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, 2024

OR

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

For the transition period from _____ to _____

Commission File Number 001-38139

Byline Bancorp, Inc.

(Exact Name of Registrant as Specified in Its Charter)

Delaware	**36-3012593**
(State or Other Jurisdiction of Incorporation or Organization)	**(IRS Employer Identification Number)**

180 North LaSalle Street, Suite 300
Chicago, Illinois 60601
(Address of Principal Executive Offices)
(773) 244-7000
(Registrant's telephone number, including area code)

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 Securities Exchange Act of 1934.

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 ☒

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

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock	BY	New York Stock Exchange

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

Common Stock, $0.01 par value, 44,260,652 shares outstanding as of July 31, 2024

BYLINE BANCORP, INC.

FORM 10-Q

June 30, 2024

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

BYLINE BANCORP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
(UNAUDITED)

(dollars in thousands, except share data)	June 30, 2024	December 31, 2023
ASSETS		
Cash and due from banks	$ 68,251	$ 60,431
Interest bearing deposits with other banks	662,206	165,705
Cash and cash equivalents	730,457	226,136
Equity and other securities, at fair value	8,745	8,743
Securities available-for-sale, at fair value (amortized cost at June 30, 2024—$1,573,276; December 31, 2023—$1,516,801)	1,386,827	1,342,480
Securities held-to-maturity, at amortized cost (fair value at June 30, 2024—$601; December 31, 2023 —$1,149)	606	1,157
Restricted stock, at cost	31,775	16,304
Loans held for sale	13,360	18,005
Loans and leases:		
Loans and leases	6,891,204	6,684,306
Allowance for credit losses - loans and leases	(99,730)	(101,686)
Net loans and leases	6,791,474	6,582,620
Servicing assets, at fair value	19,617	19,844
Premises and equipment, net	63,919	66,627
Goodwill and other intangible assets, net	200,788	203,478
Bank-owned life insurance	98,519	96,900
Deferred tax assets, net	48,888	50,058
Accrued interest receivable and other assets	238,840	249,615
Total assets	$ 9,633,815	$ 8,881,967
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Non-interest-bearing demand deposits	$ 1,762,891	$ 1,905,876
Interest-bearing deposits	5,584,290	5,271,123
Total deposits	7,347,181	7,176,999
Other borrowings	918,738	395,190
Subordinated notes, net	73,953	73,866
Junior subordinated debentures issued to capital trusts, net	70,675	70,452
Accrued interest payable and other liabilities	190,254	175,309
Total liabilities	8,600,801	7,891,816
COMMITMENTS AND CONTINGENT LIABILITIES (Note 14)		
STOCKHOLDERS' EQUITY		
Preferred stock	—	—
Common stock	452	451
Additional paid-in capital	710,792	710,488
Retained earnings	481,232	429,036
Treasury stock, at cost	(47,993)	(49,707)
Accumulated other comprehensive loss, net of tax	(111,469)	(100,117)
Total stockholders' equity	1,033,014	990,151
Total liabilities and stockholders' equity	$ 9,633,815	$ 8,881,967

	June 30, 2024		December 31, 2023	
	Preferred Shares	Common Shares	Preferred Shares	Common Shares
Par value	$ 0.01	$ 0.01	$ 0.01	$ 0.01
Shares authorized	25,000,000	150,000,000	25,000,000	150,000,000
Shares issued	—	45,981,155	—	45,714,241
Shares outstanding	—	44,180,829	—	43,764,056
Treasury shares	—	1,800,326	—	1,950,185

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

BYLINE BANCORP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

(dollars in thousands, except share and per share data)	Three Months Ended June 30, 2024	Three Months Ended June 30, 2023	Six Months Ended June 30, 2024	Six Months Ended June 30, 2023
INTEREST AND DIVIDEND INCOME				
Interest and fees on loans and leases	$ 126,523	$ 99,134	$ 250,315	$ 191,477
Interest on securities	10,514	6,559	20,248	13,159
Other interest and dividend income	4,532	1,579	9,327	2,638
Total interest and dividend income	141,569	107,272	279,890	207,274
INTEREST EXPENSE				
Deposits	47,603	24,723	93,565	41,021
Other borrowings	4,460	4,241	8,284	10,129
Subordinated notes and debentures	2,980	2,142	5,974	4,240
Total interest expense	55,043	31,106	107,823	55,390
Net interest income	86,526	76,166	172,067	151,884
PROVISION FOR CREDIT LOSSES	6,045	5,790	12,688	15,615
Net interest income after provision for credit losses	80,481	70,376	159,379	136,269
NON-INTEREST INCOME				
Fees and service charges on deposits	2,548	2,233	4,975	4,353
Loan servicing revenue	3,216	3,377	6,580	6,757
Loan servicing asset revaluation	(2,468)	(865)	(3,171)	(209)
ATM and interchange fees	1,163	1,112	2,238	2,175
Change in fair value of equity securities, net	(390)	193	2	543
Net gains on sales of loans	6,036	5,704	11,569	10,852
Wealth management and trust income	942	1,039	2,099	1,963
Other non-interest income	1,797	1,498	4,025	3,002
Total non-interest income	12,844	14,291	28,317	29,436
NON-INTEREST EXPENSE				
Salaries and employee benefits	33,911	29,642	67,864	60,036
Occupancy and equipment expense, net	4,639	4,404	9,923	8,848
Impairment charge on assets held for sale	—	—	—	20
Loan and lease related expenses	741	488	1,426	1,451
Legal, audit and other professional fees	3,708	3,675	6,427	6,789
Data processing	4,036	4,272	8,181	8,055
Net (gain) loss recognized on other real estate owned and other related expenses	(62)	288	(160)	185
Other intangible assets amortization expense	1,345	1,455	2,690	2,910
Other non-interest expense	4,892	5,104	10,668	9,834
Total non-interest expense	53,210	49,328	107,019	98,128
INCOME BEFORE PROVISION FOR INCOME TAXES	40,115	35,339	80,677	67,577
PROVISION FOR INCOME TAXES	10,444	9,232	20,566	17,525
NET INCOME	$ 29,671	$ 26,107	$ 60,111	$ 50,052
EARNINGS PER COMMON SHARE				
Basic	$ 0.68	$ 0.70	$ 1.39	$ 1.35
Diluted	$ 0.68	$ 0.70	$ 1.37	$ 1.34

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

BYLINE BANCORP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(UNAUDITED)

	Three Months Ended June 30,		Six Months Ended June 30,	
(dollars in thousands)	**2024**	**2023**	**2024**	**2023**
Net income	$ 29,671	$ 26,107	$ 60,111	$ 50,052
Securities available-for-sale				
Unrealized holding gains (losses) arising during the period	(3,169)	(13,822)	(12,128)	777
Tax effect	846	3,693	3,235	(207)
Net of tax	(2,323)	(10,129)	(8,893)	570
Cash flow hedges				
Unrealized holding gains arising during the period	1,670	8,515	6,201	8,709
Reclassification adjustments for net gains included in net income	(4,719)	(3,863)	(9,555)	(5,819)
Tax effect	813	(1,243)	895	(772)
Net of tax	(2,236)	3,409	(2,459)	2,118
Total other comprehensive income (loss)	(4,559)	(6,720)	(11,352)	2,688
Comprehensive income	$ 25,112	$ 19,387	$ 48,759	$ 52,740

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

BYLINE BANCORP, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

(UNAUDITED)

(dollars in thousands, except share data)	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
Balance, March 31, 2023	37,713,427	$ 390	$ 598,103	$ 356,365	$ (51,066)	$ (108,142)	$ 795,650
Net income	—	—	—	26,107	—	—	26,107
Other comprehensive (loss), net of tax	—	—	—	—	—	(6,720)	(6,720)
Restricted stock activity, net	(547)	1	(92)	—	(25)	—	(116)
Issuance of common stock in connection with employee stock purchase plan	39,122	—	—	—	708	—	708
Cash dividends declared on common stock ($0.09 per share)	—	—	—	(3,394)	—	—	(3,394)
Share-based compensation expense	—	—	1,707	—	—	—	1,707
Balance, June 30, 2023	37,752,002	$ 391	$ 599,718	$ 379,078	$ (50,383)	$ (114,862)	$ 813,942

(dollars in thousands, except share data)	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
Balance, January 1, 2023	37,492,775	$ 389	$ 598,297	$ 335,794	$ (51,114)	$ (117,550)	$ 765,816
Net income	—	—	—	50,052	—	—	50,052
Other comprehensive income, net of tax	—	—	—	—	—	2,688	2,688
Restricted stock activity, net	220,105	2	(1,796)	—	23	—	(1,771)
Issuance of common stock in connection with employee stock purchase plan	39,122	—	—	—	708	—	708
Cash dividends declared on common stock ($0.18 per share)	—	—	—	(6,768)	—	—	(6,768)
Share-based compensation expense	—	—	3,217	—	—	—	3,217
Balance, June 30, 2023	37,752,002	$ 391	$ 599,718	$ 379,078	$ (50,383)	$ (114,862)	$ 813,942

(dollars in thousands, except share data)	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
Balance, March 31, 2024	44,108,387	$ 452	$ 708,844	$ 455,532	$ (48,869)	$ (106,910)	$ 1,009,049
Net income	—	—	—	29,671	—	—	29,671
Other comprehensive loss, net of tax	—	—	—	—	—	(4,559)	(4,559)
Issuance of common stock upon exercise of stock options, net	19,800	—	222	—	—	—	222
Restricted stock activity, net	19,886	—	(115)	—	98	—	(17)
Issuance of common stock in connection with employee stock purchase plan	—	—	—	—	778	—	778
Cash dividends declared on common stock ($0.09 per share)	32,756	—	—	(3,971)	—	—	(3,971)
Share-based compensation expense	—	—	1,841		—	—	1,841
Balance, June 30, 2024	44,180,829	$ 452	$ 710,792	$ 481,232	$ (47,993)	$ (111,469)	$ 1,033,014

(dollars in thousands, except share data)	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
Balance, January 1, 2024	43,764,056	$ 451	$ 710,488	$ 429,036	$ (49,707)	$ (100,117)	$ 990,151
Net income	—	—	—	60,111	—	—	60,111
Other comprehensive loss, net of tax	—	—	—	—	—	(11,352)	(11,352)
Issuance of common stock upon exercise of stock options, net	87,986	—	(109)	—	(671)	—	(780)
Restricted stock activity, net	296,031	1	(3,274)	—	1,607	—	(1,666)
Issuance of common stock in connection with employee stock purchase plan	—	—	—	—	778	—	778
Cash dividends declared on common stock ($0.18 per share)	32,756	—	—	(7,915)	—	—	(7,915)
Share-based compensation expense	—	—	3,687	—	—	—	3,687
Balance, June 30, 2024	44,180,829	$ 452	$ 710,792	$ 481,232	$ (47,993)	$ (111,469)	$ 1,033,014

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

BYLINE BANCORP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

(dollars in thousands)	Six Months Ended June 30, 2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 60,111	$ 50,052
Adjustments to reconcile net income to net cash from operating activities:		
Provision for credit losses	12,688	15,615
Impairment loss on premises and equipment	1,069	—
Impairment loss on operating lease right-of-use asset	194	—
Impairment loss on assets held for sale	—	20
Depreciation and amortization of premises and equipment	2,582	1,932
Net amortization (accretion) of securities	(943)	1,678
Net change in fair value of equity securities	(2)	(543)
Net gains on sales and disposal of premises and equipment	(460)	—
Net gains on sales of loans	(11,569)	(10,852)
Originations of U.S. government guaranteed loans	(143,643)	(146,974)
Proceeds from U.S. government guaranteed loans sold	106,830	162,600
Accretion of premiums and discounts on acquired loans, net	(7,940)	(1,340)
Net change in servicing assets	227	(2,543)
Net losses (gains) on sales and valuation adjustments of other real estate owned	(55)	392
Net amortization of other acquisition accounting adjustments	3,252	2,910
Amortization of subordinated debt issuance cost	87	87
Accretion of junior subordinated debentures discount	223	219
Share-based compensation expense	3,687	3,217
Deferred tax benefit	5,298	(140)
Increase in cash surrender value of bank owned life insurance	(1,620)	(1,118)
Changes in assets and liabilities:		
Accrued interest receivable and other assets	3,025	6,110
Accrued interest payable and other liabilities	69,441	11,149
Net cash provided by operating activities	102,482	92,471
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of securities available-for-sale	(209,158)	(11,221)
Proceeds from maturities and calls of securities available-for-sale	77,764	4,463
Proceeds from paydowns of securities available-for-sale	75,740	44,708
Proceeds from maturities and calls of securities held-to-maturity	550	545
Redemptions (purchases) of Federal Home Loan Bank stock, net	(15,471)	3,825
Proceeds from other loans sold	—	6,750
Net change in loans and leases	(214,688)	(152,170)
Purchases of premises and equipment	(1,243)	(1,539)
Proceeds from sales of premises and equipment	365	—
Proceeds from sales of assets held for sale	1,459	—
Proceeds from sales of other real estate owned	480	2,559
Net cash used in investing activities	(284,202)	(102,080)

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

BYLINE BANCORP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)
(UNAUDITED)

(dollars in thousands)	Six Months Ended June 30, 2024	2023
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase in deposits	$ 169,620	$ 221,971
Repayments of line of credit	(11,250)	—
Repayments of term loan	(3,333)	—
Proceeds from short-term borrowings	1,700,000	9,723,100
Repayments of short-term borrowings	(1,355,000)	(9,808,100)
Proceeds from BTFP advances	200,000	—
Net increase (decrease) in securities sold under agreements to repurchase	(6,869)	19,523
Dividends paid on common stock	(8,005)	(6,655)
Proceeds from issuance of common stock	878	602
Net cash provided by financing activities	686,041	150,441
NET CHANGE IN CASH AND CASH EQUIVALENTS	504,321	140,832
CASH AND CASH EQUIVALENTS, beginning of period	226,136	179,353
CASH AND CASH EQUIVALENTS, end of period	$ 730,457	$ 320,185
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the period for interest	$ 102,417	$ 46,538
Cash paid during the period for taxes	$ 974	$ 3,031
SUPPLEMENTAL DISCLOSURES OF NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Transfer of loans to other real estate owned	$ 5	$ 499
Right-of-use assets exchanged for operating lease liabilities	$ 1,115	$ 932
Common share withholding	$ 2,668	$ 1,771
Common dividend declared, not paid	$ (90)	$ 113

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

Note 1—Basis of Presentation

These unaudited interim condensed consolidated financial statements include the accounts of Byline Bancorp, Inc., a Delaware corporation (the "Company," "Byline," "we," "us," "our"), a bank holding company whose principal activity is the ownership and management of its Illinois state chartered subsidiary bank, Byline Bank (the "Bank"), based in Chicago, Illinois.

These unaudited interim condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial information and in accordance with the instructions to Form 10-Q and Article 10 of Regulation S-X as promulgated by the Securities and Exchange Commission ("SEC"). In preparing these financial statements, the Company has evaluated events and transactions subsequent to June 30, 2024 for potential recognition or disclosure. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation of the financial position and results of operations for the periods presented have been included. Certain information in footnote disclosures normally included in financial statements prepared in accordance with GAAP has been condensed or omitted pursuant to the rules and regulations of the SEC and the accounting standards for interim financial statements. These financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Consolidated Financial Statements as of December 31, 2023 and 2022 and for each of the three years in the period ended December 31, 2023.

The Company has one reportable segment. The Company's chief operating decision makers evaluate the operations of the Company using consolidated information for purposes of allocating resources and assessing performance. Therefore, segments disclosures are currently not required.

In accordance with the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 855, "Subsequent Events," the Company's management has evaluated subsequent events for potential recognition or disclosure through the date of the issuance of these condensed consolidated financial statements. No subsequent events were identified that would have required a change to the condensed consolidated financial statements or disclosure in the notes to the condensed consolidated financial statements.

Note 2—Accounting Pronouncements Recently Adopted or Issued

The following reflect recent accounting pronouncements that have been adopted or are pending adoption by the Company.

Adopted Accounting Pronouncements

Fair Value Measurement (Topic 820) - In June 2022, the FASB issued ASU No. 2022-03, Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions. The guidance in the ASU clarifies that a contractual restriction on the sale of an equity security is not considered part of the unit of account on the equity security and, therefore, is not considered in measuring fair value. The ASU also requires additional disclosures about the restriction. The amendments in this update are effective for fiscal years beginning after December 15, 2023, and interim periods within those fiscal years. The Company evaluated the accounting and disclosure requirements of this update and they did not have a material effect on the consolidated financial statements.

Issued Accounting Pronouncements Pending Adoption

Business Combinations (Topic 805) - In August 2023, the FASB issued ASU 2023-05, Business Combinations—Joint Venture (JV) Formations: Recognition and Initial Measurement. The guidance requires newly-formed JVs to apply a new basis of accounting to all of its contributed net assets, which results in the JV initially measuring its contributed net assets under ASC 805-20, Business Combinations. The new guidance would be applied prospectively and is effective for all newly-formed joint venture entities with a formation date on or after January 1, 2025, with early adoption permitted. The Company is evaluating the accounting and disclosure requirements of this update and the impact of adopting the new guidance on the consolidated financial statements.

Segment Reporting – Improvements to Reportable Segment Disclosures (Topic 280) – In November 2023, the FASB issued ASU 2023-07 to enhance disclosures about significant segment expenses for public entities reporting segment information under Topic 280. It requires that a public entity disclose, on an annual and interim basis, significant expense categories for each reportable segment. Significant expense categories are derived from expenses that are 1) regularly reported to an entity's chief operating decision-maker ("CODM"), and 2) included in a segment's reported measure of profit or loss. The disclosures should include an amount for "other segment items," reflecting the difference between 1) segment revenue less significant segment expenses, and 2) the reportable segment's profit or loss measures. It requires that a public entity disclose the title and position of the CODM and how the CODM uses the reported measure of profit or loss to assess segment

performance and to allocate resources. Further it clarifies that entities with a single reportable segment must disclose both new and existing segment reporting requirements. The amendments are effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Entities must adopt the guidance on a retrospective basis. The Company is evaluating the internal control and disclosure requirements of this update and the impact of adopting the new guidance on the consolidated financial statements.

Income Taxes – Improvements to Income Tax Disclosures (Topic 740) – In December 2023, the FASB issued ASU 2023-09 to provide additional transparency into an entity's income tax disclosures primarily related to the rate reconciliation and income taxes paid information. The standard requires that public business entities disclose, on an annual basis, specific categories in the rate reconciliation and additional information for reconciling items meeting a certain quantitative threshold. The amendments also require that entities disclose on an annual basis: 1) income taxes paid (net of refunds received) disaggregated by federal (national), state, and foreign taxes and 2) the income taxes paid (net of refunds received) disaggregated by individual jurisdictions exceeding 5% of total income taxes paid (net of refunds received). The amendments are effective for public business entities for annual periods beginning after December 15, 2024. The Company is evaluating the accounting and disclosure requirements of this update and the impact of adopting the new guidance on the consolidated financial statements.

Note 3—Acquisition of a Business

On July 1, 2023, the Company acquired all of the outstanding common stock of Inland Bancorp, Inc. ("Inland") and its subsidiaries pursuant to an Agreement and Plan of Merger, dated as of November 30, 2022 (the "Merger Agreement"). Inland was merged with and into Byline. As a result of the merger, Inland's wholly owned subsidiary bank, Inland Bank and Trust, was merged with and into Byline Bank, with Byline Bank as the surviving bank. The acquisition improves the Company's footprint in the Chicagoland market, diversifies its commercial banking business, and strengthens the core deposit base.

