months ended June 30,		Six months ended June 30,	
	2025	2024	2025	2024
Antidilutive SARs	26	136	20	125

(19) Stock-Based Compensation

The fair value of all stock-based awards granted, net of estimated forfeitures, is recognized as compensation expense over the respective service period.

At Bancorp's 2015 Annual Meeting of Shareholders, shareholders approved the 2015 Omnibus Equity Compensation Plan and authorized the shares available from the expiring 2005 plan for future awards under the 2015 plan. In 2018, shareholders approved an additional 500,000 shares for issuance under the plan. Shareholders approved an additional 1 million shares for issuance under the plan in 2024. As of June 30, 2025, there were 951,000 shares available for future awards. The 2005 Stock Incentive Plan expired in April 2015 and SARs granted under this plan expire in 2025. The 2015 Stock Incentive Plan has no defined expiration date.

SAR Grants – SARs granted have a vesting schedule of 20% per year and expire ten years after the grant date unless forfeited due to employment termination.

Fair values of SARs are estimated at the date of grant using the Black-Scholes option-pricing model, a leading formula for calculating such value. This model requires the input of assumptions, changes to which can materially impact the fair value estimate. The following assumptions were used in SAR valuations at the grant date in each year:

Assumptions	2025	2024
Dividend yield	2.26%	2.29%
Expected volatility	29.29%	28.43%
Risk free interest rate	4.42%	4.16%
Expected life (in years)	7.8	7.1

Dividend yield and expected volatility are based on historical information for Bancorp corresponding to the expected life of SARs granted. Expected volatility is the volatility of underlying shares for the expected term calculated on a monthly basis. The risk free interest rate is the implied yield currently available on U.S. Treasury issues with a remaining term equal to the expected life of the awards. The expected life of SARs is based on actual experience of past like-term SARs. Bancorp evaluates historical exercise and post-vesting termination behavior when determining the expected life.

RSA Grants – RSAs granted to officers vest over five years. Dividends associated with RSA grants are deferred until shares are vested. Fair value of RSAs is equal to the market value of the shares on the date of grant.

PSU Grants – PSUs vest based upon service and a three-year performance period, which begins January 1 of the first year of the performance period. Because grantees are not entitled to dividend payments during the performance period, the fair value of these PSUs is estimated based upon the market value of the underlying shares on the date of grant, adjusted for non-payment of dividends. Grants require a one-year post-vesting holding period and therefore the fair value of such grants incorporates a liquidity discount related to the holding period of 5.5% and 5.8% for 2025 and 2024.

RSU Grants – RSUs are only granted to non-employee directors, are time-based and vest 12 months after grant date. Because grantees are entitled to deferred dividend payments at the end of the vesting period, therefore the fair value of the RSUs equals market value of underlying shares on the date of grant.

In the first quarters of 2025 and 2024, Bancorp awarded 7,670 and 9,550 RSUs to non-employee directors of Bancorp with a grant date fair value of \$539,000 and \$500,000, respectively.

Bancorp utilized cash of \$344,000 and \$203,000 during the first six months of 2025 and 2024, respectively, for the purchase of shares upon the vesting of RSUs.

Bancorp has recognized stock-based compensation expense for SARs, RSAs and PSUs within compensation expense and RSUs for directors within other non-interest expense, as follows:

Three months ended June 30, 2025					
<i>(in thousands)</i>	Stock Appreciation Rights	Restricted Stock Awards	Restricted Stock Units	Performance Stock Units	Total
Expense	\$ 112	\$ 489	\$ 135	\$ 385	\$ 1,121
Deferred tax benefit	(23)	(102)	(28)	(81)	(234)
Total net expense	<u>\$ 89</u>	<u>\$ 387</u>	<u>\$ 107</u>	<u>\$ 304</u>	<u>\$ 887</u>

Three months ended June 30, 2024					
<i>(in thousands)</i>	Stock Appreciation Rights	Restricted Stock Awards	Restricted Stock Units	Performance Stock Units	Total
Expense	\$ 72	\$ 418	\$ 125	\$ 393	\$ 1,008
Deferred tax benefit	(16)	(88)	(26)	(83)	(213)
Total net expense	<u>\$ 56</u>	<u>\$ 330</u>	<u>\$ 99</u>	<u>\$ 310</u>	<u>\$ 795</u>

Six months ended June 30, 2025					
<i>(in thousands)</i>	Stock Appreciation Rights	Restricted Stock Awards	Restricted Stock Units	Performance Stock Units	Total
Expense	\$ 215	\$ 939	\$ 267	\$ 853	\$ 2,274
Deferred tax benefit	(45)	(197)	(56)	(180)	(478)
Total net expense	<u>\$ 170</u>	<u>\$ 742</u>	<u>\$ 211</u>	<u>\$ 673</u>	<u>\$ 1,796</u>

Six months ended June 30, 2024					
<i>(in thousands)</i>	Stock Appreciation Rights	Restricted Stock Awards	Restricted Stock Units	Performance Stock Units	Total
Expense	\$ 140	\$ 838	\$ 249	\$ 723	\$ 1,950
Deferred tax benefit	(30)	(176)	(52)	(152)	(410)
Total net expense	<u>\$ 110</u>	<u>\$ 662</u>	<u>\$ 197</u>	<u>\$ 571</u>	<u>\$ 1,540</u>

Detail of unrecognized stock-based compensation expense follows:

<i>(in thousands)</i> Year ended	Stock Appreciation Rights	Restricted Stock Awards	Restricted Stock Units	Performance Stock Units	Total
Remainder of 2025	\$ 226	\$ 991	\$ 272	\$ 463	\$ 1,952
2026	406	1,718	1	925	3,050
2027	336	1,406	—	925	2,667
2028	246	999	—	—	1,245
2029	131	618	—	—	749
2030	13	59	—	—	72
Total estimated future expense	<u>\$ 1,358</u>	<u>\$ 5,791</u>	<u>\$ 273</u>	<u>\$ 2,313</u>	<u>\$ 9,735</u>

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The following table summarizes **SARs** activity and related information:

<i>(in thousands, except per share and life data)</i>	SARs	Exercise price	Weighted average exercise price	Aggregate intrinsic value(1)	Weighted average fair value	Weighted average remaining contractual life (in years)
Outstanding, January 1, 2024	440	\$19.44 - \$74.92	\$ 38.11	\$ 6,297	\$ 6.86	4.7
Granted	42	47.95 - 54.92	49.20	—	13.75	
Exercised	(142)	22.96 - 40.00	28.74	5,617	4.51	
Forfeited	—	—	—	—	—	
Outstanding, December 31, 2024	<u>340</u>	\$25.76 - \$74.92	\$ 43.41	\$ 9,774	\$ 8.69	5.3
Outstanding, January 1, 2025	340	\$25.76 - \$74.92	\$ 43.41	\$ 9,774	\$ 8.69	5.3
Granted	25	75.21 - 75.21	72.21	—	23.75	
Exercised	(20)	25.76 - 25.76	25.76	1,007	3.56	
Forfeited	—	—	—	—	—	
Outstanding, June 30, 2025	<u>345</u>	\$25.76 - \$75.21	\$ 46.77	\$ 11,115	\$ 10.09	5.4
Vested and exercisable	252	\$25.76 - \$60.76	\$ 42.20	\$ 9,284	\$ 7.72	4.3
Unvested	93	47.17 - 75.21	59.21	1,831	16.54	3.6
Outstanding, June 30, 2025	<u>345</u>	\$25.76 - \$75.21	\$ 46.77	\$ 11,115	\$ 10.09	5.4
Vested in the current year	33	\$36.65 - \$60.76	\$ 49.26	\$ 974	\$ 11.27	

(1) – Aggregate intrinsic value for SARs is defined as the amount by which the current market price of the underlying stock exceeds the exercise or grant price.

The following table summarizes activity for **RSAs** granted:

<i>(in thousands, except per share data)</i>	RSAs	Grant date weighted average cost
Unvested at January 1, 2024	98	\$ 54.23
Shares awarded	46	52.06
Restrictions lapsed and shares released	(33)	49.49
Shares cancelled	(9)	53.10
Unvested at December 31, 2024	<u>102</u>	\$ 54.92
Unvested at January 1, 2025	102	\$ 54.92
Shares awarded	38	76.12
Restrictions lapsed and shares released	(31)	51.64
Shares cancelled	(3)	61.44
Unvested at June 30, 2025	<u>106</u>	\$ 62.18

Shares expected to be awarded for **PSUs** granted to executive officers of Bancorp, the three-year performance period for which began January 1 of the award year, are as follows:

Grant year	Vesting period in years	Fair value	Shares expected to be awarded
2023	3	54.33	18,765
2024	3	41.84	49,957
2025	3	67.61	39,940

(20) Derivative Financial Instruments

Periodically, Bancorp enters into interest rate swap transactions with borrowers who desire to hedge exposure to rising interest rates, while at the same time entering into an offsetting interest rate swap, with substantially matching terms, with another approved independent counterparty. These are undesignated derivative instruments and are recognized on the balance sheet at fair value. Because of matching terms of offsetting contracts and collateral provisions mitigating any non-performance risk, changes in fair value subsequent to initial recognition have an insignificant effect on earnings. Exchanges of cash flows related to undesignated interest rate swap agreements were offsetting and therefore had no effect on Bancorp's earnings or cash flows.

Interest rate swap agreements derive their value from underlying interest rates. These transactions involve both credit and market risk. Notional amounts are amounts on which calculations, payments and the value of the derivative are based. Notional amounts do not represent direct credit exposures. Direct credit exposure is limited to the net difference between the calculated amounts to be received and paid, if any. Bancorp is exposed to credit-related losses in the event of non-performance by counterparties to these agreements. Bancorp mitigates the credit risk of its financial contracts through credit approvals, collateral and monitoring procedures, and does not expect any counterparties to fail their obligations.

Bancorp had outstanding undesignated interest rate swap contracts as follows:

	Receiving		Paying	
	June 30, 2025	December 31, 2024	June 30, 2025	December 31, 2024
<i>(dollars in thousands)</i>				
Notional amount	\$ 309,231	\$ 244,247	\$ 309,231	\$ 244,247
Weighted average maturity (years)	4.5	5.0	4.5	5.0
Fair value	\$ 1,265	\$ 8,589	\$ 1,265	\$ 8,589

During the first quarter of 2023, Bancorp entered into an interest rate swap to hedge cash flows of a \$100 million rolling fixed-rate three-month FHLB borrowing. The swap began February 6, 2023 and matures February 6, 2028. During the third quarter of 2023, Bancorp entered into two additional interest rate swaps to hedge cash flows of two \$50 million rolling fixed-rate three-month FHLB borrowings. These swaps began August 7, 2023, with one maturing August 6, 2026 and the other maturing August 6, 2028. During the third quarter of 2024, Bancorp entered into another interest rate swap to hedge cash flows of a \$100 million rolling fixed-rate three-month FHLB borrowing. The swap began on August 6, 2024 and matures on August 6, 2029.

While Bancorp expects to utilize fixed-rate three-month FHLB advances with respect to these interest rate swaps, brokered CDs or other fixed rate advances may be utilized for the same three-month terms instead should those sources be more favorable. For purposes of hedging, rolling fixed rate advances are considered to be floating rate liabilities.

Interest rate swaps involve exchange of Bancorp's floating rate interest payments for fixed rate swap payments on underlying principal amounts. These swaps were designated and qualified, for cash-flow hedge accounting. For derivative instruments that are designated and qualify as cash flow hedging instruments, the effective portion of gains or losses is reported as a component of AOCI and is subsequently reclassified into earnings as an adjustment to interest expense in periods for which the hedged forecasted transaction impacts earnings.

The following table details Bancorp's derivative positions designated as a cash flow hedges, and the related fair values:

				Fair value
<i>(dollars in thousands)</i>				
Notional Amount	Maturity Date	Receive (variable) index	Pay fixed swap rate	June 30, 2025
\$ 100,000	2/6/2028	USD SOFR	3.27%	\$ 392
50,000	8/6/2026	USD SOFR	4.38%	(343)
50,000	8/6/2028	USD SOFR	3.97%	(898)
100,000	8/6/2029	USD SOFR	3.58%	(810)
<u>\$ 300,000</u>				<u>\$ (1,659)</u>

(21) Regulatory Matters

Bancorp and the Bank are subject to capital regulations in accordance with Basel III, as administered by banking regulators. Regulatory agencies measure capital adequacy within a framework that makes capital requirements, in part, dependent on the individual risk profiles of financial institutions. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on Bancorp's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Holding Company and the Bank must meet specific capital guidelines that involve quantitative measures of Bancorp's assets, liabilities and certain off-balance sheet items, as calculated under regulatory accounting practices. The capital amounts and classification are also subject to qualitative judgments by the regulators regarding components, risk weightings and other factors.

Banking regulators have categorized the Bank as well-capitalized. To meet the definition of well-capitalized, a bank must have a minimum 6.5% Common Equity Tier 1 Risk-Based Capital ratio, 8.0% Tier 1 Risk-Based Capital ratio, 10.0% Total Risk-Based Capital ratio and 5.0% Tier 1 Leverage ratio.

Additionally, in order to avoid limitations on capital distributions, including dividend payments and certain discretionary bonus payments to executive officers, Bancorp and the Bank must hold a 2.5% capital conservation buffer composed of Common Equity Tier 1 Risk-Based Capital above the minimum risk-based capital requirements for the Common Equity Tier 1 Risk-Based Capital ratio, Tier 1 Risk-Based Capital ratio and Total Risk-Based Capital ratio necessary to be considered adequately-capitalized. At June 30, 2025, the adequately-capitalized minimums, including the capital conservation buffer, were a 7.0% Common Equity Tier 1 Risk-Based Capital ratio, 8.5% Tier 1 Risk-Based Capital ratio and 10.5% Total Risk-Based Capital ratio. As all of Bancorp's capital ratios were above the adequately-capitalized minimums, including the buffer, the Company was not subject to any such restrictions.

As a result of the CB acquisition, Bancorp became the 100% successor owner of the following unconsolidated trust subsidiaries: Commonwealth Statutory Trust III, Commonwealth Statutory Trust IV and Commonwealth Statutory Trust V. The sole assets of the trust subsidiaries represent the proceeds of offerings loaned in exchange for subordinated debentures with similar terms to the TPS. The TPS are treated as part of Tier 1 Capital. The subordinated note and related interest expense are included in Bancorp's consolidated financial statements. The subordinated notes are currently redeemable at Bancorp's option on a quarterly basis. As of June 30, 2025 and December 31, 2024, subordinated notes totaled \$27 million.

Bancorp continues to exceed the regulatory requirements for all calculations. Bancorp and the Bank intend to maintain a capital position that meets or exceeds the "well-capitalized" requirements as defined by the FRB and the FDIC, in addition to the capital conservation buffer.

The following table sets forth consolidated Bancorp's and the Bank's risk based capital amounts and ratios:

<i>(dollars in thousands)</i> June 30, 2025	Actual		Minimum for adequately capitalized		Minimum for well capitalized	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total risk-based capital (1)						
Consolidated	\$ 998,677	12.91%	\$ 618,917	8.00%	NA	NA
Bank	972,372	12.58	618,480	8.00	\$ 773,100	10.00
Common equity tier 1 risk-based capital (1)						
Consolidated	875,962	11.32	348,141	4.50	NA	NA
Bank	875,725	11.33	347,895	4.50	502,515	6.50
Tier 1 risk-based capital (1)						
Consolidated	901,962	11.66	464,187	6.00	NA	NA
Bank	875,725	11.33	463,860	6.00	618,480	8.00
Leverage						
Consolidated	901,962	10.17	354,618	4.00	NA	NA
Bank	875,725	9.88	354,382	4.00	442,977	5.00

(dollars in thousands)

December 31, 2024	Actual		Minimum for adequately capitalized		Minimum for well capitalized	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total risk-based capital (1)						
Consolidated	\$ 943,723	12.73%	\$ 593,201	8.00%	NA	NA
Bank	918,210	12.39	593,002	8.00	\$ 741,252	10.00
Common equity tier 1 risk-based capital (1)						
Consolidated	828,386	11.17	333,676	4.50	NA	NA
Bank	828,873	11.18	333,564	4.50	481,814	6.50
Tier 1 risk-based capital (1)						
Consolidated	854,386	11.52	444,901	6.00	NA	NA
Bank	828,873	11.18	444,751	6.00	593,002	8.00
Leverage						
Consolidated	854,386	9.94	343,886	4.00	NA	NA
Bank	828,873	9.65	343,624	4.00	429,530	5.00

(1) Ratio is computed in relation to risk-weighted assets.

NA – Regulatory framework does not define “well-capitalized” for holding companies.

(22) Segments

Bancorp's principal activities are divided into two reportable segments, Commercial Banking and WM&T, which are delineated based on the products and services that each segment offers:

Commercial Banking provides a full range of loan and deposit products to individual consumers and businesses through retail lending, mortgage banking, deposit services, online banking, mobile banking, private banking, commercial lending, commercial real estate lending, leasing, treasury management services, merchant services, international banking, correspondent banking, credit card services, and other banking services. Bancorp also offers securities brokerage services via its banking center network through an arrangement with a third party broker-dealer in the Commercial Banking segment.

WM&T provides investment management, financial & retirement planning and trust & estate services, as well as retirement plan management for businesses and corporations in all markets in which Bancorp operates. The magnitude of WM&T revenue distinguishes Bancorp from other community banks of similar asset size.

Bancorp's Commercial Banking and WM&T segments overlap a regional reporting structure. These regions are based on the primary geographic markets in which Bancorp operates, specifically Louisville, central, eastern and northern Kentucky, and the Indianapolis, Indiana and Cincinnati, Ohio MSAs. All regions share the same lines of business, including the same products, services and delivery methods, as well as similar customer bases and pricing guidelines.

Financial information for each business segment reflects that which is specifically identifiable or allocated based on an internal allocation method. Income taxes are allocated based on the effective federal income tax rate adjusted for any tax-exempt activity. All tax-exempt activity and provision have been allocated fully to the commercial banking segment. Measurement of performance of business segments is based on the management structure of Bancorp and is not necessarily comparable with similar information for any other financial institution. Information presented is also not necessarily indicative of the segments' operations if they were independent entities.

Bancorp's chief executive officer is the chief operating decision maker. The financial results by operating segment, including significant expense categories provided to the chief operating decision maker, help measure the profitability of a particular segment and identify trends, evaluate each segment and its impact on consolidated earnings, and enhance decision making processes related to the allocation of Bancorp's resources.

The majority of the net assets of Bancorp are associated with in the Commercial Banking segment. As of June 30, 2025, goodwill totaling \$194 million was recorded on Bancorp's consolidated balance sheets, of which \$172 million is attributed to the commercial banking segment and \$22 million is attributed to WM&T. The portion of total goodwill attributed to WM&T relates entirely to the CB acquisition, which generated \$67 million in total goodwill, \$8.5 million of which was subsequently written off as a result of Bancorp selling its interest in LFA effective December 31, 2022. With the exception of goodwill attributed to WM&T through the CB acquisition, assets assigned to WM&T consist primarily of a CLI asset associated with the WM&T business added through the CB acquisition, net premises and equipment and a receivable related to fees earned that have not been collected.

WM&T AUM, which are the primary driver of WM&T revenue, are not included on the consolidated balance sheets of Bancorp. WM&T AUM totaled \$7.19 billion and \$7.07 billion as of June 30, 2025 and December 31, 2024, respectively.

Financial results by operating segment, including significant expense categories provided to the chief operating decision maker, are detailed below:

(in thousands)	Three months ended June 30, 2025			Three months ended June 30, 2024		
	Commercial Banking	WM&T	Total	Commercial Banking	WM&T	Total
Net interest income	\$ 73,184	\$ 289	\$ 73,473	\$ 61,790	\$ 232	\$ 62,022
Provision for credit losses	2,175	—	2,175	1,300	—	1,300
Net interest income after provision expense	71,009	289	71,298	60,490	232	60,722
Non-interest income:						
Wealth management and trust services	—	10,483	10,483	—	10,795	10,795
All other non-interest income	13,865	—	13,865	12,860	—	12,860
Total non-interest income	13,865	10,483	24,348	12,860	10,795	23,655
Non-interest expenses:						
Compensation and employee benefits	27,652	4,957	32,609	25,520	4,200	29,720
Net occupancy and equipment	3,779	246	4,025	3,570	249	3,819
Technology and communication	4,066	707	4,773	4,102	792	4,894
Intangible amortization	573	342	915	671	380	1,051
Other direct and indirect/allocated expenses	9,807	571	10,378	8,767	858	9,625
Total Non-interest expenses	45,877	6,823	52,700	42,630	6,479	49,109
Income before income tax expense	38,997	3,949	42,946	30,720	4,548	35,268
Income tax expense	8,066	856	8,922	6,683	987	7,670
Net income	\$ 30,931	\$ 3,093	\$ 34,024	\$ 24,037	\$ 3,561	\$ 27,598
Total assets	\$ 9,175,503	\$ 33,483	\$ 9,208,986	\$ 8,280,324	\$ 35,001	\$ 8,315,325
(in thousands)	Six months ended June 30, 2025			Six months ended June 30, 2024		
	Commercial Banking	WM&T	Total	Commercial Banking	WM&T	Total
Net interest income	\$ 143,457	\$ 568	\$ 144,025	\$ 121,584	\$ 508	\$ 122,092
Provision for credit losses	3,075	—	3,075	2,725	—	2,725
Net interest income after provision expense	140,382	568	140,950	118,859	508	119,367
Non-interest income:						
Wealth management and trust services	—	21,130	21,130	—	21,566	21,566
All other non-interest income	26,214	—	26,214	25,360	—	25,360
Total non-interest income	26,214	21,130	47,344	25,360	21,566	46,926
Non-interest expenses:						
Compensation and employee benefits	54,462	9,864	64,326	51,416	8,401	59,817
Net occupancy and equipment	7,657	491	8,148	6,994	495	7,489
Technology and communication	8,152	1,449	9,601	8,459	1,504	9,963
Intangible amortization	1,145	684	1,829	1,343	760	2,103
Other direct and indirect/allocated expenses	18,799	1,024	19,823	17,397	1,301	18,698
Total Non-interest expenses	90,215	13,512	103,727	85,609	12,461	98,070
Income before income tax expense	76,381	8,186	84,567	58,610	9,613	68,223
Income tax expense	15,496	1,776	17,272	12,652	2,086	14,738
Net income	\$ 60,885	\$ 6,410	\$ 67,295	\$ 45,958	\$ 7,527	\$ 53,485
Total assets	\$ 9,175,503	\$ 33,483	\$ 9,208,986	\$ 8,280,324	\$ 35,001	\$ 8,315,325

(23) Revenue from Contracts with Customers

All of Bancorp's revenue from contracts with customers in the scope of ASC 606 is recognized within non-interest income. The table below presents Bancorp's sources of non-interest income with items outside the scope of ASC 606 noted as such:

(in thousands)	Three months ended June 30, 2025			Three months ended June 30, 2024		
	Commercial Banking	WM&T	Total	Commercial Banking	WM&T	Total
Wealth management and trust services	\$ —	\$ 10,483	\$ 10,483	\$ —	\$ 10,795	\$ 10,795
Deposit service charges	2,069	—	2,069	2,180	—	2,180
Debit and credit card income	4,837	—	4,837	4,923	—	4,923
Treasury management fees	3,005	—	3,005	2,825	—	2,825
Mortgage banking income (1)	1,094	—	1,094	1,017	—	1,017
Net investment product sales commissions and fees	980	—	980	800	—	800
Bank owned life insurance (1)	629	—	629	595	—	595
Gain on sale of premises and equipment (1)	74	—	74	20	—	20
Other (2)	1,177	—	1,177	500	—	500
Total non-interest income	<u>\$ 13,865</u>	<u>\$ 10,483</u>	<u>\$ 24,348</u>	<u>\$ 12,860</u>	<u>\$ 10,795</u>	<u>\$ 23,655</u>

(Dollars in thousands)	Six months ended June 30, 2025			Six months ended June 30, 2024		
	Commercial Banking	WM&T	Total	Commercial Banking	WM&T	Total
Wealth management and trust services	\$ —	\$ 21,130	\$ 21,130	\$ —	\$ 21,566	\$ 21,566
Deposit service charges	4,148	—	4,148	4,316	—	4,316
Debit and credit card income	9,345	—	9,345	9,605	—	9,605
Treasury management fees	5,678	—	5,678	5,450	—	5,450
Mortgage banking income (1)	2,011	—	2,011	1,965	—	1,965
Net investment product sales commissions and fees	1,990	—	1,990	1,665	—	1,665
Bank owned life insurance (1)	1,251	—	1,251	1,183	—	1,183
Gain on sale of premises and equipment (1)	74	—	74	20	—	20
Other(2)	1,717	—	1,717	1,156	—	1,156
Total non-interest income	<u>\$ 26,214</u>	<u>\$ 21,130</u>	<u>\$ 47,344</u>	<u>\$ 25,360</u>	<u>\$ 21,566</u>	<u>\$ 46,926</u>

(1) Outside of the scope of ASC 606.

(2) Outside of the scope of ASC 606, with the exception of safe deposit fees which were nominal for all periods.

Bancorp's revenue on the consolidated statement of income is categorized by product type, which effectively depicts how the nature, timing and extent of cash flows are affected by economic factors. Revenue sources within the scope of ASC 606 are discussed below:

WM&T provides customers fiduciary and investment management services as agreed upon in asset management contracts. The contracts require WM&T to provide a series of distinct services for which fees are earned over time. The contracts are cancellable upon demand with fees typically based upon the asset value of investments. Revenue is accrued and recognized monthly based upon month-end asset values and collected from the customer predominately in the following month except for a small percentage of fees collected quarterly. Incentive compensation related to WM&T activities is considered a cost of obtaining the contract. Contracts between WM&T and customers do not permit performance-based fees and accordingly, none of the fee income earned by WM&T is performance-based. Trust fees receivable were \$4.9 million and \$4.5 million at June 30, 2025 and December 31, 2024, respectively.

Bancorp earns fees from its deposit customers for transaction-based, account management and overdraft services. Transaction-based fees, which include services such as ATM use fees and stop payments fees, are recognized at the time the transaction is executed, as that is when the company fulfills the performance obligation. Account management fees are earned over the course of a month and charged in the month in which the services are provided.

Debit and credit card revenue primarily consists of debit and credit card interchange income. Interchange income represents fees assessed within the payment card system for acceptance of card-based transactions. Interchange fees are assessed as the performance obligation is satisfied, which is at the point in time the card transaction is authorized. Revenue is collected and recognized daily through the payment network settlement process.

Treasury management transaction fees are recognized at the time the transaction is executed, as that is when the company fulfills the performance obligation. Account analysis fees are earned over the course of a month and charged in the month in which the services are provided. Treasury management fees are withdrawn from customers' account balances.

Net investment products sales commissions and fees represent the Bank's share of transaction fees and wrap fees resulting from investment services and programs provided through an agent relationship with a third party broker-dealer. Transaction fees are assessed at the time of the transaction. Those fees are collected and recognized on a monthly basis. Trailing fees are based upon market values and are assessed, collected and recognized on a quarterly basis. Because the Bank acts as an agent in arranging the relationship between the customer and third party provider, and does not control the services rendered, investment product sales commissions and fees are reported net of related costs, including nominal incentive compensation, and trading activity charges of \$568,000 and \$468,000 for the six month periods ended June 30, 2025 and 2024.

Bancorp did not establish any contract assets or liabilities as a result of adopting ASC 606, nor were any recognized during the three and six month periods ended June 30, 2025.

(24) Leases

Bancorp has operating leases for various locations with terms ranging from approximately two months to 24 years, several of which include options to extend the leases in five-year increments. Options reasonably expected to be exercised are included in determination of the right-of-use asset. Bancorp elected to use a practical expedient to expense short-term lease obligations associated with leases with original terms of 12 months or less. Bancorp elected not to separate non-lease components from lease components for its operating leases. The right-of-use lease asset and operating lease liability are recorded in premises and equipment and other liabilities on the consolidated balance sheet.

Balance sheet, income statement and cash flow detail regarding operating leases follows:

<i>(dollars in thousands)</i>	June 30, 2025	December 31, 2024
Balance Sheet		
Operating lease right-of-use asset	\$ 29,789	\$ 29,695
Operating lease liability	31,366	31,194
Weighted average remaining lease term (years)	11.0	10.8
Weighted average discount rate	3.82%	3.69%
Maturities of lease liabilities:		
One year or less	\$ 1,949	\$ 3,955
Year two	3,996	3,869
Year three	3,999	3,881
Year four	4,045	3,924
Year five	3,918	3,794
Greater than five years	21,434	19,120
Total lease payments	\$ 39,341	\$ 38,543
Less imputed interest	7,975	7,349
Total	\$ 31,366	\$ 31,194
	Three months ended June 30, 2025	Three months ended June 30, 2024
<i>(in thousands)</i>		
Income Statement		
Components of lease expense:		
Operating lease cost	\$ 1,047	\$ 1,112
Variable lease cost	96	86
Less sublease income	25	25
Total lease cost	\$ 1,118	\$ 1,173
	Six months ended June 30, 2025	Six months ended June 30, 2024
<i>(in thousands)</i>		
Income Statement		
Components of lease expense:		
Operating lease cost	\$ 2,095	\$ 2,158
Variable lease cost	189	169
Less sublease income	51	51
Total lease cost	\$ 2,233	\$ 2,276
	Six months ended June 30, 2025	Six months ended June 30, 2024
<i>(in thousands)</i>		
Cash flow Statement		
Supplemental cash flow information:		
Operating cash flows from operating leases	\$ 2,174	\$ 2,373

As of June 30, 2025, Bancorp had entered into one lease agreement that had yet to commence.

(25) Subsequent Event

In July 2025, Bancorp’s Board of Directors adopted a share repurchase program authorizing the repurchase of up to 1 million shares, or approximately 4%, of Bancorp’s total common shares outstanding. This share repurchase program replaces the program that expired in May and will expire in two years unless otherwise extended or completed at an earlier date. The plan does not obligate Bancorp to repurchase any specific dollar amount or number of shares prior to the plan’s expiration. Bancorp has not repurchased shares under any share repurchase program since 2019.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Stock Yards Bancorp, Inc. ("Bancorp" or "the Company"), is a FHC headquartered in Louisville, Kentucky and is engaged in the business of banking through its wholly owned subsidiary, Stock Yards Bank & Trust Company ("SYB" or "the Bank"). Bancorp, which was incorporated in 1988 in Kentucky, is registered with, and subject to supervision, regulation and examination by, the Board of Governors of the Federal Reserve System. As Bancorp has no significant operations of its own, its business and the business of SYB are essentially the same. The operations of SYB are fully reflected in the consolidated financial statements of Bancorp. Accordingly, references to "Bancorp" in this document may encompass both the holding company and the Bank. All significant inter-company transactions and accounts have been eliminated in consolidation.

SYB, established in 1904, is a state-chartered non-member financial institution that provides services in Louisville, central, eastern and northern Kentucky, as well as the Indianapolis, Indiana and Cincinnati, Ohio markets through 73 full service banking center locations. The Bank is registered with, and subject to supervision, regulation and examination by the FDIC and the Kentucky Department of Financial Institutions.

As a result of its acquisition of Kentucky Bancshares, Inc. on May 31, 2021, Bancorp became the 100% successor owner of a Nevada-based insurance captive taxed under Section 831(b) of the Internal Revenue Code. On April 10, 2023, the IRS issued a proposed regulation that would potentially classify section 831(b) captive activity as a, "listed transaction," and possibly disallow the related tax benefits, both prospectively and retroactively. The regulation was finalized on January 10, 2025, clarifying what is considered a listed transaction or a transaction of interest. Based on the final regulations, there is no change in the status for the captive insurance structure in place previously, which Bancorp dissolved in 2023. The captive remains classified as a transaction of interest for the open tax years and there is no reserve for an uncertain tax position based on the final regulation.

As a result of its acquisition of Commonwealth Bancshares, Inc. on March 7, 2022, Bancorp became the 100% successor owner of three unconsolidated Delaware trust subsidiaries: Commonwealth Statutory Trust III, Commonwealth Statutory Trust IV and Commonwealth Statutory Trust V. The sole assets of the trust subsidiaries represent the proceeds of offerings exchanged for subordinated debentures with similar terms to the TPS.

Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with the consolidated financial statements and accompanying Footnotes presented in Part 1 Item 1 "*Financial Statements*" and other information appearing in Bancorp's Annual Report on Form 10-K for the year ended December 31, 2024. To the extent that this discussion describes prior performance, the descriptions relate only to the periods listed, which may not be indicative of Bancorp's future financial outcomes. In addition to historical information, this discussion contains forward-looking statements that involve risks, uncertainties and assumptions that could cause results to differ materially from management's expectations.

Cautionary Statement Regarding Forward-Looking Statements

This document contains statements relating to future results of Bancorp that are considered "forward-looking" as defined by Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. The forward-looking statements are principally, but not exclusively, contained in Part I Item 2 "*Management's Discussion and Analysis of Financial Condition and Results of Operations*."

Forward-looking statements involve known and unknown risks, uncertainties, and other factors that may cause actual results, performance, or achievements to be materially different from future results, performance, or achievements expressed or implied by the statement. These statements are often, but not always, made through the use of words or phrases such as "anticipate," "believe," "can," "conclude," "continue," "could," "estimate," "expect," "foresee," "goal," "intend," "may," "might," "outlook," "possible," "plan," "predict," "project," "potential," "seek," "should," "target," "will," "will likely," "would," or other similar expressions. These forward-looking statements are not historical facts and are based on current expectations, estimates and projections about our industry, management's beliefs and certain assumptions made by management, many of which, by their nature, are inherently uncertain and beyond our control.

Forward-looking statements detail management's expectations regarding the future and are based on information known to management only as of the date the statements are made and management undertakes no obligation to update forward-looking statements to reflect events or circumstances that occur after the date forward-looking statements are made, except as required by applicable regulation.