In a related but separate transaction, on March 31, 2023, Byline entered into a side letter agreement with the majority shareholder of Inland in which Byline agreed to purchase 2,408,992 shares of Inland common stock. The purchase price was calculated based on the terms of the Merger Agreement. The transaction was completed on June 30, 2023, which resulted in the payment of cash in the amount of $9.9 million.

At the effective time of the merger (the "Effective Time"), each share of Inland's common stock was converted into the right to receive: (1) 0.19 shares of Byline's common stock, par value $0.01 per share, and (2) a cash payment in the amount of $0.68 per share, with cash paid in lieu of any fractional shares. The per share cash consideration was based on the total $21.2 million divided by the outstanding shares of Inland common stock. Based on the closing price of shares of the Company's common stock of $18.09, as reported by the New York Stock Exchange, and 5,932,323 shares of common stock issued with respect to the outstanding shares of Inland common stock, the stock consideration was valued at $107.3 million. Options to acquire 288,200 shares of Inland common stock that were outstanding at the Effective Time were canceled, at the option holders' election, in exchange for a cash payment in accordance with the Merger Agreement of $424,000, to be paid after the closing date. In addition, the 2,408,992 shares of Inland common stock purchased on June 30, 2023 were canceled as of the effective time of the transaction. The value of the total merger consideration at closing was $138.9 million. Stock issuance costs were $299,000.

The transaction resulted in goodwill of $33.4 million, which is nondeductible for tax purposes, as this acquisition was a nontaxable transaction. Goodwill represents the premium paid over the fair value of the net tangible and intangible assets acquired and reflects related synergies expected from the combined operations.

Merger-related expenses, including acquisition advisory expenses of $653,000, core system conversion expenses of $640,000, salaries and employee benefits of $17,000, and other non-interest expenses of $81,000 related to the Inland acquisition are reflected in non-interest expense on the Consolidated Statements of Operations for the three months ended June 30, 2023.

Merger-related expenses for the six months ended June 30, 2023, including acquisition advisory expenses of $909,000, core system conversion expenses of $839,000, salaries and employee benefits of $36,000, and other non-interest expenses of $96,000 related to the Inland acquisition are reflected in non-interest expense on the Consolidated Statements of Operations for the six months ended June 30, 2023.

There were no merger related expenses in the three and six months ended June 30, 2024.

The acquisition of Inland was accounted for using the acquisition method of accounting in accordance with ASC Topic 805. Assets acquired, liabilities assumed, and consideration exchanged were recorded at their respective acquisition date fair values. Determining the fair value of assets and liabilities involves significant judgment regarding methods and assumptions

used to calculate estimated fair values. Fair value adjustments associated with this transaction were finalized during the second quarter of 2024.

The following table presents a summary of the fair values of assets acquired and liabilities assumed as of the acquisition date:

Assets		
Cash and cash equivalents	$	39,731
Securities available-for-sale		239,602
Restricted stock		3,058
Loans		808,000
Allowance for credit losses		(10,596)
Premises and equipment		11,307
Operating lease right-of-use asset		3,813
Other intangible assets		17,250
Bank-owned life insurance		12,455
Deferred tax assets, net		14,848
Other assets		21,023
Total assets acquired		1,160,491
Liabilities		
Deposits		964,491
Federal Home Loan Bank advances		40,000
Securities sold under agreements to repurchase		455
Junior subordinated debentures		32,661
Operating lease liability		4,034
Accrued expenses and other liabilities		13,288
Total liabilities assumed		1,054,929
Net assets acquired	$	105,562
Consideration paid		
Common stock (5,932,323 shares issued at $18.09 per share)		107,017
Cash paid		31,897
Total consideration paid		138,914
Goodwill	$	33,352

The following table presents the fair value and gross contractual amounts receivable of acquired non-credit-deteriorated loans from the Inland acquisition, and their respective expected contractual cash flows as of the acquisition date:

Fair value	$	582,831
Gross contractual amounts receivable		699,918
Estimate of contractual cash flows not expected to be collected[(1)]		4,239
Estimate of contractual cash flows expected to be collected		695,679

(1) Includes interest payments not expected to be collected due to loan prepayments as well as principal and interest payments not expected to be collected due to customer default.

The following table provides the unaudited pro forma information for the results of operations for the three and six months ended June 30, 2023, as if the acquisition had occurred on January 1, 2023. The pro forma results combine the historical results of Inland into the Company's Consolidated Statements of Operations, including the impact of certain acquisition accounting adjustments, which includes loan discount accretion, intangible assets amortization, deposit premium accretion, fixed assets amortization, and borrowing discount amortization. The pro forma results have been prepared for comparative purposes only and are not necessarily indicative of the results that would have been obtained had the acquisition actually occurred on January 1, 2023. No assumptions have been applied to the pro forma results of operations regarding possible revenue enhancements, provision for credit losses, expense efficiencies or asset dispositions. Recognized acquisition-related expenses and other adjustments related to the timing of expenses, are included in net income in the following table:

	For the Three Months Ended June 30, 2023	For the Six Months Ended June 30, 2023
Total revenues (net interest income and non-interest income)	$ 103,200	$ 210,995
Net income	$ 27,670	$ 52,995
Earnings per share—basic	$ 0.64	$ 1.23
Earnings per share—diluted	$ 0.64	$ 1.22

Revenues and earnings of the acquired company since the acquisition date have not been disclosed as it is not practicable as Inland was merged into the Company and separate financial information is not readily available.

Note 4—Securities

The following tables summarize the amortized cost and fair values of securities available-for-sale and securities held-to-maturity as of the dates shown and the corresponding amounts of gross unrealized gains and losses:

June 30, 2024	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale				
U.S. Treasury Notes	$ 52,638	$ —	$ (853)	$ 51,785
U.S. Government agencies	164,453	20	(17,299)	147,174
Obligations of states, municipalities, and political subdivisions	85,541	154	(5,305)	80,390
Residential mortgage-backed securities				
Agency	850,340	1,377	(102,519)	749,198
Non-agency	131,968	—	(22,914)	109,054
Commercial mortgage-backed securities				
Agency	227,984	—	(34,036)	193,948
Corporate securities	40,652	—	(3,872)	36,780
Asset-backed securities	19,700	22	(1,224)	18,498
Total	$ 1,573,276	$ 1,573	$ (188,022)	$ 1,386,827

June 30, 2024	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Held-to-maturity				
Obligations of states, municipalities, and political subdivisions	$ 606	$ —	$ (5)	$ 601
Total	$ 606	$ —	$ (5)	$ 601

December 31, 2023	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale				
U.S. Treasury Notes	$ 116,398	$ 61	$ (1,025)	$ 115,434
U.S. Government agencies	147,062	37	(16,404)	130,695
Obligations of states, municipalities, and political subdivisions	86,022	396	(4,143)	82,275
Residential mortgage-backed securities				
Agency	786,970	4,247	(95,414)	695,803
Non-agency	122,359	—	(22,099)	100,260
Commercial mortgage-backed securities				
Agency	181,452	—	(34,248)	147,204
Corporate securities	40,681	—	(4,510)	36,171
Asset-backed securities	35,857	2	(1,221)	34,638
Total	$ 1,516,801	$ 4,743	$ (179,064)	$ 1,342,480

December 31, 2023	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Held-to-maturity				
Obligations of states, municipalities, and political subdivisions	$ 1,157	$ —	$ (8)	$ 1,149
Total	$ 1,157	$ —	$ (8)	$ 1,149

The Company did not classify securities as trading during the six months ended June 30, 2024 or during 2023.

Gross unrealized losses and fair values, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position as of June 30, 2024 and December 31, 2023, are summarized as follows:

		Less than 12 Months		12 Months or Longer		Total	
June 30, 2024	Number of Securities	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Available-for-sale							
U.S. Treasury Notes	9	$ 14,645	$ (65)	$ 37,140	$ (788)	$ 51,785	$ (853)
U.S. Government agencies	20	20,462	(47)	118,307	(17,252)	138,769	(17,299)
Obligations of states, municipalities and political subdivisions	85	20,361	(428)	52,320	(4,877)	72,681	(5,305)
Residential mortgage-backed securities							
Agency	129	155,273	(1,937)	507,970	(100,582)	663,243	(102,519)
Non-agency	21	14,768	(90)	94,286	(22,824)	109,054	(22,914)
Commercial mortgage-backed securities							
Agency	51	37,482	(306)	141,892	(33,730)	179,374	(34,036)
Corporate securities	21	1,418	(73)	35,362	(3,799)	36,780	(3,872)
Asset-backed securities	2	—	—	5,852	(1,224)	5,852	(1,224)
Total	338	$ 264,409	$ (2,946)	$ 993,129	$ (185,076)	$ 1,257,538	$ (188,022)
Held-to-maturity							
Obligations of states, municipalities, and political subdivisions	1	$ —	$ —	$ 601	$ (5)	$ 601	$ (5)
Total	1	$ —	$ —	$ 601	$ (5)	$ 601	$ (5)

		Less than 12 Months		12 Months or Longer		Total	
December 31, 2023	Number of Securities	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Available-for-sale							
U.S. Treasury Notes	7	$ 5,018	$ (4)	$ 31,843	$ (1,021)	$ 36,861	$ (1,025)
U.S. Government agencies	18	535	(9)	119,109	(16,395)	119,644	(16,404)
Obligations of states, municipalities and political subdivisions	61	12,267	(156)	49,617	(3,987)	61,884	(4,143)
Residential mortgage-backed securities							
Agency	102	8,332	(49)	543,648	(95,365)	551,980	(95,414)
Non-agency	20	636	—	99,624	(22,099)	100,260	(22,099)
Commercial mortgage-backed securities							
Agency	48	6,765	(1,517)	140,439	(32,731)	147,204	(34,248)
Corporate securities	21	—	—	36,171	(4,510)	36,171	(4,510)
Asset-backed securities	6	—	—	25,653	(1,221)	25,653	(1,221)
Total	283	$ 33,553	$ (1,735)	$ 1,046,104	$ (177,329)	$ 1,079,657	$ (179,064)
Held-to-maturity							
Obligations of states, municipalities and political subdivisions	2	$ —	$ —	$ 1,149	$ (8)	$ 1,149	$ (8)
Total	2	$ —	$ —	$ 1,149	$ (8)	$ 1,149	$ (8)

Certain securities have fair values less than amortized cost and, therefore, contain unrealized losses. The Company evaluated the securities which had unrealized losses for potential credit losses and determined there were none. There were 338 securities available-for-sale with unrealized losses at June 30, 2024. There was one security held-to-maturity with unrealized losses at June 30, 2024. There was no allowance for credit losses for held-to-maturity debt securities at June 30, 2024 or December 31, 2023. The evaluation for potential credit losses is based upon factors such as the creditworthiness of the issuers/guarantors, the underlying collateral, if applicable, and the continuing payment performance of the securities.

Management measures expected credit losses on held-to-maturity debt securities on a collective basis by major security types. The Company's held-to-maturity portfolio contains municipal bonds that are typically rated by major rating agencies as 'Aa' or better. The Company uses industry historical credit loss information adjusted for current conditions to establish an allowance for credit losses. Accrued interest receivable on securities available-for-sale and held-to-maturity totaled $4.9 million and $4.5 million at June 30, 2024 and December 31, 2023, respectively, and are excluded from the estimate of credit losses.

The Company anticipates full recovery of amortized cost with respect to these securities by maturity. The Company does not intend to sell these securities and it is not more likely than not that the Company will be required to sell them before recovery of their amortized cost basis, which may be at maturity.

There were no proceeds from sales of securities available-for-sale, nor associated gains and losses on sales and calls of securities, for the three and six months ended June 30, 2024 and 2023, respectively.

Securities posted and pledged as collateral were $727.6 million and $464.5 million at June 30, 2024 and December 31, 2023. At June 30, 2024 and December 31, 2023, of those pledged, the carrying amounts of securities pledged as collateral for public fund deposits were $471.1 million and $390.3 million, respectively, and for customer repurchase agreements of $37.6 million and $47.8 million, respectively. At June 30, 2024, there were $192.0 million of securities pledged to the Federal Reserve Bank ("FRB"). At December 31, 2023, no securities were pledged to the FRB. At June 30, 2024 and December 31, 2023, there were no securities pledged for advances from the Federal Home Loan Bank. Other securities were pledged for letters of credit and for purposes required or permitted by law. At June 30, 2024 and December 31, 2023, there were no holdings of securities of any one issuer, other than the U.S. Government and its agencies, in an amount greater than 10% of stockholders' equity.

At June 30, 2024, the amortized cost and fair value of debt securities are shown by contractual maturity. Expected maturities may differ from contractual maturities if borrowers have the right to call or prepay obligations with or without call or prepayment penalties. Securities not due at a single maturity date are shown separately.

	Amortized Cost	Fair Value
Available-for-sale		
Due in one year or less	$ 43,997	$ 43,361
Due from one to five years	111,663	104,964
Due from five to ten years	162,003	145,903
Due after ten years	45,321	40,399
Mortgage-backed securities	1,210,292	1,052,200
Total	$ 1,573,276	$ 1,386,827
Held-to-maturity		
Due in one year or less	$ 606	$ 601
Total	$ 606	$ 601

Note 5—Loan and Lease Receivables and Allowance for Credit Losses

Loan and Lease Receivables

Outstanding loan and lease receivables as of the dates shown were categorized as follows:

	June 30, 2024	December 31, 2023
Commercial real estate	$ 2,290,656	$ 2,317,289
Residential real estate	727,092	718,733
Construction, land development, and other land	532,312	528,275
Commercial and industrial	2,620,828	2,444,405
Installment and other	2,788	3,138
Lease financing receivables	704,740	659,686
Total loans and leases	6,878,416	6,671,526
Net unamortized deferred fees and costs	6,471	6,600
Initial direct costs	6,317	6,180
Allowance for credit losses - loans and leases	(99,730)	(101,686)
Net loans and leases	$ 6,791,474	$ 6,582,620

	June 30, 2024	December 31, 2023
Lease financing receivables		
Net minimum lease payments	$ 679,887	$ 644,507
Unguaranteed residual values	111,057	92,127
Unearned income	(86,204)	(76,948)
Total lease financing receivables	704,740	659,686
Initial direct costs	6,317	6,180
Lease financial receivables before allowance for credits losses - loans and leases	$ 711,057	$ 665,866

Total loans and leases consist of originated loans and leases, purchased credit deteriorated ("PCD") and acquired non-credit-deteriorated loans and leases. At June 30, 2024 and December 31, 2023, total loans and leases included the guaranteed amount of U.S. government guaranteed loans of $94.9 million and $93.3 million, respectively. At June 30, 2024 and December 31, 2023, the discount on the unguaranteed portion of U.S. government guaranteed loans was $25.3 million and $26.2 million, respectively, which are included in total loans and leases. At June 30, 2024 and December 31, 2023, installment and other loans included overdraft deposits of $693,000 and $754,000, respectively, which were reclassified as loans. At June 30, 2024 and December 31, 2023, loans and leases and loans held for sale pledged as security for borrowings were $2.0 billion and $2.2 billion, respectively. Accrued interest on loans and leases was $38.9 million for each of the quarters ended June 30, 2024 and December 31, 2023, respectively, and is included in the accrued interest receivable and other assets line item on the Condensed Consolidated Statement of Financial Condition.

The minimum annual lease payments for lease financing receivables as of June 30, 2024 are summarized as follows:

	Minimum Lease Payments
2024	$ 111,886
2025	220,017
2026	171,074
2027	110,416
2028	54,533
Thereafter	11,961
Total	$ 679,887

Originated loans and leases represent originations excluding loans initially acquired in a business combination. However, once an acquired loan reaches its maturity date, and is re-underwritten and renewed, it is internally classified as an originated loan. PCD loans are those acquired from a business combination with evidence of credit quality deterioration and are accounted for under ASC Topic 326. Acquired non-credit-deteriorated loans and leases represent loans and leases acquired with an outstanding balance from a business combination without more than insignificant evidence of credit quality deterioration and are accounted for under ASC Topic 310-20. The following tables summarize the balances for each respective loan and lease category as of June 30, 2024 and December 31, 2023:

June 30, 2024	Originated	Purchased Credit Deteriorated	Acquired Non-Credit-Deteriorated	Total
Commercial real estate	$ 1,924,797	$ 114,053	$ 254,858	$ 2,293,708
Residential real estate	498,578	40,728	188,489	727,795
Construction, land development, and other land	445,919	9	84,849	530,777
Commercial and industrial	2,493,229	17,796	113,997	2,625,022
Installment and other	2,576	116	153	2,845
Lease financing receivables	710,784	—	273	711,057
Total loans and leases	$ 6,075,883	$ 172,702	$ 642,619	$ 6,891,204

December 31, 2023	Originated	Purchased Credit Deteriorated	Acquired Non-Credit-Deteriorated	Total
Commercial real estate	$ 1,907,029	$ 137,807	$ 275,476	$ 2,320,312
Residential real estate	465,133	42,510	211,887	719,530
Construction, land development, and other land	415,162	25,331	86,344	526,837
Commercial and industrial	2,311,563	19,460	117,538	2,448,561
Installment and other	2,919	125	156	3,200
Lease financing receivables	665,239	—	627	665,866
Total loans and leases	$ 5,767,045	$ 225,233	$ 692,028	$ 6,684,306

PCD loans—The unpaid principal balance and carrying amount of PCD loans excluding an allowance for credit losses - loans and leases of $8.0 million and $10.0 million at June 30, 2024 and December 31, 2023, respectively, were as follows:

	June 30, 2024		December 31, 2023	
	Unpaid Principal Balance	Carrying Value	Unpaid Principal Balance	Carrying Value
Commercial real estate	$ 157,757	$ 114,053	$ 185,007	$ 137,807
Residential real estate	85,403	40,728	88,036	42,510
Construction, land development, and other land	6,678	9	32,140	25,331
Commercial and industrial	20,609	17,796	21,870	19,460
Installment and other	780	116	789	125
Total purchased credit deteriorated loans	$ 271,227	$ 172,702	$ 327,842	$ 225,233

The following table is a reconciliation of acquired Inland PCD loans between their purchase price and their par value at the time of the acquisition. Refer to Note 3—Acquisition of a Business for further information.

Fair value of loans at acquisition	$	214,573
Allowance for credit losses - loans and leases, at acquisition		10,596
Non-credit discount/premium at acquisition		17,909
Par value of acquired PCD loans at acquisition	$	243,078

Acquired non-credit-deteriorated loans and leases—The unpaid principal balance and carrying value for acquired non-credit deteriorated loans and leases, excluding an allowance for credit losses of $3.9 million and $4.7 million at June 30, 2024 and December 31, 2023, respectively, were as follows:

	June 30, 2024		December 31, 2023	
	Unpaid Principal Balance	Carrying Value	Unpaid Principal Balance	Carrying Value
Commercial real estate	$ 262,635	$ 254,858	$ 284,819	$ 275,476
Residential real estate	202,288	188,489	227,392	211,887
Construction, land development, and other land	85,395	84,849	87,143	86,344
Commercial and industrial	119,085	113,997	123,540	117,538
Installment and other	165	153	170	156
Lease financing receivables	274	273	628	627
Total acquired non-credit-deteriorated loans and leases	$ 669,842	$ 642,619	$ 723,692	$ 692,028

The Company hedges interest rates on certain loans using interest rate swaps through which the Company pays variable amounts and receives fixed amounts. Refer to Note 16—Derivative Instruments and Hedging Activities for additional discussion.

Allowance for Credit Losses

Loans and leases considered for inclusion in the allowance for credit losses include acquired non-credit-deteriorated loans and leases, purchased credit deteriorated loans, and originated loans and leases.

The Bank's credit risk rating methodology assigns risk ratings from 1 to 10, where a higher rating represents higher risk. Risk ratings for all loans of $1.0 million or more are reviewed annually. The risk rating categories are described by the following groupings:

Pass—1-4, risk levels of borrowers and guarantors that offer a minimal to an acceptable level of risk.

Watch—5, credit exposure that presents higher than average risk and warrants greater than routine attention.

Special Mention—6, potential weaknesses that if left uncorrected may result in deterioration of the repayment prospects.

Substandard Accrual—7, weaknesses in cash flow and collateral coverage resulting in a distinct possibility of losses if not corrected. Used in limited cases, where the borrower is current on payments and an agreed plan for credit remediation.

Substandard Non-Accrual—8, well-defined weakness or weaknesses in cash flow and collateral coverage resulting in the distinct possibility of losses if not corrected.

Doubtful—9, weaknesses inherent in substandard with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions and values, highly questionable and improbable.

Loss—10, is considered uncollectible and of such little value that its continuance as a realizable asset is not warranted.

Revolving loans that are converted to term loans are treated as new originations and are presented by year of origination. Generally, existing term loans that are re-underwritten are reflected in the table in the year of renewal.

The following tables summarize the risk rating categories of the loans and leases considered for inclusion in the allowance for credit losses - loans and leases calculation, as of June 30, 2024 and December 31, 2023:

	Term loans amortized cost by origination year							
June 30, 2024	**2024**	**2023**	**2022**	**2021**	**2020**	**Prior**	**Revolving Loans**	**Total Loans**
Commercial Real Estate								
Pass	$ 140,888	$ 246,084	$ 421,253	$ 453,722	$ 231,309	$ 493,618	$ 15,028	$ 2,001,902
Watch	2,281	26,344	26,638	39,933	32,761	69,916	—	197,873
Special Mention	—	—	2,911	9,794	2,572	31,237	—	46,514
Substandard	—	2,953	3,750	4,937	839	34,940	—	47,419
Total	$ 143,169	$ 275,381	$ 454,552	$ 508,386	$ 267,481	$ 629,711	$ 15,028	$ 2,293,708
Gross charge-offs for the six months ended June 30, 2024	$ —	$ —	$ 295	$ 187	$ 718	$ 2,299	$ —	$ 3,499
Residential Real Estate								
Pass	$ 19,634	$ 49,142	$ 133,696	$ 118,396	$ 51,791	$ 246,883	$ 57,520	$ 677,062
Watch	—	—	5,139	598	22,666	11,892	1,567	41,862
Special Mention	—	—	—	—	3,753	6	98	3,857
Substandard	200	579	29	101	11	3,179	915	5,014
Total	$ 19,834	$ 49,721	$ 138,864	$ 119,095	$ 78,221	$ 261,960	$ 60,100	$ 727,795
Gross charge-offs for the six months ended June 30, 2024	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Construction, Land Development, & Land								
Pass	$ 5,845	$ 141,785	$ 135,873	$ 159,474	$ 37,079	$ 2,898	$ 345	$ 483,299
Watch	—	3,521	13,661	17,237	—	3,096	—	37,515
Special Mention	—	—	454	9,509	—	—	—	9,963
Substandard	—	—	—	—	—	—	—	—
Total	$ 5,845	$ 145,306	$ 149,988	$ 186,220	$ 37,079	$ 5,994	$ 345	$ 530,777
Gross charge-offs for the six months ended June 30, 2024	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Commercial & Industrial								
Pass	$ 224,599	$ 482,778	$ 477,896	$ 270,323	$ 97,392	$ 197,833	$ 547,736	$ 2,298,557
Watch	724	45,958	21,902	45,389	1,605	20,535	46,818	182,931
Special Mention	—	1,381	23,847	10,395	1,724	4,980	43,089	85,416
Substandard	92	6,003	11,266	9,408	4,674	17,523	9,152	58,118
Total	$ 225,415	$ 536,120	$ 534,911	$ 335,515	$ 105,395	$ 240,871	$ 646,795	$ 2,625,022
Gross charge-offs for the six months ended June 30, 2024	$ —	$ 746	$ 3,777	$ 1,203	$ 497	$ 6,926	$ —	$ 13,149
Installment and Other								
Pass	$ 158	$ 378	$ 103	$ 44	$ 127	$ 360	$ 1,601	$ 2,771
Watch	—	—	—	—	—	48	3	51
Special Mention	—	—	—	—	—	—	—	—
Substandard	—	—	—	23	—	—	—	23
Total	$ 158	$ 378	$ 103	$ 67	$ 127	$ 408	$ 1,604	$ 2,845
Gross charge-offs for the six months ended June 30, 2024	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Lease Financing Receivables								
Pass	$ 162,555	$ 283,352	$ 169,324	$ 70,434	$ 20,328	$ 2,285	$ —	$ 708,278
Watch	—	—	54	817	11	-	—	882
Special Mention	—	—	—	—	130	66	—	196
Substandard	—	122	988	543	7	41	—	1,701
Total	$ 162,555	$ 283,474	$ 170,366	$ 71,794	$ 20,476	$ 2,392	$ —	$ 711,057
Gross charge-offs for the six months ended June 30, 2024	$ —	$ 334	$ 377	$ 284	$ 58	$ —	$ —	$ 1,053
Total Loans and Leases								
Pass	$ 553,679	$ 1,203,519	$ 1,338,145	$ 1,072,393	$ 438,026	$ 943,877	$ 622,230	$ 6,171,869
Watch	3,005	75,823	67,394	103,974	57,043	105,487	48,388	461,114
Special Mention	—	1,381	27,212	29,698	8,179	36,289	43,187	145,946
Substandard	292	9,657	16,033	15,012	5,531	55,683	10,067	112,275
Total	$ 556,976	$ 1,290,380	$ 1,448,784	$ 1,221,077	$ 508,779	$ 1,141,336	$ 723,872	$ 6,891,204
Gross charge-offs for the six months ended June 30, 2024	$ —	$ 1,080	$ 4,449	$ 1,674	$ 1,273	$ 9,225	$ —	$ 17,701

	Term loans amortized cost by origination year							
December 31, 2023	2023	2022	2021	2020	2019	Prior	Revolving Loans	Total Loans
Commercial Real Estate								
Pass	$ 247,856	$ 452,127	$ 516,624	$ 229,053	$ 143,283	$ 388,872	$ 28,360	$ 2,006,175
Watch	12,501	22,094	26,408	46,713	20,364	68,003	—	196,083
Special Mention	—	799	10,752	2,618	12,751	25,790	—	52,710
Substandard	—	2,888	5,841	1,771	7,483	46,532	829	65,344
Total	$ 260,357	$ 477,908	$ 559,625	$ 280,155	$ 183,881	$ 529,197	$ 29,189	$ 2,320,312
Gross charge-offs, year ended December 31, 2023	$ —	$ 193	$ 60	$ 1,511	$ 4,054	$ 3,911	$ —	$ 9,729
Residential Real Estate								
Pass	$ 55,178	$ 135,477	$ 104,005	$ 54,651	$ 37,806	$ 225,593	$ 57,865	$ 670,575
Watch	—	4,811	—	17,417	7,167	8,708	1,597	39,700
Special Mention	—	—	—	3,594	127	1	413	4,135
Substandard	—	—	107	189	349	3,523	952	5,120
Total	$ 55,178	$ 140,288	$ 104,112	$ 75,851	$ 45,449	$ 237,825	$ 60,827	$ 719,530
Gross charge-offs, year ended December 31, 2023	$ —	$ —	$ —	$ —	$ —	$ 21	$ —	$ 21
Construction, Land Development, & Land								
Pass	$ 82,449	$ 145,174	$ 184,544	$ 35,466	$ 9,772	$ 1,429	$ 174	$ 459,008
Watch	1,392	13,990	21,313	18,716	3,125	—	—	58,536
Special Mention	—	—	9,279	—	—	—	—	9,279
Substandard	—	—	—	—	—	14	—	14
Total	$ 83,841	$ 159,164	$ 215,136	$ 54,182	$ 12,897	$ 1,443	$ 174	$ 526,837
Gross charge-offs, year ended December 31, 2023	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Commercial & Industrial								
Pass	$ 475,720	$ 514,902	$ 288,392	$ 109,430	$ 73,059	$ 147,168	$ 524,348	$ 2,133,019
Watch	41,027	33,080	50,407	1,385	6,951	18,180	39,531	190,561
Special Mention	—	6,164	10,595	2,631	1,112	6,643	36,354	63,499
Substandard	—	7,332	6,067	6,431	10,116	18,381	13,155	61,482
Total	$ 516,747	$ 561,478	$ 355,461	$ 119,877	$ 91,238	$ 190,372	$ 613,388	$ 2,448,561
Gross charge-offs, year ended December 31, 2023	$ 1,518	$ 1,938	$ 5,372	$ 4,451	$ 1,087	$ 1,045	$ —	$ 15,411
Installment and Other								
Pass	$ 564	$ 132	$ 79	$ 133	$ 28	$ 424	$ 1,814	$ 3,174
Watch	—	—	25	—	—	1	—	26
Special Mention	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—
Total	$ 564	$ 132	$ 104	$ 133	$ 28	$ 425	$ 1,814	$ 3,200
Gross charge-offs, year ended December 31, 2023	$ —	$ —	$ —	$ —	$ —	$ 3	$ —	$ 3
Lease Financing Receivables								
Pass	$ 327,099	$ 207,640	$ 93,242	$ 29,343	$ 5,443	$ 856	$ —	$ 663,623
Watch	—	67	1,008	16	—	—	—	1,091
Special Mention	—	—	—	179	101	36	—	316
Substandard	259	138	384	55	—	—	—	836
Total	$ 327,358	$ 207,845	$ 94,634	$ 29,593	$ 5,544	$ 892	$ —	$ 665,866
Gross charge-offs, year ended December 31, 2023	$ 734	$ 886	$ 549	$ 139	$ 75	$ 54	$ —	$ 2,437
Total Loans and Leases								
Pass	$ 1,188,866	$ 1,455,452	$ 1,186,886	$ 458,076	$ 269,391	$ 764,342	$ 612,561	$ 5,935,574
Watch	54,920	74,042	99,161	84,247	37,607	94,892	41,128	485,997
Special Mention	—	6,963	30,626	9,022	14,091	32,470	36,767	129,939
Substandard	259	10,358	12,399	8,446	17,948	68,450	14,936	132,796
Total	$ 1,244,045	$ 1,546,815	$ 1,329,072	$ 559,791	$ 339,037	$ 960,154	$ 705,392	$ 6,684,306
Gross charge-offs, year ended December 31, 2023	$ 2,252	$ 3,017	$ 5,981	$ 6,101	$ 5,216	$ 5,034	$ —	$ 27,601

At June 30, 2024 and at December 31, 2023 there were no loans or leases which were risk rated Doubtful or Loss. As of June 30, 2024 and December 31, 2023, respectively, there were $58.8 million and $52.2 million of term loans that had been converted from revolving loans.

The following tables summarize contractual delinquency information of the loans and leases considered for inclusion in the allowance for credit losses - loans and leases calculation at June 30, 2024 and December 31, 2023:

June 30, 2024	2024	2023	2022	2021	2020	Prior	Revolving Loans	Total Loans
Commercial Real Estate								
Current	$ 143,169	$ 272,428	$ 451,268	$ 504,037	$ 267,218	$ 607,648	$ 15,028	$ 2,260,796
30-59 Days Past Due	—	—	—	—	—	—	—	—
60-89 Days Past Due	—	—	636	172	—	742	—	1,550
Greater than 90 Accruing	—	—	—	—	—	—	—	—
Non-accrual	—	2,953	2,648	4,177	263	21,321	—	31,362
Total Past Due	—	2,953	3,284	4,349	263	22,063	—	32,912
Total	$ 143,169	$ 275,381	$ 454,552	$ 508,386	$ 267,481	$ 629,711	$ 15,028	$ 2,293,708
Residential Real Estate								
Current	$ 19,634	$ 49,721	$ 136,347	$ 118,994	$ 78,221	$ 258,394	$ 58,885	$ 720,196
30-59 Days Past Due	—	—	2,488	—	—	381	300	3,169
60-89 Days Past Due	—	—	—	—	—	46	—	46
Greater than 90 Accruing	—	—	—	—	—	—	—	—
Non-accrual	200	—	29	101	—	3,139	915	4,384
Total Past Due	200	—	2,517	101	—	3,566	1,215	7,599
Total	$ 19,834	$ 49,721	$ 138,864	$ 119,095	$ 78,221	$ 261,960	$ 60,100	$ 727,795
Construction, Land Development, & Land								
Current	$ 5,845	$ 145,306	$ 149,988	$ 186,220	$ 37,079	$ 5,994	$ 345	$ 530,777
30-59 Days Past Due	—	—	—	—	—	—	—	—
60-89 Days Past Due	—	—	—	—	—	—	—	—
Greater than 90 Accruing	—	—	—	—	—	—	—	—
Non-accrual	—	—	—	—	—	—	—	—
Total Past Due	—	—	—	—	—	—	—	—
Total	$ 5,845	$ 145,306	$ 149,988	$ 186,220	$ 37,079	$ 5,994	$ 345	$ 530,777
Commercial & Industrial								
Current	$ 225,323	$ 534,074	$ 527,308	$ 333,045	$ 101,186	$ 229,335	$ 643,388	$ 2,593,659
30-59 Days Past Due	—	70	201	—	—	—	574	845
60-89 Days Past Due	—	516	1,508	116	991	1,042	—	4,173
Greater than 90 Accruing	—	—	—	—	—	—	—	—
Non-accrual	92	1,460	5,894	2,354	3,218	10,494	2,833	26,345
Total Past Due	92	2,046	7,603	2,470	4,209	11,536	3,407	31,363
Total	$ 225,415	$ 536,120	$ 534,911	$ 335,515	$ 105,395	$ 240,871	$ 646,795	$ 2,625,022
Installment and Other								
Current	$ 158	$ 378	$ 103	$ 44	$ 127	$ 408	$ 1,604	$ 2,822
30-59 Days Past Due	—	—	—	—	—	—	—	—
60-89 Days Past Due	—	—	—	—	—	—	—	—
Greater than 90 Accruing	—	—	—	—	—	—	—	—
Non-accrual	—	—	—	23	—	—	—	23
Total Past Due	—	—	—	23	—	—	—	23
Total	$ 158	$ 378	$ 103	$ 67	$ 127	$ 408	$ 1,604	$ 2,845
Lease Financing Receivables								
Current	$ 162,268	$ 281,980	$ 167,798	$ 70,481	$ 20,178	$ 2,343	$ —	$ 705,048
30-59 Days Past Due	272	778	564	425	226	9	—	2,274
60-89 Days Past Due	15	594	1,015	345	72	—	—	2,041
Greater than 90 Accruing	—	—	—	—	—	—	—	—
Non-accrual	—	122	989	543	—	40	—	1,694
Total Past Due	287	1,494	2,568	1,313	298	49	—	6,009
Total	$ 162,555	$ 283,474	$ 170,366	$ 71,794	$ 20,476	$ 2,392	$ —	$ 711,057
Total Loans and Leases								
Current	$ 556,397	$ 1,283,887	$ 1,432,812	$ 1,212,821	$ 504,009	$ 1,104,122	$ 719,250	$ 6,813,298
30-59 Days Past Due	272	848	3,253	425	226	390	874	6,288
60-89 Days Past Due	15	1,110	3,159	633	1,063	1,830	—	7,810
Greater than 90 Accruing	—	—	—	—	—	—	—	—
Non-accrual	292	4,535	9,560	7,198	3,481	34,994	3,748	63,808
Total Past Due	579	6,493	15,972	8,256	4,770	37,214	4,622	77,906
Total	$ 556,976	$ 1,290,380	$ 1,448,784	$ 1,221,077	$ 508,779	$ 1,141,336	$ 723,872	$ 6,891,204

Total non-accrual loans without an allowance included $10.1 million of commercial real estate loans, $790,000 of residential real estate, and $4.3 million of commercial and industrial loans as of June 30, 2024. The Company recognized

$1.1 million and $1.3 million of interest income on non-accrual loans and leases for the three and six months ended June 30, 2024, respectively.

December 31, 2023	2023	2022	2021	2020	2019	Prior	Revolving Loans	Total Loans
Commercial Real Estate								
Current	$ 259,998	$ 474,878	$ 558,236	$ 279,098	$ 178,729	$ 501,620	$ 29,189	$ 2,281,748
30-59 Days Past Due	359	648	638	74	3,176	484	—	5,379
60-89 Days Past Due	—	826	—	286	—	1,208	—	2,320
Greater than 90 Accruing	—	—	—	—	—	—	—	—
Non-accrual	—	1,556	751	697	1,976	25,885	—	30,865
Total Past Due	359	3,030	1,389	1,057	5,152	27,577	—	38,564
Total	$ 260,357	$ 477,908	$ 559,625	$ 280,155	$ 183,881	$ 529,197	$ 29,189	$ 2,320,312
Residential Real Estate								
Current	$ 55,178	$ 136,448	$ 102,973	$ 75,125	$ 45,050	$ 230,102	$ 59,476	$ 704,352
30-59 Days Past Due	—	3,840	1,032	537	29	4,122	399	9,959
60-89 Days Past Due	—	—	—	—	21	127	—	148
Greater than 90 Accruing	—	—	—	—	—	—	—	—
Non-accrual	—	—	107	189	349	3,474	952	5,071
Total Past Due	—	3,840	1,139	726	399	7,723	1,351	15,178
Total	$ 55,178	$ 140,288	$ 104,112	$ 75,851	$ 45,449	$ 237,825	$ 60,827	$ 719,530
Construction, Land Development, & Land								
Current	$ 83,841	$ 156,815	$ 215,136	$ 54,182	$ 12,897	$ 1,443	$ 174	$ 524,488
30-59 Days Past Due	—	—	—	—	—	—	—	—
60-89 Days Past Due	—	2,349	—	—	—	—	—	2,349
Greater than 90 Accruing	—	—	—	—	—	—	—	—
Non-accrual	—	—	—	—	—	—	—	—
Total Past Due	—	2,349	—	—	—	—	—	2,349
Total	$ 83,841	$ 159,164	$ 215,136	$ 54,182	$ 12,897	$ 1,443	$ 174	$ 526,837
Commercial & Industrial								
Current	$ 516,747	$ 552,251	$ 351,534	$ 114,859	$ 83,780	$ 177,239	$ 611,766	$ 2,408,176
30-59 Days Past Due	—	1,545	1,099	238	2,513	400	455	6,250
60-89 Days Past Due	—	1,505	—	234	3,416	1,139	496	6,790
Greater than 90 Accruing	—	—	—	—	—	—	—	—
Non-accrual	—	6,177	2,828	4,546	1,529	11,594	671	27,345
Total Past Due	—	9,227	3,927	5,018	7,458	13,133	1,622	40,385
Total	$ 516,747	$ 561,478	$ 355,461	$ 119,877	$ 91,238	$ 190,372	$ 613,388	$ 2,448,561
Installment and Other								
Current	$ 564	$ 132	$ 104	$ 133	$ 28	$ 425	$ 1,814	$ 3,200
30-59 Days Past Due	—	—	—	—	—	—	—	—
60-89 Days Past Due	—	—	—	—	—	—	—	—
Greater than 90 Accruing	—	—	—	—	—	—	—	—
Non-accrual	—	—	—	—	—	—	—	—
Total Past Due	—	—	—	—	—	—	—	—
Total	$ 564	$ 132	$ 104	$ 133	$ 28	$ 425	$ 1,814	$ 3,200
Lease Financing Receivables								
Current	$ 325,833	$ 206,800	$ 93,795	$ 29,292	$ 5,537	$ 889	$ —	$ 662,146
30-59 Days Past Due	726	426	153	38	4	2	—	1,349
60-89 Days Past Due	540	481	302	218	3	1	—	1,545
Greater than 90 Accruing	—	—	—	—	—	—	—	—
Non-accrual	259	138	384	45	—	—	—	826
Total Past Due	1,525	1,045	839	301	7	3	—	3,720
Total	$ 327,358	$ 207,845	$ 94,634	$ 29,593	$ 5,544	$ 892	$ —	$ 665,866
Total Loans and Leases								
Current	$ 1,242,161	$ 1,527,324	$ 1,321,778	$ 552,689	$ 326,021	$ 911,718	$ 702,419	$ 6,584,110
30-59 Days Past Due	1,085	6,459	2,922	887	5,722	5,008	854	22,937
60-89 Days Past Due	540	5,161	302	738	3,440	2,475	496	13,152
Greater than 90 Accruing	—	—	—	—	—	—	—	—
Non-accrual	259	7,871	4,070	5,477	3,854	40,953	1,623	64,107
Total Past Due	1,884	19,491	7,294	7,102	13,016	48,436	2,973	100,196
Total	$ 1,244,045	$ 1,546,815	$ 1,329,072	$ 559,791	$ 339,037	$ 960,154	$ 705,392	$ 6,684,306

Total non-accrual loans without an allowance included $1.6 million of commercial real estate loans, $3.6 million of residential real estate loans, and $2.3 million of commercial and industrial loans, as of December 31, 2023. The Company

recognized $1.0 million and $2.0 million of interest income on non-accrual loans and leases for the three and six months ended June 30, 2023, respectively.