There is no assurance that any list of risks and uncertainties or risk factors is complete. Factors that could cause actual results to differ materially from those expressed or implied in forward-looking statements include, among other things:

- Changes in, or forecasts of, future political and economic conditions, inflation or recession and efforts to control related developments;
- changes in laws and regulations or the interpretation thereof;
- accuracy of assumptions and estimates used in establishing the ACL for loans, ACL for off-balance sheet credit exposures and other estimates;
- impairment of investment securities;
- impairment of goodwill, MSRs, other intangible assets and/or DTAs;
- ability to effectively navigate an economic slowdown or other economic or market disruptions;
- changes in fiscal, monetary, and/or regulatory policies;
- changes in tax polices including but not limited to changes in federal and state statutory rates;
- behavior of securities and capital markets, including changes in interest rates, market volatility and liquidity;
- ability to effectively manage capital and liquidity;
- long-term and short-term interest rate fluctuations, as well as the shape of the U.S. Treasury yield curve;
- the magnitude and frequency of changes to the FFTR implemented by the Federal Open Market Committee of the FRB;
- competitive product and pricing pressures;
- projections of revenue, expenses, capital expenditures, losses, EPS, dividends, capital structure, etc.;
- integration of acquired financial institutions, businesses or future acquisitions;
- changes in the credit quality of Bancorp's customers and counterparties, deteriorating asset quality and charge-off levels;
- changes in technology instituted by Bancorp, its counterparties or competitors;
- changes to or the effectiveness of Bancorp's overall internal control environment;
- adequacy of Bancorp's risk management framework, disclosure controls and procedures and internal control over financial reporting;
- changes in applicable accounting standards, including the introduction of new accounting standards;
- changes in investor sentiment or behavior;
- changes in consumer/business spending or savings behavior;
- ability to appropriately address social, environmental and sustainability concerns that may arise from business activities;
- occurrence of natural or man-made disasters or calamities, including health emergencies, the spread of infectious diseases, pandemics or outbreaks of hostilities, and Bancorp's ability to deal effectively with disruptions caused by the foregoing;
- ability to maintain the security of its financial, accounting, technology, data processing and other operational systems and facilities;
- ability to withstand disruptions that may be caused by any failure of its operational systems or those of third parties;
- ability to effectively defend itself against cyberattacks or other attempts by unauthorized parties to access information of Bancorp, its vendors or its customers or to disrupt systems; and
- other risks and uncertainties reported from time-to-time in Bancorp's filings with the SEC, including Part I Item 1A "Risk Factors" of Bancorp's Annual Report on Form 10-K for the year ended December 31, 2024.

Issued but Not Yet Effective Accounting Standards Updates
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For disclosure regarding the impact to Bancorp's financial statements of issued-but-not-yet-effective ASUs, see the footnote titled "Summary of Significant Accounting Policies" of Part I Item 1 "Financial Statements."

Business Segment Overview

Bancorp is divided into two reportable segments: Commercial Banking and WM&T:

Commercial Banking provides a full range of loan and deposit products to individual consumers and businesses in all its markets through retail lending, mortgage banking, deposit services, online banking, mobile banking, private banking, commercial lending, commercial real estate lending, treasury management services, merchant services, international banking, correspondent banking and other banking services. The Bank also offers securities brokerage services via its banking center network through an arrangement with a third party broker-dealer in the Commercial Banking segment.

WM&T provides investment management, financial & retirement planning and trust & estate services, as well as retirement plan management for businesses and corporations in all markets in which Bancorp operates. The magnitude of WM&T revenue distinguishes Bancorp from other community banks of similar asset size.

Overview – Operating Results (FTE)

The following table presents an overview of Bancorp’s financial performance for the three months ended June 30, 2025 and 2024:

(dollars in thousands, except per share data)

Three months ended June 30,	2025	2024	Variance	
			\$/bp	%
Net income	\$ 34,024	\$ 27,598	\$ 6,426	23%
Diluted earnings per share	\$ 1.15	\$ 0.94	\$ 0.21	22%
ROA	1.52%	1.35%	17 bps	13%
ROE	13.91%	12.64%	127 bps	10%

Additional discussion follows under the section titled “Results of Operations.”

General highlights for the three months ended June 30, 2025 compared to June 30, 2024:

- Net income totaled \$34.0 million for the three months ended June 30, 2025, resulting in diluted EPS of \$1.15, compared to net income of \$27.6 million for the three months ended June 30, 2024, which resulted in diluted EPS of \$0.94.
- Total loans increased \$779 million, or 13%, compared to June 30, 2024, attributed largely to growth in the CRE segment as well as C&I lines of credit and residential real estate. Average loans increased \$773 million, or 13%, for the three months ended June 30, 2025 compared to the same period of the prior year.
- Bancorp’s ACL on loans increased \$8.6 million, or 10%, compared to June 30, 2024. The increase over the past 12 months was attributed to significant loan growth, slight deterioration within the unemployment forecast and increased specific reserves, which were only partially offset by annual CECL model updates.
 - Provision for credit losses on loans totaled \$2.3 million for the three months ended June 30, 2025, compared to \$1.1 million for the three months ended June 30, 2024.
- Deposit balances increased \$938 million, or 14%, compared to June 30, 2024, most notably by growth in time deposits tied to the success of competitive CD offerings.
- Net interest income (FTE) totaled \$73.6 million for the three months ended June 30, 2025, representing an increase of \$11.5 million, or 18%, compared to the three months ended June 30, 2024.
 - Interest income experienced a \$14.7 million, or 15%, increase over this period as a result of significant average earning asset growth, far surpassing the \$3.2 million, or 8%, increase in interest expense driven by growth in interest-bearing liabilities.
 - Bancorp has continued to experience a shift in the deposit mix towards higher-yielding offerings, driven in large part by time deposit growth. As a result, the overall cost of deposits, including non-interest bearing deposits, increased 10 bps to 2.06% compared to the second quarter of 2024.
 - However, despite higher deposit costs, the overall cost of interest-bearing liabilities declined 10 bps for the three months ended June 30, 2025 compared to the same period of the prior year, as the previously mentioned deposit growth all but eliminated the need for more expensive overnight borrowings through FHLB.

- o NIM increased 27 bps to 3.53% for the three months ended June 30, 2025, compared to the same period of the prior year, driven primarily by the previously mentioned earning asset growth and decline in the cost of total interest bearing liabilities.
- Non-interest income increased \$693,000, or 3%, for the three months ended June 30, 2025, compared to the three months ended June 30, 2024, as swap fees and growth in treasury management revenue and investment product sales helped overcome declines in WM&T revenue, deposit service charges and card income.
- Non-interest expenses increased \$3.6 million, or 7%, for the three months ended June 30, 2025, compared to the three months ended June 30, 2024, driven mainly by higher compensation expenses associated with increased bonus accrual levels as well as higher marketing and business development expenses.
- Bancorp's efficiency ratio (FTE) for the three months ended June 30, 2025 was 53.83% compared to 57.26% for the three months ended June 30, 2024. This improvement is attributed to strong net interest income growth, which outpaced growth in non-interest expenses.
- As of June 30, 2025, Bancorp continued to be "well-capitalized," the highest regulatory capital rating for financial institutions, with capital ratios experiencing growth compared to both December 31, 2024 and June 30, 2024. Total stockholders' equity to total assets was 10.92% as of June 30, 2025, compared to 10.61% and 10.76% at December 31, 2024 and June 30, 2024, respectively. Tangible common equity to tangible assets was 8.86% at June 30, 2025, compared to 8.44% and 8.42% at December 31, 2024 and June 30, 2024, respectively.

The following table presents an overview of Bancorp's financial performance for the six months ended June 30, 2025 and 2024:

(dollars in thousands, except per share data)

Six months ended June 30,	2025	2024	Variance	
			\$/bp	%
Net income	\$ 67,295	\$ 53,485	\$ 13,810	26%
Diluted earnings per share	\$ 2.28	\$ 1.82	\$ 0.46	25%
ROA	1.52%	1.31%	21 bps	16%
ROE	14.03%	12.37%	166 bps	13%

Additional discussion follows under the section titled "Results of Operations."

General highlights for the six months ended June 30, 2025 compared to June 30, 2024:

- Net income totaled \$67.3 million for the six months ended June 30, 2025, resulting in diluted EPS of \$2.28, compared to net income of \$53.5 million for the six months ended June 30, 2024, which resulted in diluted EPS of \$1.82.
- Total loans increased \$779 million, or 13%, compared to June 30, 2024, attributed largely to growth in the CRE segment as well as C&I lines of credit and residential real estate. Average loans increased \$781 million, or 13%, for the six months ended June 30, 2025 compared to the same period of the prior year.
- Bancorp's ACL on loans increased \$8.6 million, or 10%, compared to June 30, 2024. The increase over the past 12 months was attributed to significant loan growth, slight deterioration within the unemployment forecast and increased specific reserves, which were only partially offset by annual CECL model updates.
 - o Provision for credit losses on loans totaled \$3.2 million for the six months ended June 30, 2025, compared to \$2.3 million for the six months ended June 30, 2024.
- Deposit balances increased \$938 million, or 14%, compared to June 30, 2024, most notably by growth in time deposits tied to the success of competitive CD offerings.
- Net interest income (FTE) totaled \$144.2 million for the six months ended June 30, 2025, representing an increase of \$21.9 million, or 18%, compared to the six months ended June 30, 2024.
 - o Interest income experienced a \$29.3 million, or 15%, increase as a result of significant average earning asset growth, far surpassing the \$7.4 million, or 10%, increase in interest expense driven by growth in interest-bearing liabilities. Interest income for the six months ended June 30, 2025 also benefitted from the payoff of a large non-accrual relationship, including interest income, during the first quarter.
 - o While Bancorp has experienced a shift to a higher-costing deposit mix over the past several quarters, the cost of interest bearing deposits was flat at 2.55% for the six months ended June 30, 2025 compared to the same period of the prior year, stemming from the impact of the FRB's rate cuts enacted over the latter part of 2024. However, the overall cost of deposits, including non-interest bearing deposits, increased 7 bps to 2.03% for the six months ended June 30, 2025 compared to the same period of 2024 due to a decline in average non-interest bearing deposits.

- o NIM increased 27 bps to 3.50% for the six months ended June 30, 2025, compared to the same period of the prior year, driven by average earning assets growth and a decline in the cost of interest-bearing liabilities.
- Non-interest income increased \$418,000, or 1%, for the six months ended June 30, 2025, compared to the six months ended June 30, 2024, as swap fees and growth in treasury management revenue and investment product sales helped overcome declines in WM&T revenue, deposit service charges and card income.
- Non-interest expenses increased \$5.7 million, or 6%, for the six months ended June 30, 2025, compared to the six months ended June 30, 2024, driven mainly by higher compensation expenses associated with increased bonus accrual levels, increased net occupancy expenses and elevated marketing expenses related to promotional deposit campaigns that ran primarily during the first quarter of 2025.
- Bancorp's efficiency ratio (FTE) for the six months ended June 30, 2025 was 54.15% compared to 57.96% for the six months ended June 30, 2024. This improvement is attributed to strong net interest income growth, which outpaced growth in non-interest expenses.

Results of Operations

Net Interest Income - Overview

As is the case with most banks, Bancorp's primary revenue sources are net interest income and fee income from various financial services provided to customers. Net interest income is the difference between interest income earned on loans, investment securities and other interest earning assets less interest expense on deposit accounts and other interest bearing liabilities. Loan volume and interest rates earned on those loans are critical to overall profitability. Similarly, deposit volume is crucial to funding loans and rates paid on deposits directly impact profitability. New business volume is influenced by numerous economic factors including market interest rates, business spending, liquidity, consumer confidence and competitive conditions within the marketplace. The discussion that follows is based on FTE net interest income data.

Comparative information regarding net interest income follows:

(dollars in thousands)

As of and for the three months ended June 30,	2025	2024	Variance	
			\$/bp	%
Net interest income	\$ 73,473	\$ 62,022	\$ 11,451	18%
Net interest income (FTE)*	73,560	62,113	11,447	18%
Net interest spread (FTE)*	2.87%	2.52%	35 bps	14%
Net interest margin (FTE)*	3.53%	3.26%	27 bps	8%
Average interest earning assets	\$ 8,364,263	\$ 7,660,117	\$ 704,146	9%
Average interest bearing liabilities	6,285,520	5,597,548	687,972	12%
Five year Treasury note rate at period end	3.79%	4.33%	(54) bps	-12%
Average five year Treasury note rate	3.97%	4.46%	(49) bps	-11%
Prime rate at period end	7.50%	8.50%	(100) bps	-12%
Average Prime rate	7.50%	8.50%	(100) bps	-12%
One month term SOFR at period end	4.33%	5.34%	(101) bps	-19%
Average one month term SOFR	4.32%	5.33%	(101) bps	-19%

*See table titled, "Average Balance Sheets and Interest Rates (FTE)" for detail of Net interest income (FTE).

(dollars in thousands)

As of and for the six months ended June 30,	2025	2024	Variance	
			\$/bp	%
Net interest income	\$ 144,025	\$ 122,092	\$ 21,933	18%
Net interest income (FTE)*	144,196	122,279	21,917	18%
Net interest spread (FTE)*	2.85%	2.50%	35 bps	14%
Net interest margin (FTE)*	3.50%	3.23%	27 bps	8%
Average interest earning assets	\$ 8,317,552	\$ 7,613,591	\$ 703,961	9%
Average interest bearing liabilities	6,269,701	5,566,338	703,363	13%
Five year Treasury note rate at period end	3.79%	4.33%	(54) bps	-12%
Average five year Treasury note rate	4.11%	4.30%	(19) bps	-4%
Prime rate at period end	7.50%	8.50%	(100) bps	-12%
Average Prime rate	7.50%	8.50%	(100) bps	-12%
One month term SOFR at period end	4.33%	5.34%	(101) bps	-19%
Average one month term SOFR	4.32%	5.33%	(101) bps	-19%

*See table titled, "Average Balance Sheets and Interest Rates (FTE)" for detail of Net interest income (FTE).

NIM and net interest spread calculations above exclude the sold portion of certain participation loans, which totaled \$2 million at both June 30, 2025 and December 31, 2024, respectively. These sold loans are on Bancorp's balance sheet as required by GAAP because Bancorp retains some form of effective control; however, Bancorp receives no interest income on the sold portion. These participation loans sold are excluded from NIM and spread analysis, as Bancorp believes it provides a more accurate depiction of loan portfolio performance.

At June 30, 2025, Bancorp's loan portfolio consisted of approximately 64% fixed and 36% variable rate loans. At inception, most of Bancorp's fixed rate loans are generally priced in relation to the five year treasury note. Bancorp's variable rate loans are typically indexed to either Prime or one month term SOFR, repricing as those rates change. At June 30, 2025, approximately 56% and 44% of Bancorp's variable rate loan portfolio was indexed to Prime and SOFR, respectively.

Prime rate, the five year treasury note rate and one month term SOFR are included in the preceding tables to provide a general indication of the interest rate environment in which Bancorp has operated during the past 12 months. The FRB increased the FFTR a total of 100 bps in 2023 via four separate 25 bps rate hikes, two of which occurred during the first quarter of 2023. These increases took the FFTR to a range of 5.25% - 5.50%, and Prime to 8.50%, in July of 2023. Interest rates remained at these levels until September 2024, when the FRB implemented its first rate reduction in over four years, beginning its attempt to avoid recession and pilot a "soft landing," with three separate decreases of the FFTR over the final four months of 2024, ultimately lowering the FFTR a total of 100 bps to a range of 4.25% - 4.50%, and Prime to 7.50%, as of December 31, 2024. The FFTR and Prime rate remained at these levels through the June 30, 2025. While the FRB decided against further rate reductions during the first six months of 2025, recent projections indicate the likelihood for some level of rate reduction over the second half of 2025.

Bancorp expects the potential for pricing pressure/competition for both loans and deposits to increase in the coming quarters.

Net Interest Income (FTE) – Three months ended June 30, 2025 compared to June 30, 2024:

Net interest spread (FTE) and NIM (FTE) were 2.87% and 3.53%, for the three months ended June 30, 2025, compared to 2.52% and 3.26% for the same period in 2024, respectively.

Net interest income (FTE) increased \$11.5 million, or 18%, for the three months ended June 30, 2025 compared to the same period of 2024, as the impact of significant loan growth on interest income far surpassed the increase in interest expense tied to interest bearing deposit growth.

Total average interest earning assets increased \$704 million, or 9%, for the three months ended June 30, 2025, as compared to the same period of 2024, attributed to substantial average loan growth that was partially offset by a decline in average investment securities driven by scheduled maturities and normal amortization. Further, the average rate earned on total average interest earning assets climbed 25 bps to 5.52%, as the previously mentioned loan growth, coupled with the repricing of matured/renewed loans and investment securities at higher rates, lifted yields compared to the prior period.

- Average total loan balances increased \$773 million, or 13%, for the three months ended June 30, 2025, compared to the same period of 2024. While the CRE category drove a significant portion of the period over period growth, C&I lines of credit and residential real estate also experienced strong growth.
- Average investment securities declined \$154 million, or 10%, for the three months ended June 30, 2025 compared to the same period of 2024, mainly as the result of significant scheduled maturities within the treasury portfolio, and to a lesser extent, normal amortization activity. The funding provided by this activity has benefitted interest-earning asset yields and overall NIM, as the low-yielding treasury securities helped fund Bancorp's substantial loan growth, were reinvested for collateral pledging purposes at higher rates, or shifted into higher-yielding cash balances.
- Average FFS and interest bearing due from bank balances increased \$91 million, or 58%, for the three months ended June 30, 2025, which was largely the result of the previously mentioned liquidity provided by the investment securities portfolio in addition to deposit growth outpacing loan growth.