The following table summarize the balance and activity within the allowance for credit losses - loans and leases, the components of the allowance for credit losses - loans and leases by loans and leases individually and collectively evaluated for impairment, and corresponding loan and lease balances by type for the three and six months ended June 30, 2024 are as follows:

June 30, 2024	Commercial Real Estate	Residential Real Estate	Construction, Land Development, and Other Land	Commercial and Industrial	Installment and Other	Lease Financing Receivables	Total
Allowance for credit losses - loans and leases							
Three months ended							
Beginning balance	$ 31,440	$ 3,348	$ 2,930	$ 56,231	$ 33	$ 8,384	$ 102,366
Provision/(recapture)	(3,627)	(326)	(207)	10,561	(3)	480	6,878
Charge-offs	(442)	—	—	(9,530)	—	(680)	(10,652)
Recoveries	481	1	—	322	—	334	1,138
Ending balance	$ 27,852	$ 3,023	$ 2,723	$ 57,584	$ 30	$ 8,518	$ 99,730
Six months ended							
Beginning balance	$ 33,237	$ 3,495	$ 2,906	$ 53,782	$ 36	$ 8,230	$ 101,686
Provision/(recapture)	(2,803)	(474)	(183)	16,397	(6)	838	13,769
Charge-offs	(3,499)	—	—	(13,149)	—	(1,053)	(17,701)
Recoveries	917	2	—	554	—	503	1,976
Ending balance	$ 27,852	$ 3,023	$ 2,723	$ 57,584	$ 30	$ 8,518	$ 99,730
Ending balance:							
Individually evaluated for impairment	$ 7,329	$ 57	$ —	$ 16,185	$ —	$ —	$ 23,571
Collectively evaluated for impairment	20,523	2,966	2,723	41,399	30	8,518	76,159
Total allowance for credit losses - loans and leases	$ 27,852	$ 3,023	$ 2,723	$ 57,584	$ 30	$ 8,518	$ 99,730
Loans and leases ending balance:							
Individually evaluated for impairment	$ 36,755	$ 3,788	$ —	$ 35,210	$ —	$ —	$ 75,753
Collectively evaluated for impairment	2,256,953	724,007	530,777	2,589,812	2,845	711,057	6,815,451
Total loans and leases	$ 2,293,708	$ 727,795	$ 530,777	$ 2,625,022	$ 2,845	$ 711,057	$ 6,891,204

The following table summarize the balance and activity within the allowance for credit losses - loans and leases, the components of the allowance for credit losses - loans and leases by loans and leases individually and collectively evaluated for impairment, loans acquired with deteriorated credit quality, and corresponding loan and lease balances by type for the three and six months ended June 30, 2023:

June 30, 2023	Commercial Real Estate	Residential Real Estate	Construction, Land Development, and Other Land	Commercial and Industrial	Installment and Other	Lease Financing Receivables	Total
Allowance for credit losses - loans and leases							
Three months ended							
Beginning balance	$ 24,738	$ 2,679	$ 3,498	$ 51,849	$ 25	$ 7,676	$ 90,465
Provision/(recapture)	4,359	(198)	(1,563)	3,161	17	691	6,467
Charge-offs	(2,945)	—	—	(2,097)	—	(462)	(5,504)
Recoveries	225	63	—	727	1	221	1,237
Ending balance	$ 26,377	$ 2,544	$ 1,935	$ 53,640	$ 43	$ 8,126	$ 92,665
Six months ended							
Beginning balance	$ 26,061	$ 3,140	$ 3,134	$ 41,889	$ 24	$ 7,676	$ 81,924
Provision	3,240	(651)	(1,199)	13,964	15	810	16,179
Charge-offs	(3,911)	(9)	—	(3,887)	—	(766)	(8,573)
Recoveries	987	64	—	1,674	4	406	3,135
Ending balance	$ 26,377	$ 2,544	$ 1,935	$ 53,640	$ 43	$ 8,126	$ 92,665
Ending balance:							
Individually evaluated for impairment	$ 8,555	$ —	$ —	$ 17,399	$ —	$ —	$ 25,954
Collectively evaluated for impairment	17,822	2,544	1,935	36,241	43	8,126	66,711
Total allowance for credit losses - loans and leases	$ 26,377	$ 2,544	$ 1,935	$ 53,640	$ 43	$ 8,126	$ 92,665
Loans and leases ending balance:							
Individually evaluated for impairment	$ 30,750	$ —	$ —	$ 38,485	$ —	$ —	$ 69,235
Collectively evaluated for impairment	1,932,696	504,947	387,943	2,066,265	3,736	605,695	5,501,282
Total loans and leases	$ 1,963,446	$ 504,947	$ 387,943	$ 2,104,750	$ 3,736	$ 605,695	$ 5,570,517

The Company decreased the allowance for credit losses - loans and leases by $2.6 million and $2.0 million for the three and six months ended June 30, 2024, respectively. The Company increased the allowance for credit losses - loans and leases by $2.2 million and $10.7 million for the three and six months ended June 30, 2023, respectively.

For loans individually evaluated for impairment, the Company increased allowance for credit losses - loans and leases by $1.9 million and recaptured $3.7 million for the three and six months ended June 30, 2024, and increased the allowance for credit losses for loans individually evaluated by $3.9 million and $10.6 million for the three and six months ended June 30, 2023.

For loans and leases collectively evaluated for impairment, the Company recaptured $4.5 million and increased the allowance by $1.7 million for the three and six months ended June 30, 2024. For loans and leases collectively evaluated for impairment, the Company recaptured $1.7 million and increased the allowance by $124,000 for three and six months ended June 30, 2023, respectively.

The decrease in allowance for credit losses - loans and leases was mainly due to charge-offs of individually assessed loans previously reserved for and improvement in macro-economic factors impacting the collectively assessed portfolio.

There were no borrowers receiving loan modifications during the three months ended March 31, 2024. The following table presents loans with modified terms for the three and six months ended June 30, 2024:

June 30, 2024	Term Modification	Total Modified by Class	% of Class of Loans and Leases
Commercial real estate	$ 2,501	$ 2,501	0.1%
Commercial and industrial	1,470	1,470	0.1%
Total loans and leases	$ 3,971	$ 3,971	0.1%

The financial effect of the loan modifications presented above reflects a three-month weighted average extension of maturity date.

The following table presents the amortized cost basis of loans that were both experiencing financial difficulty and modified during the three and six months ended June 30, 2023, by type of modification:

Three Months Ended June 30, 2023	Payment Delay	Term Modification	Combination Term Modification and Interest Rate Reduction	Total Modified by Class	% of Class of Loans and Leases
Commercial real estate	$ 110	$ —	$ —	$ 110	0.0%
Commercial and industrial	—	11,210	—	11,210	0.5%
Total modified loans	$ 110	$ 11,210	$ —	$ 11,320	0.2%

Six Months Ended June 30, 2023	Payment Delay	Term Modification	Combination Term Modification and Interest Rate Reduction	Total Modified by Class	% of Class of Loans and Leases
Commercial real estate	$ 110	$ —	$ —	$ 110	0.0%
Commercial and industrial	8,719	51,370	385	60,474	2.9%
Total modified loans	$ 8,829	$ 51,370	$ 385	$ 60,584	1.1%

Loans reflected as having a payment delay included a general adjustment in loan terms similar to those of pass-rated credits. Loans having term modifications included extension of term as a result of a new borrower structure and other miscellaneous term adjustments. Loans having a combination of term modification and interest rate reduction reflect a longer amortization period and a reduced weighted average contractual rate from 8.85% to 7.01%.

As of June 30, 2024, the amortized cost of commercial real estate loans that had a payment default and were modified in the twelve months prior to default was $2.8 million, which represented 0.14% of outstanding commercial estate loans.

As of December 31, 2023, the amortized cost of commercial and industrial loans that had a payment default and were modified in the twelve months prior to default was $406,000, which represented 0.02% of outstanding commercial and industrial loans.

Modified loans are either collectively assessed based on portfolio risk segment and risk rating or individually assessed for loans exceeding $500,000. Upon the Company's determination that a modified loan has subsequently been deemed uncollectible, the loan (or a portion of the loan) is written off. Therefore, the amortized cost basis of the loan is reduced by the uncollectible amount and the allowance for credit losses is adjusted by the same amount.

The following table presents the amortized cost basis of collateral-dependent loans and leases, which are individually evaluated to determine expected credit losses as of June 30, 2024 and December 31, 2023:

June 30, 2024	Commercial Construction	Non-owner Occupied Commercial	Owner-Occupied Commercial	Multi-Family	Single Family Residence (1st Lien)	Single Family Residence (2nd Lien)	Business Assets	Total
Commercial real estate	$ —	$ 9,808	$ 26,947	$ —	$ —	$ —	$ —	$ 36,755
Residential real estate	—	—	—	1,365	1,844	579	—	3,788
Commercial and industrial	—	—	—	—	—	—	35,210	35,210
Total	$ —	$ 9,808	$ 26,947	$ 1,365	$ 1,844	$ 579	$ 35,210	$ 75,753

December 31, 2023	Commercial Construction	Non-owner Occupied Commercial	Owner-Occupied Commercial	Multi-Family	Single Family Residence (1st Lien)	Single Family Residence (2nd Lien)	Business Assets	Total
Commercial real estate	$ —	$ 28,767	$ 35,572	$ —	$ —	$ —	$ —	$ 64,339
Residential real estate	—	—	—	2,793	800	—	—	3,593
Construction, land development, and other land	813	—	—	—	—	—	—	813
Commercial and industrial	—	—	—	—	—	—	44,749	44,749
Total	$ 813	$ 28,767	$ 35,572	$ 2,793	$ 800	$ —	$ 44,749	$ 113,494

The following table presents the change in the balance of the allowance for credit losses - unfunded commitments as of June 30, 2024 and 2023:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2024	2023	2024	2023
Beginning balance	$ 3,388	$ 4,316	$ 3,636	$ 4,203
Recapture for unfunded commitments	(833)	(677)	(1,081)	(564)
Ending balance	$ 2,555	$ 3,639	$ 2,555	$ 3,639

Note 6—Servicing Assets

Activity for servicing assets and the related changes in fair value for the three and six months ended June 30, 2024 and 2023 was as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Beginning balance	$ 20,992	$ 20,944	$ 19,844	$ 19,172
Additions, net	1,093	1,636	2,944	2,752
Changes in fair value	(2,468)	(865)	(3,171)	(209)
Ending balance	$ 19,617	$ 21,715	$ 19,617	$ 21,715

Loans serviced for others are not included in the Condensed Consolidated Statements of Financial Condition. The unpaid principal balances of these loans serviced for others as of June 30, 2024 and December 31, 2023 were as follows:

	June 30, 2024	December 31, 2023
Loan portfolios serviced for:		
SBA guaranteed loans	$ 1,497,752	$ 1,530,401
USDA guaranteed loans	190,363	197,942
Total	$ 1,688,115	$ 1,728,343

Loan servicing revenue totaled $3.2 million and $3.4 million for the three months ended June 30, 2024 and 2023, respectively. Loan servicing revenue totaled $6.6 million and $6.8 million for the six months ended June 30, 2024 and 2023, respectively.

Loan servicing asset revaluation, which represents the changes in fair value of servicing assets, resulted in a downward valuation adjustment of $2.5 million and $865,000 for the three months ended June 30, 2024 and 2023, respectively. Loan servicing asset revaluation resulted in a downward valuation adjustment of $3.2 million and $209,000 for the six months ended June 30, 2024 and 2023, respectively.

The fair value of servicing rights is highly sensitive to changes in underlying assumptions. Changes in secondary market premiums and prepayment speed assumptions have the most significant impact on the fair value of servicing rights. Generally, as interest rates rise on variable rate loans, loan prepayments increase due to an increase in refinance activity, which may result in a decrease in the fair value of servicing assets. Measurement of fair value is limited to the conditions existing and the assumptions used as of a particular point in time, and those assumptions may change over time. Refer to Note 15—Fair Value Measurement for further details.

Note 7—Other Real Estate Owned

Other real estate owned ("OREO") is included in accrued interest receivable and other assets in the Company's Condensed Consolidated Statements of Financial Condition. The following table presents the change in OREO for the three and six months ended June 30, 2024 and 2023:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Beginning balance	$ 785	$ 3,712	$ 1,200	$ 4,717
Net additions to OREO	—	445	5	499
Proceeds from sales of OREO	(78)	(1,795)	(480)	(2,559)
Gains (losses) on sales of OREO	73	(85)	55	(49)
Valuation adjustments	—	(12)	—	(343)
Ending balance	$ 780	$ 2,265	$ 780	$ 2,265

At June 30, 2024, and December 31, 2023, the balance of real estate owned did not include any foreclosed residential real estate properties recorded as a result of obtaining physical possession of the property.

At June 30, 2024, and December 31, 2023, there was $818,000 and $27,000 of consumer mortgage loans secured by residential real estate properties in foreclosure, respectively.

There were no internally financed sales of OREO for the three or six months ended June 30, 2024 or 2023.

Note 8—Leases

The Company enters into leases in the normal course of business primarily for its banking facilities and branches. The Company's operating leases have varying maturity dates through year end 2036, some of which include renewal or termination options to extend the lease. In addition, the Company leases or subleases real estate to third parties. The Company includes lease extension and termination options in the lease term if, after considering relevant economic factors, it is reasonably certain the Company will exercise the option. In addition, the Company has elected to account for any non-lease components in its real estate leases as part of the associated lease component. The Company has also elected not to recognize leases with original lease terms of 12 months or less ("short-term leases") on the Company's Condensed Consolidated Statements of Financial Condition.

Leases are classified at the lease commencement date. Lease expense for operating leases and short-term leases is recognized on a straight-line basis over the lease term. Right-of-use assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. Right-of-use assets and lease liabilities are recognized at the lease commencement date based on the estimated present value of lease payments over the lease term.

The following table summarizes the amount and balance sheet line item for our operating lease right-of-use asset and liability as of the periods indicated:

	Balance Sheet Line Item	June 30, 2024	December 31, 2023
Operating lease right-of-use asset	Accrued interest receivable and other assets	$ 10,274	$ 12,474
Operating lease liability	Accrued interest payable and other liabilities	11,729	14,268

The Company uses its incremental borrowing rate at lease commencement to calculate the present value of lease payments when the rate implicit in a lease is not known. The Company's incremental borrowing rate is based on the Federal Home Loan Bank regular advance rate, adjusted for the lease term and other factors. At June 30, 2024, the weighted average discount rate of operating leases was 2.98% and the weighted average remaining life of operating leases was 5.2 years, compared to 2.90% and 6.1 years as of December 31, 2023.

The following table presents components of total lease costs included as a component of occupancy expense on the Condensed Consolidated Statements of Operations for the following periods:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Operating lease cost	$ 658	$ 621	$ 1,385	$ 1,244
Short-term lease cost	179	99	266	168
Variable lease cost	411	357	834	769
Less: Sublease income	(130)	(159)	(260)	(315)
Total lease cost, net	$ 1,118	$ 918	$ 2,225	$ 1,866

Operating cash flows paid for operating lease amounts included in the measure of lease liabilities were $1.2 million and $821,000 for the three months ended June 30, 2024 and 2023, respectively. Operating cash flows paid for operating lease amounts included in the measure of lease liabilities were $2.1 million and $1.7 million for the six months ended June 30, 2024 and 2023, respectively.

The Company recorded $693,000 and $619,000 of right-of-use lease assets in exchange for operating lease liabilities for the three months ended June 30, 2024 and 2023, respectively. The Company recorded $1.1 million and $932,000 of right-of-use lease assets in exchange for operating lease liabilities for the six months ended June 30, 2024 and 2023, respectively.

During the six months ended June 30, 2024, the Company recorded $194,000 of impairment related to two branch facilities that were closed in the of the second quarter of 2024. Impairments were recognized on operating lease right-of-use assets and are reflected in other non-interest expense.

The future minimum lease payments for operating leases, subsequent to June 30, 2024, as recorded on the Condensed Consolidated Statements of Financial Condition, are summarized as follows:

	Operating Lease Commitments
2024	$ 1,898
2025	3,212
2026	2,371
2027	1,461
2028	1,136
Thereafter	2,877
Total undiscounted lease payments	12,955
Less: Imputed interest	(1,226)
Net lease liabilities	$ 11,729

The total amount of minimum rentals to be received in the future on these subleases is approximately $1.1 million, and the leases have contractual lives extending through 2028. In addition to the above required lease payments, the Company has contractual obligations related primarily to information technology contracts and other maintenance contracts.

Note 9—Goodwill, Core Deposit Intangible and Other Intangible Assets

The following tables summarize the changes in the Company's goodwill, core deposit intangible assets, and customer relationship intangible assets for the three and six months ended June 30, 2024 and 2023:

	For the Three Months Ended June 30,					
	2024			2023		
	Goodwill	Core Deposit Intangible	Customer Relationship Intangible	Goodwill	Core Deposit Intangible	Customer Relationship Intangible
Beginning balance	$ 181,705	$ 19,115	$ 1,313	$ 148,353	$ 7,498	$ 1,581
Amortization	—	(1,278)	(67)	—	(1,388)	(67)
Ending balance	$ 181,705	$ 17,837	$ 1,246	$ 148,353	$ 6,110	$ 1,514
Accumulated amortization	N/A	$ 54,879	$ 1,970	N/A	$ 49,356	$ 1,702
Weighted average remaining amortization period	N/A	7.9 years	4.7 years	N/A	4.8 years	5.7 years

	For the Six Months Ended June 30,					
	2024			2023		
	Goodwill	Core Deposit Intangible	Customer Relationship Intangible	Goodwill	Core Deposit Intangible	Customer Relationship Intangible
Beginning balance	$ 181,705	$ 20,393	$ 1,380	$ 148,353	$ 8,886	$ 1,648
Amortization	—	(2,556)	(134)	—	(2,776)	(134)
Ending balance	$ 181,705	$ 17,837	$ 1,246	$ 148,353	$ 6,110	$ 1,514
Accumulated amortization	N/A	$ 54,879	$ 1,970	N/A	$ 49,356	$ 1,702
Weighted average remaining amortization period	N/A	7.9 years	4.7 years	N/A	4.8 years	5.7 years

The following table presents the estimated amortization expense for core deposit intangible and customer relationship intangible assets remaining at June 30, 2024:

	Estimated Amortization
2024	$ 2,690
2025	4,473
2026	3,566
2027	2,676
2028	2,101
Thereafter	3,577
Total	$ 19,083

Note 10—Income Taxes

The Company uses an estimated annual effective tax rate method in computing its interim tax provision. This effective tax rate is based on forecasted annual pre-tax income, permanent tax differences and statutory tax rates.

The effective tax rate for the six months ended June 30, 2024 and 2023 was 25.5% and 25.9%, respectively. The Company recorded discrete income tax benefit of $564,000 and $140,000 related to the exercise of stock options and vesting of restricted shares for the six months ended June 30, 2024 and 2023, respectively.

Net deferred tax assets decreased to $48.9 million at June 30, 2024 compared to $50.1 million at December 31, 2023. The net decrease in the total net deferred tax assets was a result of a decreases in the allowance for credit losses - loans and leases, and loan basis and net operating losses, partially offset by an increase in unrealized losses on available-for-sale securities.

During the second quarter 2024, Illinois House Bill 4951 was enacted, which amends numerous Illinois tax law provisions, including a temporary limitation on Net Loss Deduction ("NLD") usage. For tax years 2024, 2025, and 2026, C Corporations are limited to applying a maximum of $500,000 of NLD to taxable income.

Note 11—Deposits

The composition of deposits was as follows as of June 30, 2024 and December 31, 2023:

	June 30, 2024	December 31, 2023
Non-interest-bearing demand deposits	$ 1,762,891	$ 1,905,876
Interest-bearing checking accounts	717,229	577,609
Money market demand accounts	2,323,245	2,266,030
Other savings	503,935	542,532
Time deposits (below $250,000)	1,610,308	1,520,082
Time deposits ($250,000 and above)	429,573	364,870
Total deposits	$ 7,347,181	$ 7,176,999

There were $403.1 million and $480.0 million of brokered deposits included in time deposits below $250,000 at June 30, 2024 and December 31, 2023, respectively.

At June 30, 2024, the scheduled maturities of time deposits were:

	Scheduled Maturities
2024	$ 1,375,883
2025	650,097
2026	7,350
2027	4,958
2028	1,172
Thereafter	421
Total	$ 2,039,881

The Company hedges interest rates on certain money market accounts using interest rate swaps through which the Company receives variable amounts and pays fixed amounts. Refer to Note 16—Derivative Instruments and Hedging Activities for additional discussion.

Note 12—Other Borrowings

The following is a summary of the Company's other borrowings as of the dates presented:

	June 30, 2024	December 31, 2023
Federal Home Loan Bank advances	$ 670,000	$ 325,000
Bank Term Funding Program	200,000	—
Securities sold under agreements to repurchase	33,738	40,607
Term Loan	15,000	18,333
Line of credit	—	11,250
Total	$ 918,738	$ 395,190

Byline Bank has the capacity to borrow funds from the discount window of the Federal Reserve System. As of June 30, 2024 and December 31, 2023, there were no outstanding advances under the Federal Reserve Bank discount window line. We pledge loans and leases as collateral for the FRB discount window borrowing. Refer to Note 5—Loan and Lease Receivables and Allowance for Credit Losses for additional discussion.

On January 17, 2024, we entered into a Letter Agreement with the Federal Reserve Bank of Chicago ("FRB") that allows the Bank to access the Bank Term Funding Program ("BTFP"). On January 22, 2024, we opened an advance of $200.0 million from the FRB as part of the BTFP. Under the terms of the BTFP, the Bank pledges securities to the FBR as collateral for available advances. The advance carries a fixed interest rate of 4.91%, and matures on January 22, 2025. Advances under the BTFP are prepayable at any time without a prepayment penalty.

At June 30, 2024, one variable-rate Federal Home Loan Bank ("FHLB") advance totaled $250.0 million, with an interest rate of 5.50% that may reset daily and maturity in September 2024. Total fixed-rate advances were $420.0 million at June 30, 2024, with interest rates between 5.42% and 5.44% and maturities in July 2024. Advances from the FHLB are collateralized by residential real estate loans, commercial real estate loans, and securities. The Bank's maximum borrowing capacity is limited to 35% of total assets. Required investment in FHLB stock is $4.50 for every $100 in advances thereafter.

Securities sold under agreements to repurchase represent a demand deposit product offered to customers that sweep balances in excess of the Federal Deposit Insurance Corporation ("FDIC") insurance limit into overnight repurchase agreements. The Company pledges securities as collateral for the repurchase agreements. Refer to Note 4—Securities for additional discussion.

On October 13, 2016, we entered into a $30.0 million revolving credit agreement with a correspondent bank. Through subsequent amendments, the revolving credit agreement was reduced to $15.0 million. The amended revolving line of credit bears interest at either the Secured Overnight Financing Rate ("SOFR") plus 205 basis points or Prime Rate minus 75 basis points, not to be less than 2.00%, based on the Company's election, which is required to be communicated at least three business days prior to the commencement of an interest period. If the Company fails to provide timely notification, the interest rate will be Prime Rate minus 75 basis points. On May 24, 2024, we entered into the First Amendment to the Second Amended and restated Term Loan and Revolving Credit Agreement (the "Amendment") with the lender, which is effective May 26, 2024, and provides for: (1) the renewal of the revolving line-of-credit facility of up to $15.0 million, and (2) extending its maturity date to May 25, 2025, subject to the existing Negative Pledge Agreement dated October 11, 2018, as amended.

At June 30, 2024, the variable term loan had an interest rate of 7.63% and an outstanding balance of $15.0 million. At December 31, 2023, the variable term loan had an interest rate of 7.64% and an outstanding balance of $18.3 million. At June 30, 2024, the line of credit had a no outstanding balance. At December 31, 2023, the line of credit had a $11.3 million outstanding balance and an interest rate of 7.39%.

The following table presents short-term credit lines available for use as of the dates presented:

	June 30, 2024	December 31, 2023
Federal Home Loan Bank line	$ 2,599,365	$ 2,781,747
Federal Reserve Bank of Chicago discount window line	764,587	866,490
Available federal funds lines	127,500	123,750

The Company hedges interest rates on borrowed funds using interest rate swaps through which the Company receives variable amounts and pays fixed amounts. Refer to Note 16—Derivative Instruments and Hedging Activities for additional discussion.

Note 13—Subordinated Notes and Junior Subordinated Debentures

In 2020, the Company issued $75.0 million in fixed-to-floating subordinated notes that mature on July 1, 2030. The subordinated notes bear a fixed interest rate of 6.00% until July 1, 2025 and a floating interest rate equal to a benchmark rate, which is expected to be the three-month SOFR, plus 588 basis points thereafter until maturity. The transaction resulted in debt issuance costs of approximately $1.7 million that is being amortized over 10 years.

As of June 30, 2024, the net liability outstanding of the subordinated notes was $74.0 million. The Company may, at its option, redeem the notes, in whole or in part, on a semi-annual basis beginning on July 1, 2025, subject to obtaining the prior approval of the Federal Reserve to the extent such approval is then required. The subordinated notes qualify as Tier 2 capital for regulatory capital purposes.

At June 30, 2024 and December 31, 2023, the Company's junior subordinated debentures by issuance were as follows:

		Aggregate Principal Amount			
Name of Trust	Stated Maturity	June 30, 2024	December 31, 2023	Contractual Rate June 30, 2024	Interest Rate Spread[1]
Metropolitan Statutory Trust I	March 17, 2034	$ 35,000	$ 35,000	8.39%	SOFR + spread adjustment + 2.79%
First Evanston Bancorp Trust I	March 15, 2035	10,000	10,000	7.38%	SOFR + spread adjustment + 1.78%
AmeriMark Capital Trust I	April 23, 2034	5,000	5,000	8.34%	SOFR + spread adjustment + 2.75%
Inland Bancorp Trust II	September 15, 2035	10,000	10,000	7.20%	SOFR + spread adjustment + 1.60%
Inland Bancorp Trust III	December 15, 2036	10,000	10,000	7.25%	SOFR + spread adjustment + 1.65%
Inland Bancorp Trust IV	June 6, 2037	7,000	7,000	7.22%	SOFR + spread adjustment + 1.62%
Inland Bancorp Trust V	September 15, 2037	10,000	10,000	7.02%	SOFR + spread adjustment + 1.42%
Total liability, at par		87,000	87,000		
Discount		(16,325)	(16,548)		
Total liability, at carrying value		$ 70,675	$ 70,452		

(1) SOFR is three-month SOFR and the spread adjustment is 0.26161%

In 2004, the Company's predecessor, Metropolitan Bank Group, Inc., issued $35.0 million floating rate junior subordinated debentures to Metropolitan Statutory Trust I, which was formed for the issuance of trust preferred securities. Beginning on September 14, 2023, the interest rate reset to the three-month SOFR plus a tenor spread adjustment of 0.26161% plus 2.79% (8.39% and 8.43% at June 30, 2024 and December 31, 2023, respectively). Interest is paid on a quarterly basis. The Company has the right to redeem the debentures, in whole or in part, on any interest payment date on or after March 2009.

As part of the First Evanston acquisition, the Company assumed the obligations to First Evanston Bancorp Trust I of $10.0 million in principal amount, which was formed for the issuance of trust preferred securities. Beginning on September 15, 2023, the interest rate reset to the three-month SOFR plus a tenor spread adjustment of 0.26161% plus 1.78% (7.38% and 7.43% at June 30, 2024 and December 31, 2023, respectively), which is in effect until the debentures mature in 2035. Interest is paid on a quarterly basis. The Company has the right to redeem the debentures, in whole or in part, on any interest payment date on or after March 2010. The Company has the option to defer interest payments on the debentures from time to time for a period not to exceed five consecutive years.

As part of the Inland acquisition, the Company assumed the obligations to several trust preferred securities. Refer to Note 3—Acquisition of a Business for further details. Interest rates are calculated as the three-month SOFR plus a tenor spread adjustment of 0.26161% plus negotiated additional basis points. Refer to table above for contractual rates and interest rate spread calculation. Interest is paid on a quarterly basis.

The Trusts are not consolidated with the Company. Accordingly, the Company reports the subordinated debentures held by the Trusts as liabilities. The Company owns all of the common securities of each trust. The junior subordinated debentures qualify, and are treated as, Tier 1 regulatory capital of the Company subject to regulatory limitations. The trust preferred securities issued by each trust rank equally with the common securities in right of payment, except that if an event of default under the indenture governing the notes has occurred and is continuing, the preferred securities will rank senior to the common securities in right of payment.

Note 14—Commitments and Contingent Liabilities

Legal contingencies—In the ordinary course of business, the Company and Bank have various outstanding commitments and contingent liabilities that are not recognized in the accompanying consolidated financial statements. In addition, the Company may be a defendant in certain claims and legal actions arising in the ordinary course of business. In the opinion of management, after consultation with legal counsel, the ultimate disposition of these matters is currently not expected to have a material adverse effect on the Company's Consolidated Financial Statements.

Operating lease commitments—Refer to Note 8—Leases for discussion of operating lease commitments.

Commitments to extend credit—The Company is party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit and standby letters of credit. Those instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the Condensed Consolidated Statements of Financial Condition. The contractual or notional amounts of those instruments reflect the extent of involvement the Company has in particular classes of financial instruments.

The Company's exposure to credit loss in the event of non-performance by the other party to the financial instrument for commitments to extend credit and letters of credit is represented by the contractual or notional amount of those instruments. The Company uses the same credit policies in making commitments and conditional obligations as it does for funded instruments. The Company does not anticipate any material losses as a result of the commitments and letters of credit.

The following table summarizes the contract or notional amount of outstanding loan and lease commitments at June 30, 2024 and December 31, 2023:

	June 30, 2024			December 31, 2023		
	Fixed Rate	Variable Rate	Total	Fixed Rate	Variable Rate	Total
Commitments to extend credit	$ 235,648	$ 2,011,724	$ 2,247,372	$ 269,325	$ 2,013,819	$ 2,283,144
Letters of credit	630	65,467	66,097	612	67,443	68,055
Total	$ 236,278	$ 2,077,191	$ 2,313,469	$ 269,937	$ 2,081,262	$ 2,351,199

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amount does not necessarily represent future cash requirements. The Company evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Company upon extension of credit, is based on management's credit evaluation of the counterparty. Collateral is primarily obtained in the form of commercial and residential real estate (including income producing commercial properties).

Letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. Those guarantees are primarily issued to support public and private borrowing arrangements, bond financing and similar transactions. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers.

Commitments to make loans are generally made for periods of 90 days or less. The fixed rate loan commitments have interest rates ranging from 1.00% to 15.00% and maturities up to 2052. Variable rate loan commitments have interest rates ranging from 4.00% to 18.50% and maturities up to 2053.

Note 15—Fair Value Measurement

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. In addition, the Company has the ability to obtain fair values for markets that are not accessible.

These types of inputs create the following fair value hierarchy:

Level 1—Quoted prices in active markets for identical assets or liabilities.

Level 2—Quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model-derived valuations whose inputs are observable or whose significant value drivers are observable.

Level 3—Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the asset or liability. Unobservable inputs are used to measure fair value to the extent that observable inputs are not available. The Company's own data used to develop unobservable inputs may be adjusted for market considerations when reasonably available.

The categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to assets and liabilities.

The Company used the following methods and significant assumptions to estimate fair value for certain assets measured and carried at fair value on a recurring basis:

Securities available-for-sale—The Company obtains fair value measurements from an independent pricing service. Management reviews the procedures used by the third party, including significant inputs used in the fair value calculations. The fair value measurements consider observable data that may include dealer quotes, market spreads, cash flows, the U.S. Treasury yield curve, live trading levels, trade execution data, market consensus prepayment speeds, credit information and the bond's terms and conditions, among other things. When market quotes are not readily accessible or available, alternative approaches are utilized, such as matrix or model pricing.

The Company's methodology for pricing non-rated bonds focuses on three distinct inputs: equivalent rating, yield and other pricing terms. To determine the rating for a given non-rated municipal bond, the Company references a publicly issued bond by the same issuer if available as well as other additional key metrics to support the credit worthiness. Typically, pricing for these types of bonds would require a higher yield than a similar rated bond from the same issuer. A reduction in price is applied to the rating obtained from the comparable bond, as the Company believes if liquidated, a non-rated bond would be valued less than a similar bond with a verifiable rating. The reduction applied by the Company is one notch lower (i.e. a "AA" rating for a comparable bond would be reduced to "AA-" for the Company's valuation). In 2024 and 2023, all of the ratings derived by the Company were "BBB-" or better with and without comparable bond proxies. All of the ratings of non-Agency backed bonds derived by the Company were investment grade. The fair value measurement of municipal bonds is sensitive to the rating input, as a higher rating typically results in an increased valuation. The remaining pricing inputs used in the bond valuation are observable. Based on the rating determined, the Company obtains a corresponding current market yield curve available to market participants. Other terms including coupon, maturity date, redemption price, number of coupon payments per year, and accrual method are obtained from the individual bond term sheets.

Equity and other securities—The Company utilizes the same fair value measurement methodology for equity and other securities as detailed in the securities available-sale portfolio above.

Servicing assets—Fair value is based on a loan-by-loan basis taking into consideration the original term to maturity, the current age of the loan and the remaining term to maturity. The valuation methodology utilized for the servicing assets begins with generating estimated future cash flows for each servicing asset, based on their unique characteristics and market-based assumptions for prepayment speeds and costs to service. The present value of the future cash flows are then calculated utilizing market-based discount rate assumptions.

Derivative instruments—Interest rate derivatives are valued by a third party, using models that primarily use market observable inputs, such as yield curves, and are validated by comparison with valuations provided by the respective counterparties. Derivative financial instruments are included in accrued interest receivable and other assets, and accrued interest payable and other liabilities in the Condensed Consolidated Statements of Financial Condition.

The following tables summarize the Company's financial assets and liabilities that were measured at fair value on a recurring basis at June 30, 2024 and December 31, 2023:

		Fair Value Measurements Using		
June 30, 2024	**Fair Value**	**Level 1**	**Level 2**	**Level 3**
Financial assets				
Securities available-for-sale				
U.S. Treasury Notes	$ 51,785	$ 51,785	$ —	$ —
U.S. Government agencies	147,174		147,174	
Obligations of states, municipalities, and political subdivisions	80,390	—	80,390	—
Mortgage-backed securities; residential				
Agency	749,198	—	749,198	—
Non-Agency	109,054	—	109,054	—
Mortgage-backed securities; commercial				
Agency	193,948	—	193,948	—
Corporate securities	36,780	—	36,780	—
Asset-backed securities	18,498	—	18,498	—
Equity and other securities, at fair value				
Mutual funds	2,504	2,504	—	—
Equity securities	6,241	—	5,957	284
Servicing assets	19,617	—	—	19,617
Derivative assets	57,426	—	57,426	—
Financial liabilities				
Derivative liabilities	22,772	—	22,772	—

		Fair Value Measurements Using		
December 31, 2023	**Fair Value**	**Level 1**	**Level 2**	**Level 3**
Financial assets				
Securities available-for-sale				
U.S. Treasury Notes	$ 115,434	$ 115,434	$ —	$ —
U.S. Government agencies	130,695	—	130,695	—
Obligations of states, municipalities, and political subdivisions	82,275	—	82,275	
Mortgage-backed securities; residential				
Agency	695,803	—	695,803	—
Non-Agency	100,260	—	100,260	—
Mortgage-backed securities; commercial				
Agency	147,204	—	147,204	—
Corporate securities	36,171	—	36,171	—
Asset-backed securities	34,638	—	34,638	—
Equity and other securities, at fair value				
Mutual funds	2,554	2,554	—	—
Equity securities	6,189	—	5,908	281
Servicing assets	19,844	—	—	19,844
Derivative assets	56,923	—	56,923	—
Financial liabilities				
Derivative liabilities	19,345	—	19,345	—

The following table presents additional information about financial assets measured at fair value on recurring basis for which the Company used significant unobservable inputs (Level 3):

	Six Months Ended June 30,			
	2024	**2023**	**2024**	**2023**
	Investment Securities		**Servicing Assets**	
Balance, beginning of period	$ 281	$ 666	$ 19,844	$ 19,172
Additions, net	—	—	2,944	2,752
Change in fair value	3	(27)	(3,171)	(209)
Balance, end of period	$ 284	$ 639	$ 19,617	$ 21,715

The Company did not have any transfers to or from Level 3 of the fair value hierarchy during the six months ended June 30, 2024 and 2023.

The following table presents additional information about the unobservable inputs used in the fair value measurements on recurring basis that were categorized within Level 3 of the fair value hierarchy as of June 30, 2024:

Financial Instruments	Valuation Technique	Unobservable Inputs	Range of Inputs	Weighted Average Range	Impact to Valuation from an Increased or Higher Input Value
Single issuer trust preferred	Discounted cash flow	Discount rate	7.9%	7.9%	Decrease
Servicing assets	Discounted cash flow	Prepayment speeds	0.0% - 34.1%	16.3%	Decrease
		Discount rate	0.0% - 55.0%	11.0%	Decrease
		Expected weighted average loan life	0.0 - 8.3 Years	3.6 Years	Increase

The Company used the following methods and significant assumptions to estimate fair value for certain assets measured and carried at fair value on a non-recurring basis:

Individually Evaluated Loans—The Company individually evaluates loans that do not share similar risk characteristics, including non-accrual loans. Specific allowance for credit losses is measured based on a discounted cash flow of ongoing operations, discounted at the loan's original effective interest rate, or a calculation of the fair value of the underlying collateral less estimated selling costs. Valuations of individually assessed loans that are collateral dependent are supported by third party appraisals in accordance with the Bank's credit policy. Accordingly, individually evaluated loans are classified as Level 3.