Total interest income (FTE) increased \$14.7 million, or 15%, to \$115.1 million for the three months ended June 30, 2025, as compared to the same period of 2024.

- Interest and fee income (FTE) on loans increased \$13.0 million, or 14%, to \$103.1 million for the three months ended June 30, 2025, compared to the same period of 2024, driven mainly by loan growth. The yield on the overall loan portfolio increased 7 bps to 6.13% for the three months ended June 30, 2025 compared to 6.06% for the same period of the prior year.
- Despite the decline in average investment securities, there was a \$948,000, or 12%, increase in interest income (FTE) on the portfolio for the three months ended June 30, 2025 compared to the same period of 2024. This increase was driven by reinvesting a portion of lower-yielding maturities at significantly higher rates to satisfy collateral pledging requirements. As a result, the corresponding yield on the portfolio grew to 2.57% for the three months ended June 30, 2025, compared to 2.05% for the prior year period.
- Interest income on FFS and interest bearing due from bank balances increased \$573,000 for the three months ended June 30, 2025, consistent with the increase in corresponding average balances. The yield on these assets decreased 109 bps to 4.38% for the three months ended June 30, 2025 compared to the same period of 2024 due to the FRB's rate cuts enacted over the latter part of 2024.

Total average interest bearing liabilities increased \$688 million, or 12%, to \$6.29 billion for the three month period ended June 30, 2025 compared with the same period in 2024.

- Average interest bearing deposits increased \$849 million, or 17%, for the three months ended June 30, 2025 compared to the same period in 2024. Bancorp experienced a \$564 million, or 55%, increase in average time deposits and increases of \$158 million, or 7%, and \$134 million, or 11%, increase in average interest bearing demand and money market deposits, respectively, as a result of depositors seeking higher-yielding deposit products in the current environment.
- Average FHLB advances decreased \$138 million, or 31%, for the three months ended June 30, 2025 compared to the same period of the prior year, as significant interest-bearing deposit growth largely eliminated the need for more expensive overnight borrowings through the FHLB during the second quarter of 2025. No overnight borrowings were outstanding as of June 30, 2025. Bancorp currently utilizes a \$300 million term advance in conjunction with four separate interest rate swaps of varying maturities in an effort to secure longer-term funding at more favorable rates.
- Average SSUAR decreased \$19 million, or 13%, for the three months ended June 30, 2025 compared to the same period of the prior year, representing normal fluctuation.

Total interest expense increased \$3.2 million, or 8%, for the three months ended June 30, 2025 compared to the same period of 2024, driven almost entirely by increased time deposit expense associated with successful CD promotion, which was only partially offset by a decline in interest expense on FHLB advances.

- Total interest bearing deposit expense increased \$5.9 million, or 19%, driven by growth in the time deposit portfolio associated with successful promotional campaigns. While each interest bearing deposit category experienced a decline in cost for the three months ended June 30, 2025 compared to the same period of the prior year, total interest bearing cost increased 3 bps to 2.59% as more expensive time deposits become a larger portion of the overall mix.

- Interest expense on FHLB borrowings decreased \$2.4 million, or 45%, for the three months ended June 30, 2025, as compared to same period of the prior year, consistent with the \$138 million decrease in average FHLB advances.
- Interest expense on SSUAR decreased \$146,000, or 19%, for the three months ended June 30, 2025, as compared to the same period of the prior year, consistent with the average balance decrease.

Net Interest Income (FTE) – Six months ended June 30, 2025 compared to June 30, 2024:

Net interest spread (FTE) and NIM (FTE) were 2.85% and 3.50%, for the six months ended June 30, 2025, compared to 2.50% and 3.23% for the same period in 2024, respectively.

Net interest income (FTE) increased \$21.9 million, or 18%, for the six months ended June 30, 2025 compared to the same period of 2024, as the impact of significant loan growth on interest income far surpassed the increase in interest expense tied to interest bearing deposit growth.

Total average interest earning assets increased \$704 million, or 9%, for the six months ended June 30, 2025, as compared to the same period of 2024, attributed to substantial average loan growth that was partially offset by a decline in average investment securities driven by scheduled maturities and normal amortization. The average rate earned on total average interest earning assets climbed 29 bps to 5.49%.

- Average total loan balances increased \$781 million, or 13%, for the six months ended June 30, 2025, compared to the same period of 2024. While the CRE category drove a significant portion of the period over period growth, C&I lines of credit and residential real estate also experienced strong growth.
- Average investment securities declined \$139 million, or 9%, for the six months ended June 30, 2025 compared to the same period of 2024, mainly as the result of significant scheduled maturities within the treasury portfolio, and to a lesser extent, normal amortization activity. The funding provided by this activity has benefitted interest-earning asset yields and overall NIM, as the low-yielding treasury securities helped fund Bancorp's substantial loan growth, were reinvested for collateral pledging purposes at higher rates, or shifted into higher-yielding cash balances.
- Average FFS and interest bearing due from bank balances increased \$59 million, or 38%, for the six months ended June 30, 2025, which was largely the result of the previously mentioned liquidity provided by the investment securities portfolio.

Total interest income (FTE) increased \$29.3 million, or 15%, to \$226 million for the six months ended June 30, 2025, as compared to the same period of 2024.

- Interest and fee income (FTE) on loans increased \$26.7 million, or 15%, to \$202.7 million for the six months ended June 30, 2025, compared to the same period of 2024, driven by significant average loan growth. The yield on the overall loan portfolio increased 12 bps to 6.13% for the six months ended June 30, 2025 compared to 6.01% for the same period of the prior year. The six months ended June 30, 2025 also benefitted from the payoff of a large non-accrual loan during the first quarter, which included approximately \$628,000 of interest income.
- Despite the decline in average investment securities, there was a \$1.8 million, or 11%, increase in interest income (FTE) on the portfolio for the six months ended June 30, 2025 compared to the same period of 2024. This increase was driven by reinvesting a portion of lower-yielding maturities at significantly higher rates to satisfy collateral pledging requirements. As a result, the corresponding yield on the portfolio climbed to 2.53% for the six months ended June 30, 2025, compared to 2.06% for the prior year period, the increase being attributed to the maturity of lower-yielding treasury securities.
- Interest income on FFS and interest bearing due from bank balances increased \$478,000 for the six months ended June 30, 2025, stemming mainly from rate cuts to the FFTR during the latter part of 2024. The yield on these assets decreased 104 bps to 4.43% for the six months ended June 30, 2025 compared to the same period of 2024.

Total average interest bearing liabilities increased \$703 million, or 13%, to \$6.27 billion for the six month period ended June 30, 2025 compared with the same period in 2024.

- Average interest bearing deposits increased \$693 million, or 14%, for the six months ended June 30, 2025 compared to the same period in 2024. Bancorp experienced a \$441 million, or 43%, increase in average time deposits and increases of \$144 million, or 6%, and \$118 million, or 10%, increase in average interest bearing demand and money market deposits, respectively, as a result of depositors seeking higher-yielding deposit products in the current environment.
- Average FHLB advances increased \$27 million, or 7%, for the six months ended June 30, 2025 compared to the same period of the prior year. Bancorp utilized overnight borrowings more heavily during the six months ended June 30, 2025 to fund loan growth, largely during the first quarter, as the need for overnight borrowings dissipated in tandem with significant deposit growth generated during the first half of the year. No overnight borrowings were outstanding as of June 30, 2025. Bancorp currently utilizes a \$300 million term advance in conjunction with four separate interest rate swaps of varying maturities in an effort to secure longer-term funding at more favorable rates.
- Average SSUAR decreased \$12 million, or 8%, for the six months ended June 30, 2025 compared to the same period of the prior year, representing normal fluctuation.

Total interest expense increased \$7.4 million, or 10%, for the six months ended June 30, 2025 compared to the same period of 2024, driven entirely by increased time deposit expense associated with successful CD promotion, which was only partially offset by smaller declines in every other interest-bearing liability category. Despite the increased expense, the cost of interest-bearing deposits was flat at 2.55% and total interest-bearing liability cost declined 6 bps 2.64%, which was attributed to the impact of the FRB's interest rate reductions enacted in the latter part of 2024.

- Total interest bearing deposit expense increased \$8.6 million, or 14%, driven by growth in the time deposit portfolio associated with successful promotional CD products offered through April of this year, which was only partially offset by decreases in interest expense for the other interest-bearing deposit categories. The cost of interest bearing deposits was flat at 2.55% compared to the six months ended June 30, 2024, despite the rate reductions implemented by the FRB in the latter part of 2024 as more expensive time deposits became a larger portion of the total interest-bearing deposit portfolio.
- Interest expense on FHLB borrowings decreased \$611,000, or 7%, for the six months ended June 30, 2025, as compared to same period of the prior year despite increased borrowing activity, as overnight borrowing costs declined consistent with the FRB's previously mentioned rate cuts.
- Interest expense on SSUAR decreased \$263,000, or 15%, for the six months ended June 30, 2025, as compared to the same period of the prior year, consistent with the average balance decrease.

Average Balance Sheets and Interest Rates (FTE) – Three-Month Comparison

	Three months ended June 30,					
	2025			2024		
(dollars in thousands)	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate
Interest earning assets:						
Federal funds sold and interest bearing due from banks	\$ 249,738	\$ 2,730	4.38%	\$ 158,512	\$ 2,157	5.47%
Mortgage loans held for sale	7,145	78	4.38	6,204	74	4.80
Investment securities:						
Taxable	1,265,767	8,052	2.55	1,411,990	7,125	2.03
Tax-exempt	72,227	509	2.83	79,875	488	2.46
Total securities	1,337,994	8,561	2.57	1,491,865	7,613	2.05
Federal Home Loan Bank stock	22,413	662	11.85	29,735	470	6.36
Loans	6,746,973	103,056	6.13	5,973,801	90,081	6.06
Total interest earning assets	8,364,263	115,087	5.52	7,660,117	100,395	5.27
Less allowance for credit losses on loans	90,801			83,293		
Non-interest earning assets:						
Cash and due from banks	76,413			73,360		
Premises and equipment, net	116,089			112,085		
Bank owned life insurance	90,250			87,754		
Goodwill	194,074			194,074		
Accrued interest receivable and other	236,796			202,638		
Total assets	\$ 8,987,084			\$ 8,246,735		
Interest bearing liabilities:						
Deposits:						
Interest bearing demand	\$ 2,479,227	\$ 11,862	1.92%	\$ 2,321,626	\$ 11,661	2.02%
Savings	423,608	291	0.28	430,537	298	0.28
Money market	1,324,432	9,248	2.80	1,190,120	9,101	3.08
Time	1,593,047	16,110	4.06	1,029,521	10,563	4.13
Total interest bearing deposits	5,820,314	37,511	2.59	4,971,804	31,623	2.56
Securities sold under agreements to repurchase	128,493	625	1.95	147,327	771	2.10
Federal funds purchased	6,610	72	4.37	10,127	139	5.52
Federal Home Loan Bank advances	303,297	2,908	3.85	441,484	5,263	4.79
Subordinated debentures	26,806	411	6.15	26,806	486	7.29
Total interest bearing liabilities	6,285,520	41,527	2.65	5,597,548	38,282	2.75
Non-interest bearing liabilities:						
Non-interest bearing demand deposits	1,489,188			1,515,708		
Accrued interest payable and other	231,573			255,246		
Total liabilities	8,006,281			7,368,502		
Stockholders' equity	980,803			878,233		
Total liabilities and stockholders' equity	\$ 8,987,084			\$ 8,246,735		
Net interest income		\$ 73,560			\$ 62,113	
Net interest spread			2.87%			2.52%
Net interest margin			3.53%			3.26%

Average Balance Sheets and Interest Rates (FTE) – Six-Month Comparison

	Six months ended June 30,					
	2025			2024		
(dollars in thousands)	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate
Interest earning assets:						
Federal funds sold and interest bearing due from banks	\$ 215,280	\$ 4,731	4.43%	\$ 156,251	\$ 4,253	5.47%
Mortgage loans held for sale	6,442	155	4.85	5,417	105	3.90
Investment securities:						
Taxable	1,323,723	16,547	2.52	1,454,815	14,782	2.04
Tax-exempt	72,911	1,008	2.79	80,317	970	2.43
Total securities	1,396,634	17,555	2.53	1,535,132	15,752	2.06
Federal Home Loan Bank stock	26,602	1,194	9.05	25,428	938	7.42
Loans	6,672,594	202,702	6.13	5,891,363	175,988	6.01
Total interest earning assets	8,317,552	226,337	5.49	7,613,591	197,036	5.20
Less allowance for credit losses on loans	90,216			82,882		
Non-interest earning assets:						
Cash and due from banks	76,293			72,317		
Premises and equipment, net	115,931			110,083		
Bank owned life insurance	89,932			87,459		
Goodwill	194,074			194,074		
Accrued interest receivable and other	237,184			205,407		
Total assets	\$ 8,940,750			\$ 8,200,049		
Interest bearing liabilities:						
Deposits:						
Interest bearing demand	\$ 2,485,955	\$ 23,456	1.90%	\$ 2,341,571	\$ 23,582	2.03%
Savings	422,525	584	0.28	432,474	597	0.28
Money market	1,338,332	18,583	2.80	1,220,623	18,591	3.06
Time	1,461,336	29,469	4.07	1,020,606	20,719	4.08
Total interest bearing deposits	5,708,148	72,092	2.55	5,015,274	63,489	2.55
Securities sold under agreements to repurchase	143,655	1,439	2.02	156,153	1,702	2.19
Federal funds purchased	6,562	142	4.36	10,144	275	5.45
Federal Home Loan Bank advances	384,530	7,649	4.01	357,967	8,260	4.64
Subordinated debentures	26,806	819	6.16	26,800	1,031	7.74
Total interest bearing liabilities	6,269,701	82,141	2.64	5,566,338	74,757	2.70
Non-interest bearing liabilities:						
Non-interest bearing demand deposits	1,457,813			1,508,155		
Accrued interest payable and other	245,741			255,940		
Total liabilities	7,973,255			7,330,433		
Stockholders' equity	967,495			869,616		
Total liabilities and stockholders' equity	\$ 8,940,750			\$ 8,200,049		
Net interest income		\$ 144,196			\$ 122,279	
Net interest spread			2.85%			2.50%
Net interest margin			3.50%			3.23%

Supplemental Information - Average Balance Sheets and Interest Rates (FTE)

- *Average loan balances include the principal balance of non-accrual loans, as well as unearned income such as loan premiums, discounts, fees/costs and exclude participation loans accounted for as secured borrowings. Participation loans accounted for as secured borrowings averaged \$2 million for the three month periods ended both June 30, 2025 and 2024, respectively. Participation loans accounted for as secured borrowings averaged \$2 million and \$3 million for the six month periods ended both June 30, 2025 and 2024, respectively.*
- *Interest income on a FTE basis includes additional amounts of interest income that would have been earned if investments in certain tax-exempt interest earning assets had been made in assets subject to federal taxes yielding the same after-tax income. Interest income on municipal securities and tax-exempt loans has been calculated on a FTE basis using a federal income tax rate of 21%. Approximate tax equivalent adjustments to interest income were \$171,000 and \$91,000 for the three month periods ended June 30, 2025 and 2024, respectively, and \$87,000 and \$187,000 for the six month periods ended June 30, 2025 and 2024, respectively.*
- *Interest income includes loan fees of \$1.2 million and \$1.4 million for the three month periods ended June 30, 2025 and 2024, respectively, and \$3.0 million and \$2.9 million for the six month periods ended June 30, 2025 and 2024, respectively. Interest income on loans may be materially impacted by the level of prepayment fees collected and net accretion income related to acquired loans. Net accretion income related to acquired loans totaled \$306,000 and \$465,000 for the three month periods ended June 30, 2025 and 2024, respectively, and \$735,000 and \$1.3 million for the six month periods ended June 30, 2025 and 2024.*
- *Net interest income, the most significant component of Bancorp's earnings, represents total interest income less total interest expense. The level of net interest income is determined by mix and volume of interest earning assets, interest bearing deposits and borrowed funds, and changes in interest rates.*
- *NIM represents net interest income on a FTE basis as a percentage of total average interest earning assets.*
- *Net interest spread (FTE) is the difference between taxable equivalent rates earned on total interest earning assets less the cost of interest bearing liabilities.*
- *The fair market value adjustment on investment securities resulting from ASC 320, "Investments – Debt and Equity Securities" is included as a component of other assets.*

Asset/Liability Management and Interest Rate Risk

Managing interest rate risk is fundamental for the financial services industry. The primary objective of interest rate risk management is to neutralize effects of interest rate changes on net income. By considering both on and off-balance sheet financial instruments, management evaluates interest rate sensitivity with the goal of optimizing net interest income within the constraints of prudent capital adequacy, liquidity needs, market opportunities and customer funding requirements.