Assets held for sale—Assets held for sale consist of former branch locations and real estate previously purchased for expansion. Assets are considered held for sale when management has approved to sell the assets following a branch closure or other events. The properties are being actively marketed and transferred to assets held for sale based on the lower of carrying value or its fair value, less estimated costs to sell. The Company records assets held for sale on the Condensed Consolidated Statements of Financial Condition within accrued interest receivable and other assets.

Other real estate owned—Certain assets held within other real estate owned represent real estate or other collateral that has been adjusted to its estimated fair value, less cost to sell, as a result of transferring from the loan portfolio at the time of foreclosure or repossession and based on management's periodic impairment evaluation. From time to time, non-recurring fair value adjustments to other real estate owned are recorded to reflect partial write-downs based on an observable market price or current appraised value of property.

Adjustments to fair value based on such non-recurring transactions generally result from the application of lower-of-cost-or-market accounting or write-downs of individual assets due to impairment. The following tables summarize the Company's assets that were measured at fair value on a non-recurring basis, as of June 30, 2024 and December 31, 2023:

		Fair Value Measurements Using		
June 30, 2024	Fair Value	Level 1	Level 2	Level 3
Non-recurring				
Individually evaluated loans				
Commercial real estate	$ 29,426	$ —	$ —	$ 29,426
Residential real estate	3,731	—	—	3,731
Commercial and industrial	19,025	—	—	19,025
Assets held for sale	3,420	—	—	3,420
Other real estate owned	780	—	—	780

		Fair Value Measurements Using		
December 31, 2023	Fair Value	Level 1	Level 2	Level 3
Non-recurring				
Individually evaluated loans				
Commercial real estate	$ 51,978	$ —	$ —	$ 51,978
Residential real estate	3,593	—	—	3,593
Construction, land development, and other land	813	—	—	813
Commercial and industrial	29,869	—	—	29,869
Assets held for sale	4,484	—	—	4,484
Other real estate owned	1,200	—	—	1,200

The following methods and assumptions were used by the Company in estimating fair values of other assets and liabilities for disclosure purposes:

Cash and cash equivalents and interest bearing deposits with other banks—For these short-term instruments, the carrying amount is a reasonable estimate of fair value.

Securities held-to-maturity—The Company obtains fair value measurements from an independent pricing service. Management reviews the procedures used by the third party, including significant inputs used in the fair value calculations. The fair value measurements consider observable data that may include dealer quotes, market spreads, cash flows, the U.S. Treasury yield curve, live trading levels, trade execution data, market consensus prepayment speeds, credit information and the bond's terms and conditions, among other things. When market quotes are not readily accessible or available, alternative approaches are utilized, such as matrix or model pricing.

Restricted stock—The fair value has been determined to approximate cost.

Loans held for sale—The fair value of loans held for sale are based on quoted market prices, where available, and determined by discounted estimated cash flows using interest rates approximating the Company's current origination rates for similar loans adjusted to reflect the inherent credit risk.

Loan and lease receivables, net—For certain variable rate loans that reprice frequently and with no significant changes in credit risk, fair value is estimated at carrying value. The fair value of other types of loans is estimated using an exit price notion. It is estimated by discounting future cash flows, using current rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities.

Deposits—The fair value of demand deposits, savings accounts, and certain money market deposits is the amount payable on demand at the reporting date. The fair value of fixed-maturity certificates of deposit is estimated by discounting future cash flows, using rates currently offered for deposits of similar remaining maturities.

Federal Home Loan Bank advances—The fair value of FHLB advances is estimated by discounting the agreements based on maturities using rates currently offered for FHLB advances of similar remaining maturities adjusted for prepayment penalties that would be incurred if the borrowings were paid off on the measurement date.

Securities sold under agreements to repurchase—The carrying amount approximates fair value due to maturities of less than ninety days.

Term Loan—The carrying amount approximates fair value given the variable interest rate and repricing of interest.

Bank Term Funding Program—The carrying amount approximates fair value given the short-term nature of the instrument.

Line of credit—The carrying amount approximates fair value given the variable interest rate and repricing of interest.

Subordinated notes—The fair value is based on available market prices.

Junior subordinated debentures—The fair value of junior subordinated debentures, in the form of trust preferred securities, is determined using rates currently available to the Company for debt with similar terms and remaining maturities.

Accrued interest receivable and payable—The carrying amount approximates fair value.

Commitments to extend credit and letters of credit—The fair values of these off-balance sheet commitments to extend credit and commercial and letters of credit are not considered practicable to estimate because of the lack of quoted market prices and the inability to estimate fair value without incurring excessive costs.

The estimated fair values of financial instruments not carried at fair value and levels within the fair value hierarchy are as follows:

	Fair Value Hierarchy Level	June 30, 2024		December 31, 2023	
		Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Financial assets					
Cash and due from banks	1	$ 68,251	$ 68,251	$ 60,431	$ 60,431
Interest bearing deposits with other banks	2	662,206	662,206	165,705	165,705
Securities held-to-maturity	2	606	601	1,157	1,149
Restricted stock	2	31,775	31,775	16,304	16,304
Loans held for sale	3	13,360	14,075	18,005	19,136
Loans and lease receivables, net (less impaired loans at fair value)	3	6,739,292	6,517,994	6,496,367	6,326,413
Accrued interest receivable	3	44,484	44,484	43,922	43,922
Financial liabilities					
Non-interest-bearing deposits	2	1,762,891	1,762,891	1,905,876	1,905,876
Interest-bearing deposits	2	5,584,290	5,578,956	5,271,123	5,268,926
Accrued interest payable	2	26,493	26,493	22,233	22,233
Federal Home Loan Bank advances	2	670,000	670,000	325,000	325,000
Securities sold under repurchase agreement	2	33,738	33,738	40,607	40,607
Term Loan	2	15,000	15,000	18,333	18,333
Bank Term Funding Program	2	200,000	200,000	—	—
Line of credit	2	—	—	11,250	11,250
Subordinated notes	2	73,953	70,398	73,866	76,063
Junior subordinated debentures	3	70,675	73,675	70,452	72,701

Note 16—Derivative Instruments and Hedge Activities

As required by ASC 815, the Company records all derivatives on the Condensed Consolidated Statements of Financial Condition at fair value. The accounting for changes in the fair value of derivatives depends on the intended use of the derivative, whether the Company has elected to designate a derivative in a hedging relationship and apply hedge accounting and whether the hedging relationship has satisfied the criteria necessary to apply hedge accounting. The Company records derivative assets and derivative liabilities on the Condensed Consolidated Statements of Financial Condition within accrued interest receivable and other assets and accrued interest payable and other liabilities, respectively. The following tables present the fair value of the Company's derivative financial instruments and classification on the Condensed Consolidated Statements of Financial Condition as of June 30, 2024 and December 31, 2023:

	June 30, 2024			December 31, 2023		
		Fair Value			Fair Value	
	Notional Amount	Other Assets	Other Liabilities	Notional Amount	Other Assets	Other Liabilities
Derivatives designated as hedging instruments						
Interest rate swaps designated as cash flow hedges	$ 650,000	$ 35,297	$ (822)	$ 650,000	$ 37,475	$ —
Derivatives not designated as hedging instruments						
Other interest rate derivatives	734,434	22,126	(21,931)	706,126	19,447	(19,345)
Other credit derivatives	12,833	3	(19)	3,602	1	—
Total derivatives	$ 1,397,267	$ 57,426	$ (22,772)	$ 1,359,728	$ 56,923	$ (19,345)

As of the effective time of the transaction reported in Note 3—Acquisition of a Business, Byline acquired and assumed two types of derivative instruments. Interest rate swap agreements previously designated as cash flow hedges of certain junior subordinated debentures issued to capital trusts had notional amounts of $42.0 million and had a fair value of $3.5 million included in accrued interest receivable and other assets. In July 2023, the Company terminated the interest rate swap agreements that resulted in a net gain of $6,000. Other interest rate swap agreements not designated as hedging instruments had notional amounts of $67.7 million and fair values of $6.2 million reported in accrued interest receivable and other assets and accrued interest payable and other liabilities.

Interest rate swaps designated as cash flow hedges—Cash flow hedges of interest payments associated with certain financial instruments had notional amounts totaling $650.0 million as of June 30, 2024 and December 31, 2023, respectively. The Company assesses the effectiveness of each hedging relationship by comparing the changes in fair value of the derivatives hedging instrument with the fair value of the designated hedged transactions. As of June 30, 2024, the cash flow hedges aggregating $650.0 million in notional amounts are comprised of $450.0 million pay-fixed interest rate swaps associated with certain deposits and other borrowings, and $200.0 million receive-fixed interest rate swaps associated with certain variable rate loans.

As of June 30, 2024, pay-fixed interest rate swaps are comprised of six effective hedges. Receive-fixed interest rate swaps totaling $200.0 million are comprised of three effective hedges totaling $150.0 million, and one $50.0 million forward-starting swaps that is effective in August of 2024.

For derivatives designated and that qualify as cash flow hedges of interest rate risk, the unrealized gain or loss on the derivatives is recorded in accumulated other comprehensive income (loss) and subsequently reclassified into interest income or expense in the same period during which the hedged transaction affects earnings. Amounts reported in accumulated other comprehensive income (loss) related to derivatives will be reclassified to interest income or expense as interest payments are made on the hedged instruments. Interest recorded on these swap transactions included $4.7 million and $3.9 million of interest income recorded during the three months ended June 30, 2024, and 2023, respectively, and is reported as a component of interest expense on deposits and other borrowings. Interest recorded on these swap transactions included $9.6 million and $5.8 million of interest income recorded during the six months ended June 30, 2024, and 2023, respectively, and is reported as a component of interest expense on deposits and other borrowings. As of June 30, 2024, the Company estimates $16.4 million of the net unrealized gain to be reclassified as a net decrease to interest expense during the next twelve months.

Accumulated other comprehensive income (loss) also includes the amortization of the remaining balance related to terminated interest rate swaps designated as cash flow hedges, which are over the original life of the cash flow hedge. In March 2023, the Company terminated interest rate swaps designated as cash flow hedges totaling $100.0 million, of which $50.0 million became effective in May 2023 and $50.0 million became effective in June 2023. The transaction resulted in a gain of $4.2 million, net of tax, which was the clean value at termination date and began amortizing as a decrease to interest expense

on the effective dates. The remaining unamortized balance was $3.3 million and $3.7 million as of June 30, 2024 and December 31, 2023, respectively.

The following table reflects the cash flow hedges as of June 30, 2024:

Notional amounts	$	650,000
Derivative assets fair value		35,297
Derivative liabilities fair value		822
Weighted average remaining maturity		2.5 years

Receive rates are determined at the time the swaps become effective. As of June 30, 2024, the weighted average pay rates of the six effective pay-fixed hedges for $450.0 million were 1.04% and the weighted average receive rates were 5.33%. As of June 30, 2024, the weighted average pay rates of the receive-fixed interest rate swaps of $150.0 million were 8.50% and the weighted average receive rates were 7.31%.

The following table reflects the net gains (losses) recorded in accumulated other comprehensive income (loss) and the Condensed Consolidated Statements of Operations relating to the cash flow derivative instruments for the three months ended:

	June 30, 2024			June 30, 2023		
	Amount of Gain Recognized in AOCI	Amount of Net Gain Reclassified from AOCI to Income as an Increase to Net Interest Income	Amount of Gain (Loss) Recognized in Other Non-Interest Income	Amount of Gain Recognized in OCI	Amount of Gain Reclassified from OCI to Income as a Decrease to Interest Expense	Amount of Gain (Loss) Recognized in Other Non-Interest Income
Interest rate swaps	$ 1,670	$ 4,719	$ —	$ 8,709	$ 5,819	$ —

Derivatives not designated as hedges are not speculative and are used to manage the Company's exposure to interest rate movements and other identified risks but do not meet the strict hedge accounting requirements and/or the Company has not elected to apply hedge accounting. Changes in the fair value of derivatives not designated in hedging relationships are recorded directly in earnings.

Other interest rate derivatives—The total combined notional amount was $734.4 million as of June 30, 2024 with maturities ranging from August 2024 to March 2033. The fair values of the interest rate derivative agreements are reflected in other assets and other liabilities with corresponding gains or losses reflected in non-interest income. During the three months ended June 30, 2024, there were $110,000 of net transaction fees, included in other non-interest income, related to these derivative instruments. There were no transaction fees during the three months ended June 30, 2023. During the six months ended June 30, 2024 and 2023, there were $114,000 and $472,000 of net transaction fees, included in other non-interest income, related to these derivative instruments.

These instruments are inherently subject to market risk and credit risk. Market risk is associated with changes in interest rates and credit risk relates to the Company's risk of loss when the counterparty to a derivative contract fails to perform according to the terms of the agreement. Market and credit risks are managed and monitored as part of the Company's overall asset-liability management process. The credit risk related to derivatives entered into with certain qualified borrowers is managed through the Company's loan underwriting process. The Company's loan underwriting process also approves the Bank's swap counterparty used to mirror the borrowers' swap. The Company has a bilateral agreement with each swap counterparty that provides that fluctuations in derivative values are to be fully collateralized with either cash or securities.

The following table reflects other interest rate derivatives as of June 30, 2024:

Notional amounts	$	734,434
Derivative assets fair value		22,126
Derivative liabilities fair value		21,931
Weighted average pay rates		4.23%
Weighted average receive rates		6.15%
Weighted average remaining maturity		4.0 years

Other derivatives—The Company has entered into risk participation agreements with counterparty banks to assume a portion of the credit risk related to borrower transactions. As of June 30, 2024 and December 31, 2023, for each period, the notional amount of risk participated in was $1.2 million and the notional amount of risk participated out was $2.6 million and

$2.4 million, respectively. The credit risk related to these other derivatives is managed through the Company's loan underwriting process. Additionally, the Company enters into foreign currency contracts to manage foreign exchange risk associated with certain customer foreign currency transactions. These transactions were not material to the consolidated financial statements as of June 30, 2024 and December 31, 2023. The fair values of the credit derivatives is reflected in accrued interest receivable and other assets and accrued interest payable and other liabilities with corresponding gains or losses reflected in non-interest income or other comprehensive income.

The Company has agreements with its derivative counterparties that contain a cross-default provision under which if the Company defaults on any of its indebtedness, including default where repayment of the indebtedness has not been accelerated by the lender, then the Company could also be declared in default on its derivative obligations. The Company also has agreements with certain derivative counterparties that contain a provision where if the Company fails to maintain its status as a well or adequately capitalized institution, then the counterparty could terminate the derivative positions and the Company would be required to settle its obligations resulted in a net asset position.

The following table reflects amounts included in non-interest income in the Condensed Consolidated Statements of Operations relating to derivative instruments that are not designated in a hedging relationship for the six months ended June 30, 2024 and 2023:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Other interest rate derivatives	$ (20)	$ 115	$ (93)	$ (193)
Other credit derivatives	(54)	—	(54)	—
Total	$ (74)	$ 115	$ (147)	$ (193)

The Company records interest rate derivatives subject to master netting agreements at their gross value and does not offset derivative asset and liabilities on the Condensed Consolidated Statements of Financial Condition. The table below summarizes the Company's interest rate derivatives and offsetting positions as of the periods indicated:

	June 30, 2024		December 31, 2023	
	Derivative Assets Fair Value	Derivative Liabilities Fair Value	Derivative Assets Fair Value	Derivative Liabilities Fair Value
Gross amounts recognized	$ 57,426	$ (22,772)	$ 56,923	$ (19,345)
Less: Amounts offset in the Condensed Consolidated Statements of Financial Condition	—	—	—	—
Net amount presented in the Condensed Consolidated Statements of Financial Condition	$ 57,426	$ (22,772)	$ 56,923	$ (19,345)
Gross amounts not offset in the Condensed Consolidated Statements of Financial Condition				
Offsetting derivative positions	(971)	971	(925)	925
Collateral posted	(55,280)	—	(54,930)	—
Net credit exposure	$ 1,175	$ (21,801)	$ 1,068	$ (18,420)

As of June 30, 2024, the fair value of derivatives in a net liability position, which includes accrued interest but excludes any adjustment for nonperformance risk, related to these agreements was $22.8 million. If the Company had breached any of these provisions at June 30, 2024, it could have been required to settle its obligations under the agreements at their termination value less offsetting positions of $971,000. For purposes of this disclosure, the amount of posted collateral by the Company and counterparties is limited to the amount offsetting the derivative asset and derivative liability.

Note 17 – Share-Based Compensation

In June 2017, the Company's Board of Directors adopted, and the Company's stockholder approved, the 2017 Omnibus Incentive Compensation Plan (the "Omnibus Plan"). The Omnibus Plan provides for the grant of stock options, stock appreciation rights, restricted stock, restricted stock units, dividend equivalent rights and other equity-based, equity-related or cash-based awards. A total of 2,600,000 shares of our common stock have been reserved for issuance under the Omnibus Plan. As of June 30, 2024, there were 806,210 shares available for future grants under the Omnibus Plan.

The Company primarily grants time-based restricted share awards that vest over a one to four year period, subject to continued employment. The Company also grants performance-based restricted share awards. The number of shares which may be earned under the award is dependent upon the Company's return on average assets, weighted equally over a three-year

period and measured against a peer group consisting of publicly-traded bank holding companies. Results will be measured cumulatively at the end of the three years. Any earned shares will vest on the third anniversary of the grant date.

During 2024, the Company granted 376,799 shares of restricted common stock, par value $0.01 per share. Of this total, 294,819 restricted shares will vest ratably over three years on each anniversary of the grant date, 12,861 restricted shares will cliff vest on the third anniversary of the grant date, and 3,083 restricted shares will vest on the first anniversary of the grant date, all subject to continued employment. In addition, 66,036 performance-based restricted shares were included in the 2024 grant. The number of performance-based shares which may be earned under the award is dependent upon the Company's total stockholder return and return on average assets, weighted equally, over a three-year period ending December 31, 2026, measured against the KBW Regional Bank Index. Results will be measured cumulatively at the end of the three years and any earned shares will vest on the third anniversary of the grant date.

The following table discloses the changes in restricted shares for the six months ended June 30, 2024:

	Omnibus Plan	
	Number of Shares	Weighted Average Grant Date Fair Value
Beginning balance, January 1, 2024	627,271	$ 24.24
Granted	376,799	20.92
Incremental performance shares issued and vested	13,632	
Vested	(234,308)	22.57
Forfeited	(15,148)	24.28
Ending balance outstanding at June 30, 2024	768,246	$ 23.04

A total of 234,308 restricted shares vested during the six months ended June 30, 2024. A total of 238,638 restricted shares vested during the year ended December 31, 2023. The fair value of restricted shares that vested during the six months ended June 30, 2024 was $4.9 million. The fair value of restricted shares that vested during the year ended December 31, 2023 was $5.7 million.

The Company recognizes share-based compensation based on the estimated fair value of the restricted stock at the grant date. Share-based compensation expense is included in non-interest expense in the Condensed Consolidated Statements of Operations. The fair value of the total stock return performance-based awards granted in 2024 and 2023 were calculated based on a Monte Carlo simulation, using the following assumptions:

	Performance Based Grants	
	2024	2023
Risk-free interest rate	4.47%	4.42%
Expected term (years)	2.85 years	2.85 years
Expected stock price volatility	29.28% - 33.68%	38.11% - 39.80%
Weighted average grant date fair value	$ 20.18	$ 25.20

The following table summarizes restricted stock compensation expense for the six months ended June 30, 2024 and 2023:

	Six Months Ended June 30,	
	2024	2023
Total share-based compensation - restricted stock	$ 3,687	$ 3,217
Income tax benefit	1,012	866
Unrecognized compensation expense	13,462	12,757
Weighted average remaining amortization period	2.1 years	2.3 years

The fair value of the unvested restricted stock awards at June 30, 2024 was $18.2 million.

In October 2014, the Company adopted the Byline Bancorp, Inc. Equity Incentive Plan ("BYB Plan"). The maximum number of shares available for grants under this plan was 2,476,122 shares. The Company granted 1,846,968 options to purchase shares under this plan. In June 2017, the Board of Directors terminated the BYB Plan and no future grants can be made under this plan. Options to purchase a total of 537,270 shares remain outstanding under the BYB Plan at June 30, 2024.

The types of stock options granted under the BYB Plan were Time Options and Performance Options. The exercise price of each option is equal to the fair value of the stock as of the date of grant. These option awards have vesting periods ranging from one to five years and have 10-year contractual terms. Stock volatility was computed as the average of the volatilities of peer group companies. All outstanding stock options were fully vested and exercisable at June 30, 2024.

The fair values of the stock options were determined using the Black-Scholes-Merton model for Time Options and a Monte Carlo simulation model for Performance Options.

The following table discloses the activity in shares subject to options and the weighted average exercise prices, in actual dollars, for the six months ended June 30, 2024:

	BYB Plan			
	Number of Shares	Weighted Average Exercise Price	Intrinsic Value	Weighted Average Remaining Contractual Term (in Years)
Beginning balance, January 1, 2024	768,564	$ 11.31	$ 9,413	1.5
Exercised	(231,294)	11.18	$ 2,782	
Expired	—			
Ending balance outstanding at June 30, 2024	537,270	$ 11.37	$ 6,647	0.9
Exercisable at June 30, 2024	537,270	$ 11.37	$ 6,647	0.9

A total of 231,294 stock options were exercised during the six months ended June 30, 2024. Proceeds from exercise of stock options were $188,000 and had a related tax benefit of $742,000 for the six months ended June 30, 2024. No stock options were exercised during the during the year ended December 31, 2023. No stock options vested during the six months ended June 30, 2024 or the year ended December 31, 2023. No stock option compensation expense was recognized for the six months ended June 30, 2024 or the year ended December 31, 2023.

Pursuant to the terms of the Agreement and Plan of Merger with First Evanston and its subsidiaries, dated as of November 27, 2017 (the "First Evanston Merger Agreement"), each outstanding First Evanston option held by a participant in the First Evanston Bancorp, Inc. Stock Incentive Plan (the "FEB Plan") ceased to represent a right to acquire shares of First Evanston common stock and was assumed and converted automatically into a fully vested and exercisable adjusted option to purchase shares of Byline common stock (each an "Adjusted Option"). In accordance with the First Evanston Merger Agreement, the number of shares of Byline common stock to which each such Adjusted Option relates is equal to the product (rounded down to the nearest whole share of Byline common stock) of: (a) the number of shares of First Evanston common stock subject to the First Evanston option immediately prior to May 31, 2018, multiplied by (b) 4.725. Each Adjusted Option has an exercise price per share of Byline common stock equal to the quotient (rounded up to the nearest whole cent) of (x) the per share exercise price of such First Evanston option immediately prior to May 31, 2018, divided by (y) 4.725. The description of the conversion process is based on, and qualified by, the First Evanston Merger Agreement.

The following table discloses the activity in shares subject to options under the FEB Plan and the weighted average exercise prices, in actual dollars, for the year ended June 30, 2024:

	FEB Plan			
	Number of Shares	Weighted Average Exercise Price	Intrinsic Value	Weighted Average Remaining Contractual Term (in Years)
Beginning balance, January 1, 2024	103,135	$ 11.95	$ 1,197	1.9
Exercised	(3,000)	$ 11.65	$ 37	
Expired	—			
Ending balance outstanding at June 30, 2024	100,135	$ 11.96	$ 1,179	1.4
Exercisable at June 30, 2024	100,135	$ 11.96	$ 1,179	1.4

A total of 3,000 stock Adjusted Options were exercised during the six months ended June 30, 2024. Proceeds from exercise of Adjusted Options were $35,000 and had a related tax benefit of $10,000 for the six months ended June 30, 2024. A total of 59,153 Adjusted Options were exercised during the during the year ended December 31, 2023, with proceeds of $659,000 and a related tax benefit of $158,000.

Note 18—Earnings per Share

A reconciliation of the numerators and denominators for earnings per common share computations is presented below. Incremental shares represent outstanding stock options for which the exercise price is less than the average market price of the Company's common stock during the periods presented. Options to purchase 637,405 and 930,852 shares of common stock were outstanding as of June 30, 2024 and 2023, respectively. There were 768,246 and 676,454 restricted stock awards outstanding at June 30, 2024 and 2023, respectively. For the three and six months ended June 30, 2024 and 2023, there were no anti-dilutive weighted average shares outstanding.

The following represent the calculation of basic and diluted earnings per share for the periods presented:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Net income	$ 29,671	$ 26,107	$ 60,111	$ 50,052
Weighted-average common stock outstanding:				
Weighted-average common stock outstanding (basic)	43,361,516	37,034,626	43,309,802	36,995,075
Incremental shares	380,324	303,280	428,328	449,306
Weighted-average common stock outstanding (dilutive)	43,741,840	37,337,906	43,738,130	37,444,381
Basic earnings per common share	$ 0.68	$ 0.70	$ 1.39	$ 1.35
Diluted earnings per common share	$ 0.68	$ 0.70	$ 1.37	$ 1.34

Note 19—Stockholders' Equity

A summary of the Company's preferred and common stock at June 30, 2024 and December 31, 2023 is as follows:

	June 30, 2024	December 31, 2023
Preferred stock		
Par value	$ 0.01	$ 0.01
Shares authorized	25,000,000	25,000,000
Shares issued	—	—
Shares outstanding	—	—
Common stock, voting		
Par value	$ 0.01	$ 0.01
Shares authorized	150,000,000	150,000,000
Shares issued	45,981,155	45,714,241
Shares outstanding	44,180,829	43,764,056
Treasury shares	1,800,326	1,950,185

On December 12, 2022, we announced that our Board of Directors approved a stock repurchase program authorizing the purchase of up to an aggregate of 1,250,000 shares of our outstanding common stock. The program was in effect from January 1, 2023 until December 31, 2023. No shares were repurchased under this program.

On December 6, 2023, we announced that our Board of Directors approved a new stock repurchase program authorizing the purchase of up to an aggregate of 1,250,000 shares of the Company's outstanding common stock. The program is in effect from January 1, 2024 until December 31, 2024, unless terminated earlier. The shares may, at the discretion of management, be repurchased from time to time in open market purchases as market conditions warrant or in privately negotiated transactions. The Company is not obligated to purchase any shares under the program, and the program may be discontinued at any time. The actual timing, number and share price of shares purchased under the repurchase program will be determined by the Company at its discretion and will depend on a number of factors, including the market price of the Company's stock, general market and economic conditions and applicable legal requirements. The shares authorized to be repurchased represented approximately 2.9% of the Company's outstanding common stock at December 31, 2023.

We did not purchase any shares under either stock repurchase program during the three or six months ended June 30, 2024 and 2023.

Repurchased shares are recorded as treasury shares on the trade date using the treasury stock method, and the cash paid is recorded as treasury stock. Treasury stock acquired is recorded at cost and is carried as a reduction of stockholders' equity in the Condensed Consolidated Statements of Financial Condition.

For each of the three months ended June 30, 2024 and 2023, cash dividends were declared and paid to stockholders of record of our common stock of $0.09 per share. For each of the six months ended June 30, 2024 and 2023, cash dividends were declared and paid to stockholders of record of our common stock of $0.18 per share.

On July 23, 2024, our Board of Directors declared a cash dividend of $0.09 per share payable on August 20, 2024 to stockholders of record of our common stock as of August 6, 2024.

Note 20—Consolidated Statements of Changes in Accumulated Other Comprehensive Income (Loss)

The following table summarizes the changes in accumulated other comprehensive income (loss) for the three and six months ended June 30, 2024 and 2023:

(dollars in thousands)	Unrealized Gains on Cash Flow Hedges	Unrealized Losses on Available-for-Sale Securities	Total Accumulated Other Comprehensive Income (Loss)
Balance, March 31, 2023	$ 33,024	$ (141,166)	$ (108,142)
Other comprehensive income (loss), net of tax	3,409	(10,129)	(6,720)
Balance, June 30, 2023	$ 36,433	$ (151,295)	$ (114,862)
Balance, January 1, 2023	$ 34,315	$ (151,865)	$ (117,550)
Other comprehensive income, net of tax	2,118	570	2,688
Balance, June 30, 2023	$ 36,433	$ (151,295)	$ (114,862)
Balance, March 31, 2024	$ 29,908	$ (136,818)	$ (106,910)
Other comprehensive loss, net of tax	(2,236)	(2,323)	(4,559)
Balance, June 30, 2024	$ 27,672	$ (139,141)	$ (111,469)
Balance, January 1, 2024	$ 30,131	$ (130,248)	$ (100,117)
Other comprehensive loss, net of tax	(2,459)	(8,893)	(11,352)
Balance, June 30, 2024	$ 27,672	$ (139,141)	$ (111,469)

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

The following is a discussion and analysis of Byline Bancorp, Inc.'s financial condition and results of operations and should be read in conjunction with our Unaudited Interim Condensed Consolidated Financial Statements and notes thereto included elsewhere in this report. The words "the Company," "we," "Byline," "management," "our" and "us" refer to Byline Bancorp, Inc. and its consolidated subsidiaries, unless we indicate otherwise. In addition to historical information, this discussion contains forward looking statements that involve risks, uncertainties and assumptions that could cause actual results to differ materially from management's expectations. Factors that could cause such differences are discussed in the sections entitled "Special Note Regarding Forward Looking Statements" and "Risk Factors". Byline assumes no obligation to update any of these forward looking statements.

Forward-Looking Statements

Statements contained in this report and in other documents we file with or furnish to the Securities and Exchange Commission ("SEC") that are not historical facts may constitute "forward-looking statements" within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. Any statements about our expectations, beliefs, plans, strategies, predictions, forecasts, objectives or assumptions of future events or performance are not historical facts and may be forward-looking. These statements are often, but not always, made through the use of words or phrases such as "anticipates," "believes," "expects," "can," "could," "may," "predicts," "potential," "opportunity," "should," "will," "estimate," "plans," "projects," "continuing," "ongoing," "expects," "seeks," "intends" and similar words or phrases. Accordingly, these statements involve estimates, known and unknown risks, assumptions and uncertainties that could cause actual strategies, actions or results to differ materially from those expressed in such statements, and are not guarantees of future results or other events or performance. Because forward-looking statements are necessarily only estimates of future strategies, actions or results, based on management's current expectations, assumptions and estimates on the date hereof, and there can be no assurance that actual strategies, actions or results will not differ materially from expectations, readers are cautioned not to place undue reliance on such statements.

Our ability to predict results or the actual effects of future plans, strategies or events is inherently uncertain. Factors which could cause actual results or conditions to differ materially from those reflected in forward-looking statements include:

- uncertainty regarding domestic, foreign, and geopolitical developments and the United States and global economic outlook that may impact market conditions or affect demand for certain banking products and services, and the impact on our customers, which could impair the ability of our borrowers to repay outstanding loans and leases, impair collateral values and further increase our allowance for credit losses - loans and leases, as well as result in possible asset impairment charges;
- unforeseen credit quality problems or changing economic conditions that could result in charge-offs greater than we have anticipated in our allowance for credit losses - loans and leases or changes in the value of our investments;
- commercial real estate market conditions in the Chicago metropolitan area and southern Wisconsin;
- deterioration in the financial condition of our borrowers resulting in significant increases in our loan and lease losses and provisions for those losses and other related adverse impacts to our results of operations and financial condition;
- fair value estimates of certain of our assets and liabilities, which could change in value significantly from period to period;
- competitive pressures in the financial services industry in our market areas relating to both pricing and loan and lease structures, which may impact our growth rate;
- demand for loan products and deposit flows;
- unanticipated developments in pending or prospective loan and/or lease transactions or greater-than-expected paydowns or payoffs of existing loans and leases;
- inaccurate information and assumptions in our analytical and forecasting models used to manage our balance sheet;
- unanticipated changes in monetary policies of the Federal Reserve or significant adjustments in the pace of, or market expectations for, future interest rate changes;
- availability of sufficient and cost-effective sources of liquidity, funding, and capital as and when needed;
- our ability to attract, retain or the loss of key personnel or an inability to recruit appropriate talent cost-effectively;
- adverse effects on our information technology systems resulting from failures, human error or cyberattack, including the potential impact of disruptions or security breaches at our third-party service providers, any of which could result in an information or security breach, the disclosure or misuse of confidential or proprietary information, significant legal and financial losses and reputational harm;
- greater-than-anticipated costs to support the growth of our business, including investments in new lines of business, products and services, or technology, process improvements or other infrastructure enhancements, or greater-than-anticipated compliance or regulatory costs and burdens;
- the impact of possible future acquisitions, if any, including the costs and burdens of integration efforts;

•the ability of the Company to receive dividends from Byline Bank;

•legislative or regulatory changes, particularly changes in regulation of financial services companies and/or the products and services offered by financial services companies;

•changes in Small Business Administration ("SBA") and U.S. Department of Agriculture ("USDA") U.S. government guaranteed lending rules, regulations, loan and lease products and funding limits, including specifically the SBA Section 7(a) program, as well as changes in SBA or USDA standard operating procedures or changes to the status of Byline Bank as an SBA Preferred Lender;

•changes in accounting principles, policies and guidelines applicable to bank holding companies and banking generally;

•the impact of a possible change in the federal or state income tax rates on our deferred tax assets and provision for income tax expense;

•our ability to implement our growth strategy, including via acquisitions;

•the possibility that any of the anticipated benefits of acquisitions will not be realized or will not be realized within the expected time period;

•the risk that the integration of acquisition operations will be materially delayed or will be more costly or difficult than expected;

•the effect of mergers on customer relationships and operating results; and

•other risks detailed from time to time in filings we make with the SEC.

These risks and uncertainties should be considered in evaluating any forward-looking statements, and undue reliance should not be placed on such statements. Forward looking statements speak only as of the date they are made. You should also consider the risks, assumptions and uncertainties set forth in the "Risk Factors" section in our Annual Report on Form 10-K for the year ended December 31, 2023 that was filed with the SEC on March 4, 2024, as well as those set forth in the reports we file with the SEC. We assume no obligation to update any of these statements in light of new information, future events or otherwise unless required under the federal securities laws.

Overview

Our Business

We are a bank holding company headquartered in Chicago, Illinois, and conduct all our business activities through our subsidiary, Byline Bank, a full service commercial bank, and Byline Bank's subsidiaries. Through Byline Bank, we offer a broad range of banking products and services to small and medium sized businesses, commercial real estate and financial sponsors and to consumers who generally live or work near our branches. We also offer online account opening to consumer and business customers through our website and provide trust and wealth management services to our customers. In addition to our traditional commercial banking business, we provide small ticket equipment leasing solutions through Byline Financial Group, a wholly-owned subsidiary of Byline Bank, headquartered in Bannockburn, Illinois, with sales offices in Illinois, and sales representatives in Illinois, Michigan, New Jersey, and New York. We participate in U.S. government guaranteed lending programs and originate U.S. government guaranteed loans. Byline Bank is a leading originator of SBA loans and was the second most active 7(a) and 504 lender in Illinois for the quarter ended June 30, 2024.

Our results of operations depend substantially on net interest income, which is the difference between interest income on interest-earning assets, consisting primarily of interest income on loans and lease receivables, including accretion income on loans, investment securities and other short-term investments, and interest expense on interest-bearing liabilities, consisting primarily of deposits and borrowings. Our results of operations are also dependent upon our generation of non-interest income, consisting primarily of income from fees and service charges on deposits, loan servicing revenue, wealth management and trust income, ATM and interchange fees, and net gains on sales of investment securities and loans. Other factors contributing to our results of operations include our provision for credit losses, provision for income taxes, and non-interest expenses, such as salaries and employee benefits, occupancy and equipment expenses, and other miscellaneous operating costs.

We reported consolidated net income of $29.7 million, or $0.68 per basic and diluted common share, and $60.1 million or $1.39 per basic and $1.37 per diluted share for the three and six months ended June 30, 2024, compared to net income of $26.1 million, or $0.70 per basic and diluted common share, and $50.1 million or $1.35 per basic and $1.34 per diluted share and for the three and six months ended June 30, 2023, an increase of $3.6 million and $10.1 million for the three and six month periods. The increase in net income was attributable to a $10.4 million and $20.2 million increase in net interest income for the three and six months ended June 30, 2024. The increase in net interest income during the three and six months ended June 30, 2024 was primarily driven by higher yields on loans and leases, and organic growth in the loan and lease portfolio, as well as growth in the portfolio as a result of the Inland acquisition.

Dividends declared on common shares were $4.0 million and $3.4 million for the three months ended June 30, 2024 and 2023, respectively. Dividends paid on common shares were $4.0 million and $3.3 million for the three months ended June 30, 2024 and 2023, respectively.

Dividends declared on common shares were $7.9 million and $6.8 million for the six months ended June 30, 2024 and 2023, respectively. Dividends paid on common shares were $8.0 million and $6.7 million for the six months ended June 30, 2024 and 2023, respectively.

Our results of operations for the three months ended June 30, 2024 and 2023 yielded an annualized return on average assets of 1.31% and 1.41% and an annualized return on average stockholders' equity of 11.83% and 12.99%, respectively. Our results of operations for the six months ended June 30, 2024 and 2023 yielded an annualized return on average assets of 1.33% and 1.37% and an annualized return on average stockholders' equity of 12.04% and 12.69%, respectively.

As of June 30, 2024, we had consolidated total assets of $9.6 billion, total gross loans and leases outstanding of $6.9 billion, total deposits of $7.3 billion, and total stockholders' equity of $1.0 billion.

Inland Bancorp, Inc. Acquisition

On July 1, 2023, we completed our acquisition of Inland Bancorp, Inc., ("Inland") under the terms of a definitive merger agreement. As a result of the merger, Inland's wholly owned bank subsidiary, Inland Bank and Trust, was merged with and into Byline Bank. Refer to Note 3—Acquisition of a Business of our Unaudited Interim Condensed Financial Statements as of June 30, 2024, which is included in this report, for additional information.

Critical Accounting Policies and Significant Estimates

Our accounting and reporting policies conform to GAAP and to general practices within the Banking industry. To prepare financial statements and interim financial statements in conformity with GAAP, management makes estimates, assumptions and judgments based on available information. These estimates, assumptions and judgments affect the amounts reported in the financial statements and accompanying notes, which are based on information available as of the date of the financial statements. As this information changes, actual results could differ from the estimates, assumptions and judgments reflected in the financial statements. In particular, management has identified several accounting policies that, due to the estimates, assumptions and judgments inherent in those policies, are critical in understanding our financial statements.

These critical accounting policies and estimates include (i) determination of the allowance for credit losses, (ii) the valuation of intangible assets such as goodwill, and assessment of impairment, (iii) fair value estimations, and (iv) the determination and assessment of impairment for other intangible assets.

The following is a discussion of the critical accounting policies and significant estimates that require us to make complex and subjective judgments. Additional information about these policies can be found in Note 1 of our audited Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2023, that we filed with the SEC on March 4, 2024.

Allowance for credit losses

The allowance for credit losses ("ACL") represents management's estimate of current expected credit losses over the life of a financial asset carried at amortized cost at an appropriate level based upon management's evaluation of the adequacy of collectively and individually evaluated loss reserves.