Interest Rate Simulation Sensitivity Analysis

Bancorp uses an earnings simulation model to estimate and evaluate the impact of an immediate change in interest rates on earnings in a one-year forecast. The simulation model is designed to reflect dynamics of interest earning assets and interest bearing liabilities. By estimating effects of interest rate fluctuations, the model can approximate interest rate risk exposure. This simulation model is used by management to gauge approximate results given a specific change in interest rates at a given point in time. The model is therefore a tool to indicate earnings trends in given interest rate scenarios and may not indicate actual or expected results.

The results of the interest rate sensitivity analysis performed as of June 30, 2025 were derived from conservative assumptions Bancorp uses in its model, particularly in relation to deposit betas, which measure how responsive management's deposit repricing may be to changes in market rates based on historical data. Management uses different betas in the rising and falling rate scenarios in an effort to best simulate expected earnings trends.

Bancorp's interest rate sensitivity analysis details that increases in interest rates of 100 and 200 bps would have a positive effect on net interest income, while decreases in interest rates of 100 and 200 bps would have a negative impact. These results depict an asset-sensitive interest rate risk profile. The increase in net interest income in the rising rate scenarios is primarily due to variable rate loans and short-term investments repricing more quickly than deposits and short-term borrowings. Net interest income decreases in the falling rate scenarios because rates on non-maturity deposits cannot be lowered sufficiently to offset the decline in interest income associated with assets that immediately reprice as rates fall.

	-200	-100	+100	+200
	Basis Points	Basis Points	Basis Points	Basis Points
% Change from base net interest income at June 30, 2025	-7.58%	-3.90%	4.34%	8.90%

Bancorp's loan portfolio is currently composed of approximately 64% fixed and 36% variable rate loans, with the fixed rate portion pricing generally based on a spread to the five year treasury curve at the time of origination and the variable portion pricing based on an on-going spread to Prime (approximately 56%) or SOFR (approximately 44%).

Periodically, Bancorp enters into interest rate swap transactions with borrowers who desire to hedge exposure to rising interest rates, while at the same time entering into an offsetting interest rate swap, with substantially matching terms, with another approved independent counterparty. These are undesignated derivative instruments and are recognized on the balance sheet at fair value, with changes in fair value recorded in other non-interest income as interest rates fluctuate. Because of matching terms of offsetting contracts, in addition to collateral provisions which mitigate the impact of non-performance risk, changes in fair value subsequent to initial recognition have a minimal effect on earnings and are therefore not included in the simulation analysis results above. For additional information see the Footnote titled "*Assets and Liabilities Measured and Reported at Fair Value.*"

In addition, Bancorp periodically uses derivative financial instruments as part of its interest rate risk management, including interest rate swaps. These interest rate swaps are designated as cash flow hedges as described in the Footnote titled "*Derivative Financial Instruments.*" For these derivatives, the effective portion of gains or losses is reported as a component of OCI and is subsequently reclassified into earnings as an adjustment to interest expense in periods in which the hedged forecasted transaction affects earnings.

Provision for Credit Losses

Provision for credit losses on loans at June 30, 2025 represents the amount of expense that, based on management's judgment, is required to maintain the ACL for loans at an appropriate level under the CECL model. The determination of the amount of the ACL for loans is complex and involves a high degree of judgment and subjectivity. See the Footnote titled "Basis of Presentation and Summary of Significant Accounting Policies" in Bancorp's Annual Report on Form 10-K for the year ended December 31, 2024 for detailed discussion regarding Bancorp's ACL methodology by loan segment.

An analysis of the changes in the ACL for loans, including provision, and selected ratios follow:

<i>(dollars in thousands)</i>	Three months ended June 30,		Six months ended June 30,	
	2025	2024	2025	2024
Beginning balance	\$ 88,814	\$ 80,897	\$ 86,943	\$ 79,374
Provision for credit losses on loans	2,250	1,075	3,150	2,250
Total charge-offs	(553)	(347)	(1,167)	(609)
Total recoveries	211	530	1,796	1,140
Net loan recoveries	(342)	183	629	531
Ending balance	\$ 90,722	\$ 82,155	\$ 90,722	\$ 82,155
Average total loans	\$ 6,746,973	\$ 5,973,801	\$ 6,672,594	\$ 5,891,363
Provision for credit losses on loans to average total loans (1)	0.03%	0.02%	0.05%	0.04%
Net loan recoveries to average total loans (1)	-0.01%	0.00%	0.01%	0.01%
ACL for loans to total loans	1.32%	1.35%	1.32%	1.35%
ACL for loans to average total loans	1.34%	1.38%	1.36%	1.39%

(1) Ratios are not annualized

The ACL for loans totaled \$91 million as of June 30, 2025 compared to \$82 million at June 30, 2024, representing an ACL to total loans ratio of 1.32% and 1.35% for the respective periods.

Provision expense on loans of \$2.3 million and \$3.2 million was recorded for the three and six month periods ended June 30, 2025. While expense for both periods were consistent with strong loan growth, slight deterioration within the unemployment forecast and increased specific reserves, expense for the six month period was also impacted by annual CECL model updates made during the first quarter of 2025. Net charge offs of \$342,000 and net recoveries of \$629,000 were recorded for the three and six month periods ended June 30, 2025, respectively.

Provision expense on loans of \$1.1 million and \$2.3 million was recorded for the three and six month periods ended June 30, 2024. Expense for the prior year was driven by strong loan growth, slight deterioration in the unemployment forecast and offset by CECL model methodology updates. Net recoveries of \$183,000 and \$531,000 were recorded for the three and six month periods ended June 30, 2024.

While separate from the ACL for loans and recorded in other liabilities on the consolidated balance sheets, the ACL for off balance sheet credit exposures was reduced between December 31, 2024 and June 30, 2025. Negative provision (credit to expense) of \$75,000 for off balance sheet credit exposures was recorded for the three and six month periods ended June 30, 2025, as line of credit utilization improved during the first half of 2025, reducing the reserve necessary for line availability. The ACL for off balance sheet exposures totaled \$6.7 million as of June 30, 2025.

Provision for credit loss expense for off balance sheet credit exposures of \$225,000 and \$475,000 was recorded for the three and six month periods ended June 30, 2024. The ACL for off balance sheet credit exposures was \$6.3 million as of June 30, 2024.

Bancorp's loan portfolio is well-diversified with no significant concentrations of credit. Geographically, most loans are extended to borrowers in Louisville, central, eastern and northern Kentucky, as well as the Indianapolis, Indiana and Cincinnati, Ohio metropolitan markets. The adequacy of the ACL is monitored on an ongoing basis and it is the opinion of management that the balance of the ACL at June 30, 2025 is adequate to absorb probable losses inherent in the loan portfolio as of the financial statement date.

Non-interest Income

(dollars in thousands)	Three months ended June 30,				Six months ended June 30,			
	2025	2024	\$ Variance	% Variance	2025	2024	\$ Variance	% Variance
Wealth management and trust services	\$ 10,483	\$ 10,795	\$ (312)	(3)%	\$ 21,130	\$ 21,566	\$ (436)	(2)%
Deposit service charges	2,069	2,180	(111)	(5)	4,148	4,316	(168)	(4)
Debit and credit card income	4,837	4,923	(86)	(2)	9,345	9,605	(260)	(3)
Treasury management fees	3,005	2,825	180	6	5,678	5,450	228	4
Mortgage banking income	1,094	1,017	77	8	2,011	1,965	46	2
Net investment product sales								
commissions and fees	980	800	180	23	1,990	1,665	325	20
Bank owned life insurance	629	595	34	6	1,251	1,183	68	6
Gain on sale of premises and equipment	74	20	54	270	74	20	54	270
Other	1,177	500	677	135	1,717	1,156	561	49
Total non-interest income	<u>\$ 24,348</u>	<u>\$ 23,655</u>	<u>\$ 693</u>	3%	<u>\$ 47,344</u>	<u>\$ 46,926</u>	<u>\$ 418</u>	1%

Total non-interest income increased \$693,000, or 3%, and \$418,000, or 1%, for the three and six month periods ended June 30, 2025, respectively, compared to the same periods of 2024. Non-interest income comprised 24.9% and 24.7% of total revenues, defined as net interest income and non-interest income, for the three and six month periods ended June 30, 2025 compared to 27.6% and 27.8% for the same periods of 2024, respectively. The decreases from prior year were attributed to the sharp rise in net interest income compared to prior year. WM&T services comprised 43.0% and 44.6% of total non-interest income for the three and six month periods ended June 30, 2025 compared to 45.6% and 46.0% for the same periods of the prior year. The decreases from the prior year were attributed to a combination of growth in other non-interest income streams as well as period over period declines in WM&T revenue.

WM&T Services:

The magnitude of WM&T revenue distinguishes Bancorp from other community banks of similar asset size. WM&T revenue decreased \$312,000, or 3%, and \$436,000, or 2%, for the three and six month periods ended June 30, 2025, as compared with the same periods of 2024, attributed mainly to the residual impact of business lost in prior periods.

Net new business refers to revenue generated from newly acquired customers, excluding revenue from upselling or cross-selling to existing active customers. It plays a crucial role in expanding Bancorp's financial base and ensuring long-term sustainability and success. In the latter part of 2024, the WM&T department experienced negative net new business for the first time in several years, driven in large part to attrition associated with employee retirements and market competition. Positions impacted by attrition have since been filled and Bancorp experienced positive net new business (annualized) during the six months ended June 30, 2025. While recent trends suggest a turn-around regarding net new business is in process, the fallout from the previously mentioned employee attrition/client departures is still being felt, as it could take several quarters for benefit of new hire production to be realized.

Recurring fees earned for managing accounts are based on a percentage of market value of AUM and are typically assessed on a monthly basis. Recurring fees, which generally comprise the vast majority of WM&T revenue, decreased \$300,000, or 3%, and \$470,000, or 2%, for the three and six month periods ended June 30, 2025, as compared with the same periods of 2024. The decrease was driven largely by the previously mentioned impact of lost business.

A portion of WM&T revenue, most notably executor and certain employee benefit plan-related fees, are non-recurring in nature and the timing of these revenues corresponds with the related administrative activities. For this reason, such fees are subject to greater period over period fluctuation. Total non-recurring fees decreased \$11,000 and increased \$34,000 for the three and six month periods ended June 30, 2025, as compared with the same periods of 2024.

AUM, stated at market value, totaled \$7.19 billion at June 30, 2025 compared with \$7.07 billion at December 31, 2024 and \$7.48 billion at June 30, 2024. The decrease in AUM between June 30, 2024 and June 30, 2025 is attributed mainly to business lost over the past year. However, AUM expansion was experienced during between the first and second quarters of 2025, marking the first quarter of AUM growth after several consecutive quarters of contraction.

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Contracts between WM&T and their customers do not permit performance-based fees and accordingly, none of the WM&T revenue is performance based. Management believes the WM&T department will continue to factor significantly in Bancorp's financial results and provide strategic diversity to revenue streams.

Detail of WM&T Service Income by Account Type:

<i>(in thousands)</i>	Three months ended June 30,		Six months ended June 30,	
	2025	2024	2025	2024
Investment advisory	\$ 4,301	\$ 4,174	\$ 8,571	\$ 8,486
Personal trust	3,329	3,876	6,796	7,650
Personal investment retirement	1,991	1,886	4,007	3,706
Company retirement	398	413	809	824
Foundation and endowment	325	334	663	664
Custody and safekeeping	66	57	134	116
Brokerage and insurance services	11	2	18	4
Other	62	53	132	116
Total WM&T services income	\$ 10,483	\$ 10,795	\$ 21,130	\$ 21,566

The preceding table demonstrates that WM&T fee revenue is concentrated within investment advisory and personal trust accounts. WM&T fees are predominantly based on AUM and tailored for individual/company accounts and/or relationships with fee structures customized based on account type and other factors, with larger relationships paying a lower percentage of AUM in fees. For example, recurring AUM fee structures are in place for investment management, irrevocable and revocable trusts, personal investment retirement accounts and accounts holding only fixed income securities. WM&T also provides company retirement plan services, which can consist of a one-time conversion fee with recurring AUM fees to follow. While there are also fee structures for estate settlements, income received is typically non-recurring in nature. Fee structures are agreed upon at the time of account opening and any subsequent revisions are communicated in writing to the customer. As previously mentioned, WM&T fees earned are not performance-based nor are they based on investment strategy or transactions. Bancorp also earns management fees on in-house investments funds added through bank acquisitions.

AUM by Account Type:

AUM (not included on balance sheet) increased from \$7.07 billion at December 31, 2024 to \$7.19 billion at June 30, 2025 as follows:

<i>(in thousands)</i>	June 30, 2025			December 31, 2024		
	Managed	Non-managed (1)	Total	Managed	Non-managed (1)	Total
Investment advisory	\$ 2,731,651	\$ 41,982	\$ 2,773,633	\$ 2,645,233	\$ 66,026	\$ 2,711,259
Personal trust	1,495,612	461,714	1,957,326	1,475,683	408,602	1,884,285
Personal investment retirement	965,266	20,863	986,129	937,493	21,536	959,029
Company retirement	51,840	633,304	685,144	54,626	679,539	734,165
Foundation and endowment	497,086	7,669	504,755	497,890	7,383	505,273
Subtotal	\$ 5,741,455	\$ 1,165,532	\$ 6,906,987	\$ 5,610,925	\$ 1,183,086	\$ 6,794,011
Custody and safekeeping	—	285,589	285,589	—	271,491	271,491
Total AUM	\$ 5,741,455	\$ 1,451,121	\$ 7,192,576	\$ 5,610,925	\$ 1,454,577	\$ 7,065,502

(1) Non-managed assets represent those for which the WM&T department does not hold investment discretion.

As of June 30, 2025 and December 31, 2024, approximately 80% and 79% of AUM were actively managed, respectively. Company retirement plan accounts consist primarily of participant-directed assets. The amount of custody and safekeeping accounts are insignificant to overall WM&T operations.

Managed AUM by Class of Investment:

<i>(in thousands)</i>	June 30, 2025	December 31, 2024
Interest bearing deposits	\$ 445,820	\$ 460,521
Treasury and government agency obligations	205,197	194,461
State, county and municipal obligations	376,158	341,940
Money market mutual funds	34,113	36,657
Equity mutual funds	1,267,847	1,183,611
Other mutual funds - fixed, balanced and municipal	596,621	561,218
Other notes and bonds	168,723	167,548
Common and preferred stocks	2,461,996	2,437,672
Real estate mortgages	-	167
Real estate	19,710	42,250
Other miscellaneous assets (1)	165,270	184,880
Total managed assets	<u>\$ 5,741,455</u>	<u>\$ 5,610,925</u>

(1) Includes client directed instruments such as rights, warrants, annuities, insurance policies, unit investment trusts, and oil and gas rights.

Managed assets are invested in instruments for which market values can be readily determined, the majority of which are sensitive to market fluctuations and consist of approximately 65% in equities and 35% in fixed income securities as of both June 30, 2025 and December 31, 2024. This composition has remained relatively consistent from period to period.

Additional Sources of Non-interest income:

Deposit service charges, which consist of non-sufficient funds charges and to a lesser extent, other activity based charges, decreased \$111,000, or 5%, and \$168,000, or 4%, for the three and six month periods ended June 30, 2025, as compared with the same periods of 2024. Consistent with the banking industry generally, Bancorp has experienced a steady decline in the volume of fees earned on overdrawn checking accounts over the past several years. This trend has been driven by lower check presentment volume, which has in turn led to fewer overdrawn accounts in general. Further, Bancorp anticipates that future growth of this revenue stream could be significantly impacted by changing industry practices. Bancorp could be faced with strategic decisions surrounding deposit-related service charges in the future, which could negatively impact the contributions made by this, or similar, revenue streams.

Debit and credit card income consists of interchange revenue, ancillary fees and incentives received from card processors. Debit and credit card revenue decreased \$86,000, or 2%, and \$260,000, or 3%, for the three and six month periods ended June 30, 2025, as compared with the same periods of 2024, attributed to declines in customer spending. Total debit card income decreased \$44,000, or 1%, and \$161,000, or 2%, and total credit card income decreased \$43,000, or 3%, and \$98,000, or 3%, for the three and six month periods ended June 30, 2025, compared the same periods of the prior year. The six month period was also impacted to some extent by severe weather experienced in all of Bancorp's markets earlier in the year, which muted spending activity. While Bancorp generally expects this revenue stream to grow with continued expansion of the customer base, interchange rate compression and fluctuations in business and consumer spend levels could serve as challenges to future growth.

Treasury management fees primarily consist of fees earned for cash management services provided to commercial customers. Treasury management fees increased \$180,000, or 6%, and \$228,000, or 4%, for the three and six month periods ended June 30, 2025, as compared with the same periods of 2024. While both periods benefitted from organic growth and new product sales, the three months ended June 30, 2025 represented the first full quarter of broad fee increases implemented earlier this year.

Mortgage banking income primarily includes gains on sales of mortgage loans and net loan servicing income offset by MSR amortization. Bancorp's mortgage banking department predominantly originates residential mortgage loans to be sold in the secondary market, primarily to FNMA and FHLMC. Bancorp offers conventional, VA, FHA and GNMA financing for purchases and refinances, as well as programs for first-time homebuyers. Interest rates on mortgage loans directly influence the volume of business transacted by the mortgage-banking department. Mortgage banking revenue increased \$77,000, or 8%, and \$46,000, or 2%, for the three and six month periods ended June 30, 2025, as compared with the same periods of 2024, driven by higher origination volumes.

Net investment product sales commissions and fees are generated primarily on stock, bond and mutual fund sales, as well as wrap fees earned on brokerage accounts via an arrangement with a third party broker-dealer. Wrap fees represent charges for investment programs that bundle together a suite of services, such as brokerage, advisory, research and management and are based on a percentage of account assets. Bancorp deploys its financial advisors primarily through its branch network, while larger managed accounts are generally serviced by Bancorp's WM&T group. Net investment product sales commissions and fees increased \$180,000, or 23%, and \$325,000, or 20%, for the three and six month periods ended June 30, 2025 compared to the same periods of 2024, attributed to the addition of a new broker and a general shift towards more profitable wrap fee-based business.

BOLI assets represent the cash surrender value of life insurance policies on certain active and non-active employees who have provided consent for Bancorp to be the beneficiary for a portion of such policies. The related change in cash surrender value and any death benefits received under the policies are recorded as non-interest income and serves to offset the cost of various employee benefits. BOLI income increased \$34,000, or 6%, and \$68,000, or 6%, for the three and six month periods ending June 30, 2025 compared to the same periods of the prior year, which was attributed to generally higher yields within the policy plans compared to the prior year.

A gain on the sale of premises and equipment totaling \$74,000 was recorded for the three and six month periods ended June 30, 2025, compared to a gain of \$20,000 for the three and six month periods of the prior year. The gain recorded for the current year stems mainly from the sale of a property owned through a prior acquisition that had been held for sale.

Other non-interest income increased \$677,000, or 135%, and \$561,000, or 49%, for the three and six month periods ended June 30, 2025 compared with the same periods of 2024. The increases for the current year stemmed largely from recording \$577,000 of swap fees during the second quarter of this year, and to a lesser extent, appreciation within insurance policies held outside of Bancorp's traditional BOLI policies.

Non-interest Expenses

(dollars in thousands)	Three months ended June 30,				Six months ended June 30,			
	2025	2024	\$ Variance	% Variance	2025	2024	\$ Variance	% Variance
Compensation	\$ 27,279	\$ 24,634	\$ 2,645	11%	\$ 53,211	\$ 48,855	\$ 4,356	9%
Employee benefits	5,330	5,086	244	5	11,115	10,962	153	1
Net occupancy and equipment	4,025	3,819	206	5	8,148	7,489	659	9
Technology and communication	4,773	4,894	(121)	(2)	9,601	9,963	(362)	(4)
Debit and credit card processing	1,908	1,811	97	5	3,727	3,557	170	5
Marketing and business development	1,951	1,596	355	22	3,466	2,671	795	30
Postage, printing and supplies	937	913	24	3	1,906	1,839	67	4
Legal and professional	1,088	1,185	(97)	(8)	1,995	2,300	(305)	(13)
FDIC insurance	1,260	1,161	99	9	2,483	2,273	210	9
Capital and deposit based taxes	738	673	65	10	1,438	1,303	135	10
Intangible amortization	915	1,051	(136)	(13)	1,829	2,103	(274)	(13)
Other	2,496	2,286	210	9	4,808	4,755	53	1
Total non-interest expenses	<u>\$ 52,700</u>	<u>\$ 49,109</u>	<u>\$ 3,591</u>	7%	<u>\$ 103,727</u>	<u>\$ 98,070</u>	<u>\$ 5,657</u>	6%

Total non-interest expenses increased \$3.6 million, or 7%, and \$5.7 million, or 6%, for the three and six month periods ended June 30, 2025 compared to the same periods of 2024. Compensation and employee benefits comprised 61.9% and 62.0% of Bancorp's total non-interest expenses for the three and six month periods ended June 30, 2025, compared to 60.5% and 61.0% for the same periods of 2024.

Compensation, which includes salaries, incentives, bonuses and stock based compensation, increased \$2.6 million, or 11%, and \$4.4 million, or 9%, for the three and six month periods ended June 30, 2025, as compared with the same periods of 2024. The increases were attributed primarily to higher bonus accrual levels associated with the strong performance experienced through the first half of 2025, and to a lesser extent, growth in full time equivalent employees. Net full time equivalent employees totaled 1,118 at June 30, 2025 compared to 1,080 at December 31, 2024 and 1,062 at June 30, 2024.

Employee benefits consists of all personnel-related expense not included in compensation, with the most significant items being health insurance, payroll taxes and employee retirement plan contributions. Employee benefits increased \$244,000, or 5%, and \$153,000, or 1%, for the three and six month periods ended June 30, 2025, as compared with the same periods of 2024, driven by higher 401(k) matching expense and payroll tax expenses related to the previously mentioned growth in FTEs, which more than offset a decline in health insurance expense attributed to lower claims activity.

Net occupancy and equipment expenses primarily include depreciation, rent, property taxes, utilities and maintenance. Costs of capital asset additions flow through the statement of income over the lives of the assets in the form of depreciation expense. Net occupancy expense increased \$206,000, or 5%, and \$659,000, or 9%, for the three and six month periods ended June 30, 2025, as compared with the same periods of 2024, consistent with higher rent and depreciation expense. The six month period was also impacted by elevated snow removal activity stemming from severe winter weather experienced in all of Bancorp's markets earlier in the year. At June 30, 2025, Bancorp's branch network consisted of 73 locations throughout Louisville, central, eastern and Northern Kentucky, as well as the MSAs of Indianapolis, Indiana and Cincinnati, Ohio.

Technology and communication expenses include computer software usage and licensing fees, equipment depreciation and expenditures related to investments in technology needed to maintain and improve the quality of customer delivery channels, information security and internal resources. Technology expense decreased \$121,000, or 2%, and \$362,000, or 4%, for the three and six month periods ended June 30, 2025 compared to the same periods of 2024, due to temporarily lower technology spending and various upgrade expenses incurred in the prior year. However, Bancorp does expect technology-related expenses to increase over the second half of 2025, as several planned technology investments get underway.

Bancorp outsources processing for debit and commercial credit card operations, which generate significant revenue for the Company. The related expenses typically fluctuate consistent with transaction volumes. Debit and credit card processing expense increased \$97,000, or 5%, and \$170,000, or 5%, for the three and six month periods ending June 30, 2025 compared to the same periods of the prior year, driven by higher processing fees, including increased fraud-mitigation expenses.

Marketing and business development expenses include all costs associated with promoting Bancorp, including community support, retaining customers and acquiring new business. Marketing and business development expenses increased \$355,000, or 22%, and \$795,000, or 30%, for the three and six month periods ending June 30, 2025, as compared to the same periods of 2024, which was primarily the result of higher advertising expense tied to deposit product promotions in addition to increased customer entertainment and various corporate sponsorships.

Postage, printing and supplies expense increased \$24,000, or 3% and \$67,000, or 4%, for the three and six month periods ended June 30, 2025 compared to the same periods of 2024, consistent with the previously mentioned deposit product promotions.

Legal and professional fees decreased \$97,000, or 8%, and \$305,000, or 13%, for the three and six month periods ended June 30, 2025 compared to the same periods of the prior year, driven primarily by lower compliance-related consulting expense associated with Bancorp approaching \$10 billion in total assets in addition to generally lower legal expenses.

FDIC insurance expense increased \$99,000, or 9%, and \$210,000, or 9%, for the three and six month periods ended June 30, 2025, as compared to the same periods of 2024, consistent with Bancorp's growth in addition to changes in loan mix, as higher assessments are levied on C&D lending concentrations, a segment which grew as a percentage of total loans.

Capital and deposit based taxes, which consist primarily of capital-based local income taxes and franchise taxes, increased \$65,000, or 10%, and \$135,000, or 10%, for the three and six month periods ended June 30, 2025 compared to the same periods of 2024. Bancorp's capital and deposit based tax expense is based on deposits held within various local taxing districts, as well as gross revenues generated within/appropriated to the state of Ohio, which is the only state Bancorp operates in with a capital-based deposit tax.

Intangible amortization expense consists of amortization associated with the CDI of acquired deposit portfolios, as well as an intangible related to customer list of the WM&T business line added through a past acquisition. The intangibles are amortized on an accelerated basis over a period of approximately ten years. Intangible amortization expense decreased \$136,000, or 13%, and \$274,000, or 13%, for the three and six month periods ended June 30, 2025 compared to the same period of the prior year, which is attributed to the accelerated depreciation method for which intangible assets are amortized.

Other non-interest expenses increased \$210,000, or 9%, and \$53,000, or 1%, for the three and six month periods ended June 30, 2025, as compared to the same periods of 2024. The increases over the prior year stemmed mainly from higher credit card rewards, increases in premiums for insurance policies related to general bank liabilities and fluctuations in the level of check and card losses.

Income Tax Expense

A comparison of income tax expense and ETR follows:

<i>(dollars in thousands)</i>	Three months ended June 30,				Six months ended June 30,			
	2025	2024	\$/bp Variance	% Variance	2025	2024	\$ Variance	% Variance
Income before income tax expense	\$ 42,946	\$ 35,268	\$ 7,678	22%	\$ 84,567	\$ 68,223	\$ 16,344	24%
Income tax expense	8,922	7,670	1,252	16	17,272	14,738	2,534	17
Effective tax rate	20.77%	21.75%	(98) bps	(5)	20.42%	21.60%	(118) bps	(5)

Fluctuations in the ETR are primarily attributed to the following:

- The impact of state income taxes, net of federal benefit, serves to increase the overall ETR and fluctuates consistent with the level of pre-tax income that is taxable at the state level. The ETR was increased by 2.83% for the six months ended June 30, 2025, compared to an increase of 3.20% for the same period of 2024. The impact to the ETR attributed to state income taxes for the current year was lower compared to the prior year, despite higher pre-tax income, due to recognizing more interest income from U.S. treasury securities, which is tax-exempt at the state level.
- The stock based compensation component of the ETR fluctuates consistent with the level of SAR exercise activity in addition to the levels of PSU, RSA and RSU vesting. The ETR was reduced by 0.44% for the six months ended June 30, 2025 compared to an increase of 0.20% for the same period of 2024, consistent with exercise and vesting activity.
- The cash surrender value of life insurance policies can vary widely from period to period, driven largely by market changes. The related impact is inversely correlated with the ETR generally, with cash surrender value declines typically serving to increase the ETR and vice versa. Changes in the cash surrender value of life insurance policies decreased the ETR by 0.56% and 0.70% for the six months ended June 30, 2025 and 2024, respectively.
- Bancorp invests in certain partnerships that yield federal income tax credits. Taken as a whole, the tax benefit of these investments exceeds amortization expense, resulting in a positive impact on net income. The timing and magnitude of these transactions may vary widely from period to period. Cumulative tax credit activity for the six months ended June 30, 2025 and 2024 served to reduce the ETR 2.62% and 1.10%, respectively.
- Tax-exempt interest income earned on loans and investment securities reduced the ETR by 0.34% and 0.50% for the six months ended June 30, 2025 and 2024, respectively.

On July 4, 2025, President Trump signed into law the legislation formally titled “An Act to Provide for Reconciliation Pursuant to Title II of H. Con. Res. 14” and commonly referred to as the One Big Beautiful Bill (“the Act”). Bancorp is currently evaluating income tax implications of the Act, but does not expect the Act to have a material impact on the financial statements.

Financial Condition – June 30, 2025 Compared to December 31, 2024**Overview**

Total assets increased \$346 million, or 4%, to \$9.21 billion at June 30, 2025 from \$8.86 billion at December 31, 2024. The increase for the first six months of 2025 was attributed to strong loan growth of \$330 million, or 5%, and a \$160 million, or 55%, increase in cash and cash equivalents, which was partially offset by a decline of \$138 million, or 10%, in the investment securities portfolio attributed mainly to scheduled maturity activity.

Total liabilities increased \$280 million, or 4%, to \$8.20 billion at June 30, 2025 from \$7.92 billion at December 31, 2024, with total deposits growth of \$340 million, or 5%, driven mainly by successful deposit promotions offset partially by smaller declines in SSURA and other liabilities.

Stockholders' equity increased \$65 million, or 7%, to \$1.01 billion at June 30, 2025 from \$940 million at December 31, 2024, as net income of \$67.3 million and a \$15.8 million improvement in AOCI was offset by \$18.3 million of cash dividends declared during the first six months of 2025. The improvement in AOCI was associated with changes in the interest rate environment and the corresponding impact on the valuation of the AFS debt securities portfolio and cash flow hedging derivatives.

Cash and Cash Equivalents

Cash and cash equivalents increased \$160 million, or 55%, ending at \$451 million at June 30, 2025 compared to \$291 million at December 31, 2024, which was attributed largely to the previously mentioned deposit growth and maturity activity within the investment securities portfolio.

Investment Securities

The primary purpose of the investment securities portfolio is to provide another source of interest income, as well as a tool for liquidity management. In managing the composition of the balance sheet, Bancorp seeks a balance between earnings sources, credit and liquidity considerations.

Investment securities decreased \$138 million, or 10%, to \$1.22 billion at June 30, 2025 compared to \$1.36 billion at December 31, 2024. This decline was driven mainly by scheduled maturities within the treasury portfolio specifically, and to a lesser extent, normal pay down activity. Investment in the securities portfolio during the first half of 2025 consisted of purchasing short term treasury securities to put excess liquidity to work and provide collateral to meet pledging requirements, while still offering the funding flexibility allowed by their short duration.

FHLB Stock

FHLB stock holdings increased \$1 million to \$23 million at June 30, 2025 compared to \$22 million at December 31, 2024. The increase was driven by fluctuations in FHLB borrowing activity during the first six months of 2025, as FHLB members are required to hold certain levels of FHLB stock in relation to the amount of their borrowings. While period end FHLB borrowings were unchanged, average borrowing activity increased during the first six months of 2025, as overnight borrowings were utilized amidst solid loan growth and deposit fluctuations, primarily during the first quarter. Bancorp's FHLB stock holdings are expected to fluctuate consistent with borrowing activity from period to period.

Loans

Total loans increased \$330 million, or 5%, from December 31, 2024 to June 30, 2025. The loan growth experienced during the first half of 2025 was well spread across loan categories, with CRE, C&I line of credit and residential real estate growth leading the way.

Total line of credit utilization has experienced steady improvement over the past several quarters, ending at 47.8% as of June 30, 2025 compared to 45.9% at December 31, 2024 and 41.1% at June 30, 2024. Similarly, utilization within the C&I portfolio improved to 36.9% at June 30, 2025 compared to 33.7% at December 31, 2024 and 30.8% at June 30, 2024, which was evidenced by the solid growth seen within the C&I line of credit segment of the loan portfolio.

Bancorp's credit exposure is diversified between businesses and individuals. No specific industry concentration exceeds 10% of loans outstanding. While Bancorp has a diversified loan portfolio, a customer's ability to honor loan agreements is somewhat dependent upon the economic stability and/or industry in which that customer does business. Loans outstanding and related unfunded commitments are primarily concentrated within Bancorp's current market areas, which encompass the Louisville, Kentucky MSA, central, eastern and northern Kentucky, as well as the Indianapolis, Indiana and Cincinnati, Ohio MSAs.

CRE represents the largest segment of Bancorp's loan portfolio, totaling \$3.00 billion, or 44%, of total loans as of June 30, 2025. While a combination of sustained higher interest rates and rising central business district vacancies across the country have created credit and collateral concerns within the CRE sector generally over the past several quarters, Bancorp believes the quality of its CRE portfolio, and the overall loan portfolio, remains solid.

Office building exposure, which is a sub-segment of CRE and perceived to be of particular risk in the current environment, is a smaller component of Bancorp's loan portfolio, totaling \$584 million, or 9%, of total loans as of June 30, 2025. Approximately \$247 million, or 42%, of Bancorp's office building exposure is medical-related, which in management's opinion presents reduced risk compared to other CRE uses. In addition, approximately \$307 million, or 53%, of the office building exposure is owner-occupied and is generally accompanied by a full commercial banking relationship. This sub-segment is concentrated in Bancorp's primary markets, with no exposure to large office towers and minimal exposure to central business districts, and continues to perform well with minimal substandard/non-accrual and past due loans as of June 30, 2025.

Bancorp occasionally enters into loan participation agreements with other banks to diversify credit risk. For certain participation loans sold, Bancorp has retained effective control of the loans, typically by restricting the participating institutions from pledging or selling their ownership share of the loan without permission from Bancorp. GAAP requires the participated portion of these loans to be recorded as secured borrowings. These participated loans are included in the C&I and CRE loan portfolio segments with a corresponding liability recorded in other liabilities. At both June 30, 2025 and December 31, 2024, the total participated portion of loans of this nature totaled \$2 million.

The following table presents the maturity distribution (based on contractual maturity) and rate sensitivity of the total loan portfolio as of June 30, 2025:

	Maturity				Total	% of Total
	Within one year	After one but within five years	After five but within fifteen years	Ater fifteen years		
June 30, 2025 (in thousands)						
Fixed rate	\$ 411,715	\$ 2,155,453	\$ 892,849	\$ 953,005	\$ 4,413,022	64%
Variable rate	770,239	999,628	634,342	33,042	2,437,251	36%
Total loans	\$ 1,181,954	\$ 3,155,081	\$ 1,527,191	\$ 986,047	\$ 6,850,273	100%

In the event where Bancorp structures a loan with a maturity exceeding five years (typically CRE loans), an automatic rate adjustment will typically be set in place at five years from origination date to limit interest rate sensitivity.

Non-performing Loans and Assets

Information summarizing non-performing loans and assets follows:

<i>(dollars in thousands)</i>	June 30, 2025	December 31, 2024
Non-accrual loans	\$ 17,650	\$ 21,727
Modifications to borrowers experiencing financial difficulty	-	-
Loans past due 90 days or more and still accruing	378	487
Total non-performing loans	18,028	22,214
Other real estate owned	10	10
Total non-performing assets	<u>\$ 18,038</u>	<u>\$ 22,224</u>
Non-performing loans to total loans	0.26%	0.34%
Non-performing assets to total assets	0.20%	0.25%
ACL for loans to total non-performing loans	503%	391%

As of June 30, 2025, non-accrual loans totaled \$18 million compared to \$22 million at December 31, 2024. The decrease in total non-accrual loans between December 31, 2024 and June 30, 2025 stemmed mainly from the payoff of two CRE relationships during the first quarter and the paydown of another during the second quarter.

Non-performing assets as of June 30, 2025 consisted of approximately 100 loans, ranging in individual amounts up to \$4 million, and one residential real estate property held as OREO.

Delinquent Loans

Delinquent loans (consisting of all loans 30 days or more past due) totaled \$37 million and \$32 million at June 30, 2025 and December 31, 2024. Delinquent loans to total loans were 0.54% and 0.50% at June 30, 2025 and December 31, 2024, respectively. The increase in delinquent loans over this period was primarily driven by two individual and unrelated CRE and C&D relationships totaling \$3 million that went past due in addition to an increase in past due residential real estate loans.

Allowance for Credit Losses on Loans

The ACL for loans is a valuation allowance for loans estimated at each balance sheet date in accordance with GAAP. When Bancorp deems all or a portion of a loan to be uncollectible, the appropriate amount is written off and the ACL is reduced by the same amount. Subsequent recoveries, if any, are credited to the ACL when received. Allocations of the ACL may be made for specific loans, but the entire ACL for loans is available for any loan that, in Bancorp's judgment, should be charged-off. See the Footnote titled "Summary of Significant Accounting Policies" from Bancorp's most recent Annual Report on Form 10-K for discussion of Bancorp's ACL methodology on loans.

Bancorp's ACL for loans was \$91 million as of June 30, 2025 compared to \$87 million as of December 31, 2024. Provision expense for credit losses on loans of \$3.2 million was recorded for the six months ended June 30, 2025, consistent with strong loan growth, slight deterioration FRB unemployment forecast, increased specific reserves and annual CECL model updates. Further, net recoveries of \$629,000 were recorded for the six months ended June 30, 2025, serving to increase the ACL for loans.

The ACL for loans calculation and resulting credit loss expense is significantly impacted by changes in forecasted economic conditions. Should the forecast for economic conditions change, Bancorp could experience further adjustments in its required ACL for loans.

The following table sets forth the ACL by category of loan:

	June 30, 2025			December 31, 2024		
	Allocated Allowance	% of Total ACL on loans	ACL for loans to Total Loans	Allocated Allowance	% of Total ACL on loans	ACL for loans to Total Loans
<i>(dollars in thousands)</i>						
Commercial real estate - non-owner occupied	\$ 15,278	17%	0.77%	\$ 13,935	16%	0.76%
Commercial real estate - owner occupied	11,996	13%	1.19%	10,192	12%	1.02%
Total commercial real estate	27,274	30%	0.91%	24,127	28%	0.85%
Commercial and industrial - term	20,677	23%	2.41%	21,284	25%	2.41%
Commercial and industrial - lines of credit	7,941	9%	1.25%	6,496	7%	1.17%
Total commercial and industrial	28,618	32%	1.92%	27,780	32%	1.93%
Residential real estate - owner occupied	14,265	16%	1.68%	14,468	17%	1.80%
Residential real estate - non-owner occupied	4,587	5%	1.17%	5,154	6%	1.35%
Total residential real estate	18,852	21%	1.52%	19,622	23%	1.65%
Construction and land development	11,134	12%	1.66%	10,981	13%	1.76%
Home equity lines of credit	1,343	2%	0.51%	1,277	1%	0.52%
Consumer	2,877	3%	2.04%	2,531	3%	1.75%
Leases	344	0%	2.36%	370	0%	2.38%
Credit cards	280	0%	1.07%	255	0%	1.04%
Total	<u>\$ 90,722</u>	<u>100%</u>	1.32%	<u>\$ 86,943</u>	<u>100%</u>	1.33%

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The table below details net charge-offs to average loans outstanding by category of loan for the three and six month periods ended June 30, 2025 and 2024, respectively.

Three months ended June 30, (dollars in thousands)	2025			2024		
	Net (charge offs)/ recoveries	Average Loans	Net (charge offs)/ recoveries to average loans	Net (charge offs)/ recoveries	Average Loans	Net (charge offs)/ recoveries to average loans
Commercial real estate - non-owner occupied	\$ 8	\$ 1,929,783	0.00%	\$ 17	\$ 1,634,732	0.00%
Commercial real estate - owner occupied	(38)	1,007,532	0.00%	45	939,610	0.00%
Total commercial real estate	(30)	2,937,315	0.00%	62	2,574,342	0.00%
Commercial and industrial - term	(57)	878,150	-0.01%	235	864,421	0.03%
Commercial and industrial - lines of credit	-	599,000	0.00%	-	463,905	0.00%
Total commercial and industrial	(57)	1,477,150	0.00%	235	1,328,326	0.02%
Residential real estate - owner occupied	54	832,387	0.01%	(2)	738,216	0.00%
Residential real estate - non-owner occupied	(3)	386,030	0.00%	-	364,223	0.00%
Total residential real estate	51	1,218,417	0.00%	(2)	1,102,439	0.00%
Construction and land development	-	675,044	0.00%	-	560,765	0.00%
Home equity lines of credit	-	257,924	0.00%	-	218,366	0.00%
Consumer	(260)	140,334	-0.19%	(56)	148,456	-0.04%
Leases	-	14,509	0.00%	-	16,977	0.00%
Credit cards	(46)	26,280	-0.18%	(56)	24,130	-0.23%
Total	\$ (342)	\$ 6,746,973	-0.01%	\$ 183	\$ 5,973,801	0.00%

Six months ended June 30, (dollars in thousands)	2025			2024		
	Net (charge offs)/ recoveries	Average Loans	Net (charge offs)/ recoveries to average loans	Net (charge offs)/ recoveries	Average Loans	Net (charge offs)/ recoveries to average loans
Commercial real estate - non-owner occupied	\$ 26	\$ 1,898,827	0.00%	\$ 33	\$ 1,606,327	0.00%
Commercial real estate - owner occupied	(38)	1,006,144	0.00%	49	926,546	0.01%
Total commercial real estate	(12)	2,904,971	0.00%	82	2,532,873	0.00%
Commercial and industrial - term	1,100	880,383	0.12%	465	861,799	0.05%
Commercial and industrial - lines of credit	-	584,186	0.00%	204	456,150	0.04%
Total commercial and industrial	1,100	1,464,569	0.08%	669	1,317,949	0.05%
Residential real estate - owner occupied	7	823,426	0.00%	(1)	726,608	0.00%
Residential real estate - non-owner occupied	(3)	385,000	0.00%	-	361,479	0.00%
Total residential real estate	4	1,208,426	0.00%	(1)	1,088,087	0.00%
Construction and land development	-	657,812	0.00%	-	549,561	0.00%
Home equity lines of credit	(10)	254,471	0.00%	2	215,497	0.00%
Consumer	(350)	141,795	-0.25%	(155)	147,048	-0.11%
Leases	-	14,846	0.00%	-	16,444	0.00%
Credit cards	(103)	25,704	-0.40%	(66)	23,904	-0.28%
Total	\$ 629	\$ 6,672,594	0.01%	\$ 531	\$ 5,891,363	0.01%

While separate from the ACL for loans and recorded in other liabilities on the consolidated balance sheets, the ACL for off balance sheet credit exposures was reduced between December 31, 2024 and June 30, 2025. Negative provision (credit to expense) of \$75,000 for off balance sheet credit exposures was recorded for the six months ended June 30, 2025, as line of credit utilization improved during the first half of 2025, reducing the reserve necessary for line availability. The ACL for off balance sheet credit exposures totaled \$6.7 million and \$6.8 million as of June 30, 2025 and December 31, 2024.

Premises and Equipment

Premises and equipment are presented on the consolidated balance sheets net of related depreciation on the respective assets, as well as fair value adjustments associated with purchase accounting. Premises and equipment increased \$1 million, or 1%, between December 31, 2024 and June 30, 2025. Bancorp's branch network currently consists of 73 locations throughout Louisville, central, eastern and northern, Kentucky, as well as the Indianapolis, Indiana and Cincinnati, Ohio markets.

Premises held for sale totaling \$1.7 million and \$2.3 million was recorded on Bancorp's consolidated balance sheets as of June 30, 2025 and December 31, 2024, respectively. The decrease during the first six months of 2025 was attributed to the sale of a former administrative building owned through a prior acquisition during the second quarter. Premises held for sale consisted of three vacant parcels of land and one former branch location as of June 30, 2025.

BOLI

Bank-owned life insurance assets increased to \$91 million at June 30, 2025, compared to \$89 million at December 31, 2024, due to general appreciation of the cash surrender values within the policy plans experienced during the six months ended June 30, 2025.

Goodwill

At June 30, 2025 and December 31, 2024, Bancorp had \$194 million in goodwill recorded on its balance sheet. Goodwill of \$58 million and \$123 million is attributed to the acquisitions of CB and KB in 2022 and 2021, respectively. Additionally, goodwill totaling \$12 million and \$682,000 is attributed to the acquisitions of KSB and Austin State Bank in 2019 and 1996, respectively. The acquisition of TBOC in 2013 resulted in a bargain purchase gain.

Events that may trigger goodwill impairment include deterioration in economic conditions, a decline in market-dependent multiples or metrics (i.e. stock price declining below tangible book value), negative trends in overall financial performance and regulatory actions. At September 30, 2024, Bancorp performed its annual qualitative assessment to determine if it was more-likely-than-not that the fair value of the reporting units exceeded their carrying value, including goodwill. The qualitative assessment indicated that it was not more-likely-than-not that the carrying value of the reporting units exceeded their fair value.

Core Deposit and Customer List Intangibles

CDIs and CLIs arising from business acquisitions are initially measured at fair value and are then amortized on an accelerated method based on their useful lives. As of June 30, 2025 and December 31, 2024, Bancorp's CDI assets totaled \$7.8 million and \$9.0 million, respectively. As of June 30, 2025 and December 31, 2024, Bancorp's CLI assets were \$6.2 million and \$6.8 million, respectively, and attributed entirely to the WM&T segment.

Other Assets and Other Liabilities

Other assets decreased \$2 million, or less than 1%, to \$307 million between December 31, 2024 and June 30, 2025. Other liabilities decreased \$24 million, or 9%, to \$235 million over the same period. The increase in other assets stemmed mainly from appreciation within insurance policies held outside of Bancorp's traditional BOLI. Further, an increase in tax credit investment assets and a decrease in interest rate swap derivative assets were largely offsetting. The decrease in other liabilities was driven largely by a reduction in various accrued liabilities, such as employee incentive compensation and tax credit investment contributions.

Deposits

Total deposits increased \$340 million, or 5%, from December 31, 2024 to June 30, 2025. Interest bearing deposits increased \$282 million, or 5%, tied primarily to the success of deposit promotions during the first quarter, which more than offset declines in interest bearing demand and money market deposits. While non-interest bearing deposits increased \$59 million, or 4%, as of period end, average non-interest bearing deposits decreased \$50 million, or 3%, for the six months ended June 30, 2025 compared to the six months ended June 30, 2024.

Bancorp continues to experience a shift in the deposit portfolio mix, as customers continue to seek higher-yielding alternatives to low-rate or non-interest bearing deposits in the higher rate environment. While the cost of interest-bearing deposits has moderated in recent quarters, the cost of total deposits (including non-interest deposits) increased to 2.03% from 1.96% for the six months ended June 30, 2025 compared to the same period of the prior year. Bancorp expects deposit costs to potentially weigh on NIM in the coming quarters due to deposit pricing pressure/competition and the continued shift in deposit mix.

Securities Sold Under Agreements to Repurchase

SSUAR declined \$36 million, or 22%, between December 31, 2024 and June 30, 2025, driven in part by normal fluctuation as well as a small number of clients within the product switching into other deposit offerings.

SSUAR represent a funding source of Bancorp and are used by commercial customers in conjunction with collateralized corporate cash management accounts. Such repurchase agreements are considered financing agreements and mature within one business day from the transaction date. At June 30, 2025 and December 31, 2024, all of these financing arrangements had overnight maturities and were secured by government sponsored enterprise obligations and government agency mortgage-backed securities that were owned and controlled by Bancorp.

SSUAR are collateralized by securities and are treated as financings; accordingly, the securities involved with the agreements are recorded as assets and are held by a safekeeping agent and the obligations to repurchase the securities are reflected as liabilities. All securities underlying the agreements are under Bancorp's control.

Federal Funds Purchased

FFP and other short-term borrowing balances were relatively flat between December 31, 2024 and June 30, 2025, increasing \$184,000. At June 30, 2025, FFP related mainly to excess liquidity held by downstream correspondent bank customers of Bancorp.

Subordinated Debentures

Bancorp owns the following unconsolidated trust subsidiaries: Commonwealth Statutory Trust III, Commonwealth Statutory Trust IV and Commonwealth Statutory Trust V. The sole assets of the trust subsidiaries represent the proceeds of offerings loaned in exchange for subordinated debentures with similar terms to the TPS. The TPS are treated as part of Tier 1 Capital. The subordinated note and related interest expense are included in Bancorp's consolidated financial statements. The subordinated notes are currently redeemable at Bancorp's option on a quarterly basis. As of June 30, 2025 and December 31, 2024, subordinated notes totaled \$27 million, respectively.

FHLB Advances

FHLB advances outstanding totaled \$300 million at both June 30, 2025 and December 31, 2024, and consisted entirely of a \$300 million three-month rolling advance related to four separate interest rate swaps (cash flow hedges) entered into in an effort to secure longer-term funding at more attractive rates. For more information related to the interest rate swaps noted above, see the footnote titled, "*Derivative Financial Instruments*."

Average FHLB advances increased \$27 million, or 7%, for the six months ended June 30, 2025 compared to the same period of the prior year, attributed mainly to utilization of overnight borrowings to fund loan growth and deposit fluctuations during the first quarter of 2025. Overnight borrowings were scarcely used during the second quarter, as deposit growth and investment maturities provided significant liquidity. No overnight borrowings were outstanding as of June 30, 2025, nor December 31, 2024.

Liquidity

The role of liquidity management is to ensure funds are available to meet depositors' withdrawal and borrowers' credit demands while at the same time maximizing profitability. This is accomplished by balancing changes in demand for funds with changes in supply of those funds. Liquidity is provided by short-term assets that can be converted to cash, AFS debt securities, various lines of credit available to Bancorp, and the ability to attract funds from external sources, principally deposits. Management believes it has the ability to increase deposits at any time by offering rates slightly higher than market rate.

Bancorp's Asset/Liability Committee is comprised of senior management and has direct oversight responsibility for Bancorp's liquidity position and profile. A combination of reports provided to management details internal liquidity metrics, composition and level of the liquid asset portfolio, timing differences in short-term cash flow obligations, and exposure to contingent draws on Bancorp's liquidity.

Bancorp's most liquid assets are comprised of cash and due from banks, FFS and AFS debt securities. FFS and interest bearing deposits totaled \$354 million and \$212 million at June 30, 2025 and December 31, 2024, respectively. The increase experienced for the six months of 2025 was attributed largely to deposit growth associated with successful deposit promotions and maturity activity within the investment securities portfolio. FFS normally have overnight maturities while interest-bearing deposits in banks are accessible on demand. These investments are generally used for daily liquidity purposes.

The fair value of the AFS debt security portfolio was \$1.01 billion and \$990 million at June 30, 2025 and December 31, 2024, respectively. The increase in AFS debt security portfolio for the first six months of 2025 was attributed mainly to reinvesting a portion of scheduled treasury maturities on a short-term basis for collateral pledging purposes. The investment portfolio (HTM and AFS) includes total cash flows on amortizing debt securities of approximately \$418 million (based on assumed prepayment speeds as of June 30, 2025) expected over the next 12 months, including \$260 million of contractual maturities. Combined with FFS and interest bearing deposits from banks, AFS debt securities offer substantial resources to meet either loan growth or reductions in Bancorp's deposit funding base. Bancorp pledges portions of its investment securities portfolio to secure public funds, cash balances of certain WM&T accounts and SSUAR. At June 30, 2025, the total carrying value of investment securities pledged for these purposes comprised 74% of the debt securities portfolio, leaving approximately \$323 million of unpledged debt securities, compared to 63% and \$508 million at December 31, 2024.

Bancorp's deposit base consists mainly of core deposits, which are defined as demand, savings, and money market deposit accounts, time deposits less than or equal to \$250,000, and excludes public funds and brokered deposits. At June 30, 2025, such deposits totaled \$6.38 billion and represented 85% of Bancorp's total deposits, as compared with \$6.14 billion, or 86% of total deposits at December 31, 2024. Because these core deposits are less volatile and are often tied to other products of Bancorp through long lasting relationships, they are not expected to place undue pressure on liquidity.

As of June 30, 2025 and December 31, 2024, Bancorp held no brokered deposits.

Included in total deposit balances at June 30, 2025 are \$583 million in public funds generally comprised of accounts with local government agencies and public school districts in the markets in which Bancorp operates. At December 31, 2024, public funds deposits totaled \$663 million. The decrease experienced during the first six months of 2025 was attributed to normal seasonal public funds run-off.

Bancorp is a member of the FHLB of Cincinnati. As a member of the FHLB, Bancorp has access to credit products of the FHLB. Bancorp views these borrowings as a potential low cost alternative to brokered deposits. At June 30, 2025 and December 31, 2024, available credit from the FHLB totaled \$1.31 billion and \$1.25 billion, respectively. Bancorp also had unsecured FFP lines with correspondent banks totaling \$80 million at both June 30, 2025 and December 31, 2024, respectively.

During the normal course of business, Bancorp enters into certain forms of off-balance sheet transactions, including unfunded loan commitments and letters of credit. These transactions are managed through Bancorp's various risk management processes. Management considers both on-balance sheet and off-balance sheet transactions in its evaluation of Bancorp's liquidity.

Bancorp's principal source of cash is dividends paid to it as the sole shareholder of the Bank. As discussed in the Footnote titled "*Commitments and Contingent Liabilities*," as of January 1st of any year, the Bank may pay dividends in an amount equal to the Bank's net income of the prior two years less any dividends paid for the same two years. At June 30, 2025, the Bank could pay an amount equal to \$208 million in dividends to Bancorp without regulatory approval subject to ongoing capital requirements of the Bank.

Sources and Uses of Cash

Cash flow is provided primarily through financing activities of Bancorp, which include raising deposits and borrowing funds from institutional sources such as advances from FHLB and FFP, as well as scheduled loan repayments and cash flows from debt securities. These funds are primarily used to facilitate investment activities of Bancorp, which include making loans and purchasing securities for the investment portfolio. Another important source of cash is net income of the Bank from operating activities. For further detail regarding the sources and uses of cash, see the “*Condensed Consolidated Statements of Cash Flows*” in Bancorp’s consolidated financial statements.

Commitments

In the normal course of business, Bancorp is party to activities that contain credit, market and operational risk that are not reflected in whole or in part in Bancorp’s consolidated financial statements. Such activities include traditional off-balance sheet credit-related financial instruments, commitments under operating leases and long-term debt.

Bancorp provides customers with off-balance sheet credit support through loan commitments and standby letters of credit. Unused loan commitments increased \$92 million, or 4%, as of June 30, 2025 compared to December 31, 2024, largely as a result of an increase in future loan commitments.

Most commitments to extend credit are an agreement to lend to a customer as long as collateral is available as agreed upon and there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses. Since some of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. Bancorp uses the same credit and collateral policies in making commitments and conditional guarantees as for on-balance sheet instruments. Bancorp evaluates each customer’s creditworthiness on a case-by-case basis. The amount of collateral obtained is based on management’s credit evaluation of the customer. Collateral held varies, but may include accounts receivable, inventory, securities, equipment and real estate. However, should the commitments be drawn upon and should our customers default on their resulting obligation to us, our maximum exposure to credit loss, without consideration of collateral, is represented by the contractual amount of those instruments.

The ACL for off balance sheet credit exposures, which is separate from the ACL for loans and recorded in other liabilities on the consolidated balance sheets, was \$6.7 million as of June 30, 2025 and \$6.8 million December 31, 2024, respectively. Negative provision (credit to expense) of \$75,000 was recorded for off balance sheet credit exposures during the six month period ended June 30, 2025, as overall utilization improved and thus reduced the reserve necessary for line of credit availability.

Standby letters of credit are conditional commitments issued by Bancorp to guarantee the performance of a customer to a third party beneficiary. Those guarantees are primarily issued to support commercial transactions. Standby letters of credit generally have maturities of one to two years.

In addition to owned banking facilities, Bancorp has entered into long-term leasing arrangements for certain facilities. Bancorp also has required future payments for a non-qualified defined benefit retirement plan, TPS and the maturity of time deposits.

See the footnote titled “Commitments and Contingent Liabilities” for additional information regarding commitments.

Capital

At June 30, 2025, stockholders’ equity totaled \$1.01 billion, representing an increase of \$65 million, or 7%, compared to December 31, 2024, as net income of \$67.3 million and an \$15.8 million improvement in AOCI was offset by \$18.3 million of dividends declared during the first six months of 2025. The improvement in AOCI was associated with changes in the interest rate environment and the corresponding impact on the valuation of the AFS debt securities portfolio and cash flow hedging derivatives. See the “*Condensed Consolidated Statement of Changes in Stockholders’ Equity*” for further detail of changes in equity.

Bancorp's TCE ratio and tangible book value per share, both non-GAAP disclosures, experienced improvement between December 31, 2024 and June 30, 2025, which stemmed largely from recording net income of \$67.3 million. TCE was 8.86% at June 30, 2025 compared to 8.44% at December 31, 2024, while tangible book value per share was \$27.06 at June 30, 2025, compared to \$24.82 at December 31, 2024. See the section titled "*Non-GAAP Financial Measures*" for reconciliation of non-GAAP to GAAP measures.

In July 2025, Bancorp's Board of Directors adopted a share repurchase program authorizing the repurchase of up to 1 million shares, or approximately 4%, of Bancorp's total common shares outstanding. This share repurchase program replaces the program that expired in May and will expires in two years unless otherwise extended or completed at an earlier date. The plan does not obligate Bancorp to repurchase any specific dollar amount or number of shares prior to the plan's expiration. Bancorp has not repurchased shares under any share repurchase program since 2019.

Bank holding companies and their subsidiary banks are required by regulators to meet risk-based capital standards. These standards, or ratios, measure the relationship of capital to a combination of balance sheet and off-balance sheet risks. The value of both balance sheet and off-balance sheet items are adjusted to reflect credit risks. See the Footnote titled "*Regulatory Matters*" for additional detail regarding regulatory capital requirements, as well as capital ratios of Bancorp and the Bank. The Bank exceeds regulatory capital ratios required to be well-capitalized. Regulatory framework does not define well capitalized for holding companies. Management considers the effects of growth on capital ratios as it contemplates plans for expansion.

Capital ratios as of June 30, 2025 increased compared December 31, 2024, as a result of strong operating results, which helped offset risk-weighted asset growth within the loan portfolio. Bancorp continues to exceed the regulatory requirements for all calculations. Bancorp and the Bank intend to maintain a capital position that meets or exceeds the "well-capitalized" requirements as defined by the FRB and the FDIC, in addition to the capital conservation buffer.

Banking regulators have categorized the Bank as well-capitalized. To meet the definition of well-capitalized for prompt corrective action requirements, a bank must have a minimum 6.5% Common Equity Tier 1 Risk-Based Capital ratio, 8.0% Tier 1 Risk-Based Capital ratio, 10.0% Total Risk-Based Capital ratio and 5.0% Tier 1 Leverage ratio.

Additionally, in order to avoid limitations on capital distributions, including dividend payments and certain discretionary bonus payments to executive officers, Bancorp and the Bank must hold a 2.5% capital conservation buffer composed of Common Equity Tier 1 Risk-Based Capital above the minimum risk-based capital requirements for the Common Equity Tier 1 Risk-Based Capital ratio, Tier 1 Risk-Based Capital ratio and Total Risk-Based Capital ratio necessary to be considered adequately-capitalized. At June 30, 2025, the adequately-capitalized minimums, including the capital conservation buffer, were a 7.0% Common Equity Tier 1 Risk-Based Capital ratio, 8.5% Tier 1 Risk-Based Capital ratio and 10.5% Total Risk-Based Capital ratio.

As previously noted, Bancorp is the 100% owner of three unconsolidated trust subsidiaries. The sole assets of the trust subsidiaries represent the proceeds of offerings loaned in exchange for subordinated debentures with similar terms to the TPS. The TPS are treated as part of Tier 1 Capital. The subordinated note and related interest expense are included in Bancorp's consolidated financial statements. The subordinated notes are currently redeemable at Bancorp's option on a quarterly basis. As of June 30, 2025 and December 31, 2024, subordinated notes totaled \$27 million, respectively.

As permitted by the interim final rule issued on March 27, 2020 by the federal banking regulatory agencies, Bancorp elected the option to delay the estimated impact on regulatory capital related to the adoption of ASC 326 "*Financial Instruments – Credit Losses*," or CECL, which was effective January 1, 2020. The initial impact of adoption of ASC 326, as well as 25% of the quarterly increases in the ACL subsequent to adoption of ASC 326 (collectively the "transition adjustments") were delayed for two years. After two years, the cumulative amount of the transition adjustments became fixed and was phased out of the regulatory capital calculations evenly over a three-year period, with 75% recognized in year three, 50% recognized in year four and 25% recognized in year five. 2024 represented the fifth and final year of the transition period for Bancorp and the temporary capital benefits became fully reversed as of December 31, 2024. Had Bancorp not elected to defer the regulatory capital impact of CECL, the post ASC 326 adoption capital ratios of Bancorp and the Bank would still have exceeded the well-capitalized level.

Non-GAAP Financial Measures

The following table provides a reconciliation of total stockholders' equity in accordance with GAAP to tangible stockholders' equity (TCE), a non-GAAP disclosure. Bancorp provides the TCE per share, a non-GAAP measure, in addition to those defined by banking regulators, based on its widespread use by investors as a means to evaluate capital adequacy:

<i>(dollars in thousands, except per share data)</i>	June 30, 2025	December 31, 2024
Total stockholders' equity - GAAP (a)	\$ 1,005,704	\$ 940,476
Less: Goodwill	(194,074)	(194,074)
Less: Core deposit and other intangibles	(13,989)	(15,818)
Tangible common equity - Non-GAAP (c)	<u>\$ 797,641</u>	<u>\$ 730,584</u>
Total assets - GAAP (b)	\$ 9,208,986	\$ 8,863,419
Less: Goodwill	(194,074)	(194,074)
Less: Core deposit and other intangibles	(13,989)	(15,818)
Tangible assets - Non-GAAP (d)	<u>\$ 9,000,923</u>	<u>\$ 8,653,527</u>
Total stockholders' equity to total assets - GAAP (a/b)	10.92%	10.61%
Tangible common equity to tangible assets - Non-GAAP (c/d)	8.86%	8.44%
Total shares outstanding (e)	<u>29,473</u>	<u>29,431</u>
Book value per share - GAAP (a/e)	\$ 34.12	\$ 31.96
Tangible common equity per share - Non-GAAP (c/e)	27.06	24.82

The efficiency ratio, a non-GAAP measure, equals total non-interest expenses divided by the sum of net interest income (FTE) and non-interest income. In addition to the efficiency ratio presented, Bancorp considers an adjusted efficiency ratio. Bancorp believes it is important because it provides a comparable ratio after eliminating net gains (losses) on sales, calls, and impairment of investment securities, as well as net gains (losses) on sales of premises and equipment and disposition of any acquired assets, if applicable, and the fluctuation in non-interest expenses related to amortization of investments in tax credit partnerships and non-recurring merger expenses, if applicable.

<i>(dollars in thousands)</i>	Three months ended June 30,		Six months ended June 30,	
	2025	2024	2025	2024
Total non-interest expenses (a)	\$ 52,700	\$ 49,109	\$ 103,727	\$ 98,070
Total net interest income, FTE	\$ 73,560	\$ 62,113	\$ 144,196	\$ 122,279
Total non-interest income	24,348	23,655	47,344	46,926
Total revenue - Non-GAAP (b)	<u>\$ 97,908</u>	<u>\$ 85,768</u>	<u>\$ 191,540</u>	<u>\$ 169,205</u>
Less: Gain/loss on sale of premises and equipment	(74)	(20)	(74)	(20)
Total adjusted revenue - Non-GAAP (c)	<u>\$ 97,834</u>	<u>\$ 85,748</u>	<u>\$ 191,466</u>	<u>\$ 169,185</u>
Efficiency ratio - Non-GAAP (a/b)	53.83%	57.26%	54.15%	57.96%
Adjusted efficiency ratio - Non-GAAP (a/c)	53.87%	57.27%	54.18%	57.97%

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

Information required by this item is included in Part I Item 2, “*Management’s Discussion and Analysis of Financial Condition and Results of Operations.*”

Item 4. Controls and Procedures.

As of the end of the period covered by this report, an evaluation was carried out by Stock Yards Bancorp, Inc.’s management, with the participation of its CEO and CFO, of the effectiveness of the Company’s disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934). Based upon that evaluation, the Company’s CEO and CFO concluded that these disclosure controls and procedures were effective as of the end of the period covered by this report. In addition, no change in the Company’s internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934) occurred during the fiscal quarter covered by this report that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting.

PART II – OTHER INFORMATION
Item 1. Legal Proceedings.

Bancorp and the Bank are defendants in various legal proceedings that arise in the ordinary course of business. There is no such proceeding pending or, to the knowledge of management, threatened in which an adverse decision could result in a material adverse change in the business or consolidated financial position of Bancorp or the Bank.

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

The following table shows information relating to the repurchase of shares of common stock by Bancorp during the three months ended June 30, 2025.

	Total number of shares purchased(1)	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs	Average price paid per share	Maximum number of shares that may yet be purchased under the plans or programs
April 1 - April 30	577	\$ 61.16	—	\$ —	
May 1- May 31	100	76.17	—	—	
June 1 - June 30	4,014	76.23	—	—	
Total	<u>4,691</u>	<u>\$ 74.38</u>	<u>—</u>	<u>\$ —</u>	<u>741,196</u>

(1) Shares repurchased during the three month period ended June 30, 2025 represent shares withheld to pay taxes due.

In July 2025, Bancorp’s Board of Directors adopted a share repurchase program authorizing the repurchase of up to 1 million shares, or approximately 4%, of Bancorp’s total common shares outstanding. This share repurchase program replaces the program that expired in May and will expires in two years unless otherwise extended or completed at an earlier date. The plan does not obligate Bancorp to repurchase any specific dollar amount or number of shares prior to the plan’s expiration. Bancorp has not repurchased shares under any share repurchase program since 2019.

There were no equity securities of the registrant sold without registration during the quarter covered by this report.

Item 5. Other Information

(c) During the three months ended June 30, 2025, no director or officer (as defined in Rule 16a-1(f) of the Exchange Act) of the Company adopted or terminated a “Rule 10b5-1 trading arrangement” or “non-Rule 10b5-1 trading arrangement,” as each term is defined in Item 408(a) of Regulation S-K.

Item 6. Exhibits.

The following exhibits are filed or furnished as a part of this report:

Exhibit Number	Description of exhibit
31.1	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act
31.2	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act
32	Certification of Principal Executive Officer and Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act
101	The following materials from Stock Yards Bancorp Inc.’s Form 10-Q Report for the quarterly period ended June 30, 2025 formatted in inline XBRL: (i) the Condensed Consolidated Balance Sheets, (ii) the Condensed Consolidated Statements of Income, (iii) the Condensed Consolidated Statements of Comprehensive Income, (iv) the Condensed Consolidated Statements of Changes in Shareholders’ Equity, (v) the Condensed Consolidated Statements of Cash Flows and (vi) the Notes to Condensed Consolidated Financial Statements.
104	The cover page from Stock Yards Bancorp Inc.’s Form 10-Q Report for the quarterly period ended June 30, 2025 formatted in inline XBRL and contained in Exhibit 101.

SIGNATURES

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

STOCK YARDS BANCORP, INC.
(Registrant)

Date: August 5, 2025

By: /s/ James A. Hillebrand
James A. Hillebrand
Chairman and CEO (Principal Executive Officer)

Date: August 5, 2025

/s/ T. Clay Stinnett
T. Clay Stinnett
EVP, Treasurer and CFO (Principal Financial Officer)

CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT

I, James A. Hillebrand, certify that:

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

Date: August 5, 2025

By: /s/ James A. Hillebrand

James A. Hillebrand
Chairman and CEO

CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT

I, T. Clay Stinnett, certify that:

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

Date: August 5, 2025

By: /s/ T. Clay Stinnett

T. Clay Stinnett,
EVP, Treasurer and CFO

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

In connection with this quarterly report of Stock Yards Bancorp, Inc. on Form 10-Q for the period ending June 30, 2025 (the "Report"), we, the undersigned, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of our knowledge and belief: (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Stock Yards Bancorp, Inc. as of and for the periods presented in the Report.

Date: August 5, 2025

By: /s/ James A. Hillebrand

James A. Hillebrand
Chairman and CEO

Date: August 5, 2025

By: /s/ T. Clay Stinnett

T. Clay Stinnett
EVP, Treasurer and CFO

The foregoing certification is being furnished solely pursuant to 18 U.S.C. section 1350 and is not being filed as part of the report or as a separate document.

A signed original of this written statement required by section 906 has been provided to Stock Yards Bancorp, Inc. and will be retained by Stock Yards Bancorp, Inc. and furnished to the SEC or its staff upon request.