The ACL is maintained at a level that management believes is appropriate to provide for current expected credit losses as of the dates of the Consolidated Statements of Financial Condition, and we have established methodologies for the determination of its adequacy. The methodologies are set forth in a formal policy and take into consideration relevant available information, from internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts. We increase our ACL by recording provisions for credit losses against our income and decrease by charge-offs, net of recoveries.

The evaluation is inherently subjective, as it requires estimates that are susceptible to significant revision as more information becomes available. While management uses available information to recognize losses on loans and leases, changes in economic or other conditions may necessitate revision of the estimate in future periods.

For each portfolio, management estimates expected credit losses over the life of each loan and lease utilizing lifetime or cumulative loss rate methodology. The lifetime loss rates are estimated by analyzing a combination of internal and external data related to historical performance of each loan and lease pool over a complete economic cycle. Loss rates are based on historical averages for each loan and lease pool, adjusted to reflect the impact of a forward-looking forecast of certain macroeconomic variables, primarily unemployment rates, which management considers to be both reasonable and supportable. Various economic scenarios are considered and weighted to arrive at the forecast that most reflects management's expectation of future conditions. After a one-year forecast period, a one-year reversion period adjusts loss experience to the historical average on a straight-line basis.

Management also considers qualitative risk factor adjustments that are intended to capture internal and external trends not reflected in historical loss history. Each risk factor is assigned an allowance level based on management's judgment as to the expected impact of each risk factor on each loan and lease portfolio and is monitored quarterly. All loans and leases of $500,000 or greater with an internal risk rating of substandard or below, or on nonaccrual status are individually evaluated for impairment on a quarterly basis.

The Company also maintains an allowance for credit losses on off-balance sheet credit exposures for unfunded loan commitments. The estimate includes consideration of the likelihood that funding will occur and an estimate of expected credit losses on commitments expected to be funded over its estimated life based on management's consideration of past events, current conditions, and reasonable and supportable economic forecasts. Management tracks the level and trends in unused commitments and takes into consideration the same factors as those considered for purposes of the allowance for credit losses on outstanding loans.

Goodwill

Goodwill represents the excess of the purchase consideration over the fair value of net assets acquired in connection with our recapitalization and acquisitions using the acquisition method of accounting. Goodwill is not amortized but is periodically evaluated for impairment under the provisions of ASC 350.

Impairment testing is performed using either a qualitative or quantitative approach at the reporting unit level. Our goodwill is allocated to Byline Bank, which is our only applicable reporting unit for the purposes of testing goodwill for impairment. We have selected November 30 as the date to perform the annual goodwill impairment test. Additionally, we perform a goodwill impairment evaluation on an interim basis when events or circumstances indicate impairment potentially exists.

Other intangible assets

Other intangible assets primarily consist of core deposit intangible assets and customer relationship intangible. In valuing intangible assets, we consider variables such as servicing costs, attrition rates and market discount rates. Intangible assets are reviewed annually, or more frequently when events or changes in circumstances occur that indicate that their carrying values may not be recoverable. If the recoverable amount of the intangible asset is determined to be less than its carrying value, we would then measure the amount of impairment based on an estimate of the fair value at that time. We also evaluate whether the events or circumstances have occurred that warrant a revision to the remaining useful lives of intangible assets. In cases where a revision is deemed appropriate, the remaining carrying amounts of the intangible assets are amortized over the revised remaining useful life. Core deposit intangibles are currently amortized over an approximate ten-year period and customer intangibles are amortized over a twelve-year period.

Fair value of Financial Instruments

ASC Topic 820, Fair Value Measurement, defines fair value as the price that would be received to sell a financial asset or paid to transfer a financial liability in an orderly transaction between market participants at the measurement date.

The degree of management judgment involved in determining the fair value of assets and liabilities is dependent upon the availability of quoted market prices or observable market parameters. For financial instruments that trade actively and have quoted market prices or observable market parameters, there is minimal subjectivity involved in measuring fair value. When observable market prices and parameters are not available, management judgment is necessary to estimate fair value. In addition, changes in market conditions may reduce the availability of quoted prices or observable data. For example, reduced liquidity in the capital markets or changes in secondary market activities could result in observable market inputs becoming unavailable. Therefore, when market data is not available, we would use valuation techniques requiring more management judgment to estimate the appropriate fair value measurement.

See Note 15 of our Unaudited Interim Condensed Consolidated Financial Statements as of June 30, 2024, included in this report, for a complete discussion of our use of fair value of financial assets and liabilities and their related measurement practices.

Recently Issued Accounting Pronouncements

Refer to Note 2 of our Unaudited Interim Condensed Consolidated Financial Statements as of June 30, 2024, which is included in this report, for a description of recent accounting pronouncements, including the effective dates of adoption and anticipated effects on our results of operations and financial condition.

Primary Factors Used to Evaluate Our Business

As a financial institution, we manage and evaluate various aspects of both our results of operations and our financial condition. We evaluate the levels and trends of the line items included in our consolidated financial statements as well as various financial ratios that are commonly used in our industry. We analyze these ratios and financial trends against our own historical performance, our budgeted performance, and the final condition and performance of comparable financial institutions in our region. Comparison of our financial performance against other financial institutions is impacted by the accounting for acquired non-credit-deteriorated and purchased credit deteriorated loans.

Results of Operations

Overview

Our results of operations depend substantially on net interest income, which is the difference between interest income on interest-earning assets, consisting primarily of interest income on loans and lease receivables, including accretion income on loans, investment securities and other short-term investments, and interest expense on interest-bearing liabilities, consisting primarily of deposits and borrowings. Our results of operations are also dependent upon our generation of non-interest income, consisting primarily of income from fees and service charges on deposits, loan servicing revenue, wealth management and trust income, ATM and interchange fees, and net gains on sales of investment securities and loans. Other factors contributing to our results of operations include our provisions for credit losses, provision for income taxes, and non-interest expenses, such as salaries and employee benefits, occupancy and equipment expenses, and other miscellaneous operating costs.

Selected Financial Data

(dollars in thousands, except share and per share data)	As of or for the Three Months Ended June 30, 2024	2023	As of or For the Six Months Ended June 30, 2024	2023
Summary of Operations				
Common Share Data				
Basic earnings per common share	$ 0.68	$ 0.70	$ 1.39	$ 1.35
Diluted earnings per common share	$ 0.68	$ 0.70	$ 1.37	$ 1.34
Adjusted diluted earnings per share[1][3]	$ 0.68	$ 0.73	$ 1.37	$ 1.38
Weighted-average common shares outstanding (basic)	43,361,516	37,034,626	43,309,802	36,995,075
Weighted-average common shares outstanding (diluted)	43,741,840	37,337,906	43,738,130	37,444,381
Common shares outstanding	44,180,829	37,752,002	44,180,829	37,752,002
Cash dividends per common share	$ 0.09	$ 0.09	$ 0.18	$ 0.18
Dividend payout ratio on common stock	13.24%	12.86%	13.14%	13.43%
Book value per common share	$ 23.38	$ 21.56	$ 23.38	$ 21.56
Tangible book value per common share[1]	$ 18.84	$ 17.43	$ 18.84	$ 17.43
Key Ratios and Performance Metrics (annualized where applicable)				
Net interest margin	3.98%	4.32%	3.99%	4.35%
Net interest margin, fully taxable equivalent [1][4]	3.99%	4.33%	4.00%	4.36%
Average cost of deposits	2.63%	1.70%	2.60%	1.43%
Efficiency ratio[2]	52.19%	52.92%	52.06%	52.51%
Adjusted efficiency ratio[1][2][3]	52.19%	51.39%	51.97%	51.47%
Non-interest income to total revenues[1]	12.93 %	15.80 %	14.13 %	16.23 %
Non-interest expense to average assets	2.34%	2.67%	2.37%	2.68%
Adjusted non-interest expense to average assets[1][3]	2.34%	2.60%	2.36%	2.63%
Return on average stockholders' equity	11.83%	12.99%	12.04%	12.69%
Adjusted return on average stockholders' equity[1][3]	11.83 %	13.56 %	12.07 %	13.10 %
Return on average assets	1.31%	1.41%	1.33%	1.37%
Adjusted return on average assets[1][3]	1.31%	1.48%	1.33%	1.41%
Pre-tax pre-provision return on average assets[1]	2.03%	2.23%	2.07%	2.27%
Adjusted pre-tax pre-provision return on average assets[1][3]	2.03%	2.30%	2.07%	2.33%
Return on average tangible common stockholders' equity[1]	15.27%	16.78%	15.57%	16.50%
Adjusted return on average tangible common stockholders' equity[1][3]	15.27%	17.50%	15.61%	17.01%
Non-interest-bearing deposits to total deposits	23.99%	30.31%	23.99%	30.31%
Loans and leases held for sale and loans and leases held for investment to total deposits	93.98%	94.58%	93.98%	94.58%
Deposits to total liabilities	85.42%	87.51%	85.42%	87.51%
Deposits per branch	$ 159,721	$ 155,713	$ 159,721	$ 155,713
Asset Quality Ratios				
Non-performing loans and leases to total loans and leases held for investment	0.93%	0.69%	0.93%	0.69%
Non-performing assets to total assets	0.67%	0.54%	0.67%	0.54%
ACL to total loans and leases held for investment, net before ACL	1.45%	1.66%	1.45%	1.66%
Net charge-offs to average total loans and leases held for investment, net before ACL - loans and leases	0.56%	0.31%	0.56%	0.20%
Capital Ratios				
Common equity to total assets	10.72%	10.74%	10.72%	10.74%
Tangible common equity to tangible assets[1]	8.82%	8.87%	8.82%	8.87%
Leverage ratio	11.08%	10.74%	11.08%	10.74%
Common equity tier 1 capital ratio	10.84%	10.58%	10.84%	10.58%
Tier 1 capital ratio	11.86%	11.22%	11.86%	11.22%
Total capital ratio	13.86%	13.52%	13.86%	13.52%

(1) Represents a non-GAAP financial measure. See "Reconciliations of non-GAAP Financial Measures" for a reconciliation of our non-GAAP measures to the most directly comparable GAAP financial measure.
(2) Represents non-interest expense less amortization of intangible assets divided by net interest income and non-interest income.
(3) Calculation excludes impairment charges on assets held for sale and ROU assets, and merger-related expenses.
(4) Interest income and rates include the effects of a tax equivalent adjustment to adjust tax-exempt investment income on tax-exempt investment securities to a fully taxable basis, assuming a federal income tax rate of 21%.

We reported consolidated net income of $29.7 million for the three months ended June 30, 2024 compared to net income of $26.1 million for the three months ended June 30, 2023, an increase of $3.6 million. The increase in net income was primarily attributable to a $10.4 million increase in net interest income, offset by a decrease in non-interest income of $1.4 million and an increase in non-interest expense of $3.9 million and provision for income taxes of $1.2 million. Net income available to common stockholders was $0.68 per basic and per diluted common share, for the three months ended June 30, 2024 compared to $0.70 per basic and per diluted common share, for the three months ended June 30, 2023. The increase in provision for income taxes was due to higher income before taxes.

The increase in net interest income during the three months ended June 30, 2024 was mainly a result of higher yields on loans and leases, organic growth in the loan and lease portfolio, as well as growth in the portfolio as a result of the Inland acquisition. The decrease in non-interest income was mainly due to an increase in the downward revaluation of the loan servicing asset. The increase in non-interest expense was primarily due to increases in salaries and employee benefits mainly due to headcount.

Our annualized return on average assets was 1.31% for the three months ended June 30, 2024 compared to 1.41% for the three months ended June 30, 2023. Our annualized return on average stockholders' equity was 11.83% for the three months ended June 30, 2024 compared to 12.99% for the three months ended June 30, 2023. Our efficiency ratio was 52.19% for the three months ended June 30, 2024 compared to 52.92% for the three months ended June 30, 2023.

We reported consolidated net income of $60.1 million for the six months ended June 30, 2024 compared to net income of $50.1 million for the six months ended June 30, 2023, an increase of $10.1 million. The increase in net income was primarily attributable to a $20.2 million increase in net interest income and decrease of $2.9 million in provision for credit losses, offset by an $8.9 million increase in non-interest expense, and a $3.0 million increase in the provision for income taxes.

The increase in net interest income during the six months ended June 30, 2024 was mainly a result of higher yields on loans and leases and increased average balances. The increase in non-interest expense was mostly due to an increase in salaries and employee benefits.

Our annualized return on average assets was 1.33% for the six months ended June 30, 2024 compared to 1.37% for the six months ended June 30, 2023. Our annualized return on average stockholders' equity was 12.04% for the six months ended June 30, 2024 compared to 12.69% for the six months ended June 30, 2023. Our efficiency ratio was 52.06% for the six months ended June 30, 2024 compared to 52.51% for the six months ended June 30, 2023.

Net Interest Income

Net interest income, representing interest income less interest expense, is a significant contributor to our revenues and earnings. We generate interest income from interest and dividends on interest-earning assets, which include loans, leases and investment securities we own. We incur interest expense from interest paid on interest-bearing liabilities, which include interest-bearing deposits, subordinated debt, Federal Home Loan Bank advances, junior subordinated debentures and other borrowings. To evaluate net interest income, we measure and monitor (i) yields on our loans and other interest-earning assets, (ii) the costs of our deposits and other funding sources, (iii) our net interest spread, and (iv) our net interest margin. Net interest spread is the difference between rates earned on interest-earning assets and rates paid on interest-bearing liabilities. Net interest margin is calculated as the annualized net interest income divided by average interest-earning assets. Because non-interest-bearing sources of funds, such as non-interest-bearing deposits and stockholders' equity, also fund interest-earning assets, net interest margin includes the benefit of these non-interest-bearing sources.

We also recognize income from the accretable discounts associated with the purchase of interest-earning assets. Because of our recapitalization and acquisitions, we derive a portion of our interest income from the accretable discounts on purchase credit deteriorated and acquired non-credit-deteriorated loans. The accretion is generally recognized over the life of the loan and is impacted by changes in expected cash flows on the loan. This accretion will continue to have an impact on our net interest income as long as loans acquired with a discount at acquisition represent a meaningful portion of our interest-earning assets. As of June 30, 2024, purchased credit deteriorated loans accounted for under ASC Topic 326 represented 2.5% of our total loan and lease portfolio compared to 3.4% at December 31, 2023.

Changes in the market interest rates we earn on interest-earning assets or pay on interest-bearing liabilities, as well as the volume and types of interest-earning assets, interest-bearing and non-interest-bearing liabilities, are usually the largest drivers of periodic changes in net interest spread, net interest margin and net interest income. In addition, our interest income includes the accretion of the discounts on our acquired loans, which will also affect our net interest spread, net interest margin and net interest income.

The following tables present, for the periods indicated, information about (i) average balances, the total dollar amount of interest income from interest-earning assets and the resultant average yields; (ii) average balances, the total dollar amount of interest expense on interest-bearing liabilities and the resultant average rates; (iii) net interest income; (iv) the interest rate spread; and (v) the net interest margin. Yields have been calculated on a pre-tax basis (dollars in thousands).

	Three Months Ended June 30,					
	2024			2023		
	Average Balance[5]	Interest Inc / Exp	Average Yield / Rate	Average Balance[5]	Interest Inc / Exp	Average Yield / Rate
ASSETS						
Cash and cash equivalents	$ 305,873	$ 3,315	4.36%	$ 135,003	$ 1,041	3.09%
Loans and leases[1]	6,807,934	126,523	7.47%	5,535,593	99,134	7.18%
Taxable securities	1,473,000	10,869	2.97%	1,250,780	6,324	2.03%
Tax-exempt securities[2]	156,655	1,091	2.80%	151,205	980	2.60%
Total interest-earning assets	$ 8,743,462	$ 141,798	6.52%	$ 7,072,581	$ 107,479	6.10%
Allowance for credit losses - loans and leases	(103,266)			(92,804)		
All other assets	500,540			424,122		
TOTAL ASSETS	$ 9,140,736			$ 7,403,899		
LIABILITIES AND STOCKHOLDERS' EQUITY						
Deposits						
Interest checking	$ 717,513	$ 4,096	2.30%	$ 541,036	$ 2,175	1.61%
Money market accounts	2,270,231	19,978	3.54%	1,534,463	10,799	2.82%
Savings	514,192	194	0.15%	575,254	220	0.15%
Time deposits	1,951,448	23,335	4.81%	1,328,679	11,529	3.48%
Total interest-bearing deposits	5,453,384	47,603	3.51%	3,979,432	24,723	2.49%
Other borrowings	521,545	4,439	3.42%	509,419	4,241	3.34%
Federal funds purchased	1,401	21	6.05%	—	—	0.00%
Subordinated notes and debentures	144,548	2,980	8.29%	111,255	2,142	7.72%
Total borrowings	667,494	7,440	4.48%	620,674	6,383	4.12%
Total interest-bearing liabilities	$ 6,120,878	$ 55,043	3.62%	$ 4,600,106	$ 31,106	2.71%
Non-interest-bearing demand deposits	1,817,133			1,848,538		
Other liabilities	193,923			148,983		
Total stockholders' equity	1,008,802			806,272		
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 9,140,736			$ 7,403,899		
Net interest spread[3]			2.90%			3.39%
Net interest income, fully taxable equivalent		$ 86,755			$ 76,373	
Net interest margin, fully taxable equivalent[2][4]			3.99%			4.33%
Reconciliation to reported net interest income:						
Less: Tax-equivalent adjustment		229	0.01%		207	0.01%
Net interest income		$ 86,526			$ 76,166	
Net interest margin[4]			3.98%			4.32%
Net loan accretion impact on margin		$ 3,656	0.17%		$ 611	0.03%

(1)Loan and lease balances are net of deferred origination fees and costs and initial direct costs. Non-accrual loans and leases are included in total loan and lease balances.
(2)Interest income and rates include the effects of a tax equivalent adjustment to adjust tax-exempt investment income on tax-exempt investment securities to a fully taxable basis, assuming a federal income tax rate of 21%
(3)Represents the average rate earned on interest-earning assets minus the average rate paid on interest-bearing liabilities.
(4)Represents net interest income (annualized) divided by total average interest-earning assets.
(5)Average balances are average daily balances.

	For the Six Months Ended June 30,					
	2024			2023		
	Average Balance[5]	Interest Inc / Exp	Average Yield / Rate	Average Balance[5]	Interest Inc / Exp	Average Yield / Rate
ASSETS						
Cash and cash equivalents	$ 322,661	$ 7,143	4.45%	$ 116,394	$ 1,483	2.57%
Loans and leases[1]	6,744,711	250,315	7.46%	5,510,124	191,477	7.01%
Taxable securities	1,447,830	20,691	2.87%	1,263,010	12,755	2.04%
Tax-exempt securities[2]	158,319	2,203	2.80%	151,509	1,974	2.63%
Total interest-earning assets	$ 8,673,521	$ 280,352	6.50%	$ 7,041,037	$ 207,689	5.95%
Allowance for credit losses - loans and leases	(102,761)			(88,586)		
All other assets	515,079			422,236		
TOTAL ASSETS	$ 9,085,839			$ 7,374,687		
LIABILITIES AND STOCKHOLDERS' EQUITY						
Deposits						
Interest checking	$ 653,960	$ 6,525	2.01%	$ 573,342	$ 4,669	1.64%
Money market accounts	2,253,777	39,638	3.54%	1,500,260	18,527	2.49%
Savings	523,052	391	0.15%	594,316	447	0.15%
Time deposits	1,971,902	47,011	4.79%	1,148,545	17,378	3.05%
Total interest-bearing deposits	5,402,691	93,565	3.48%	3,816,463	41,021	2.17%
Other borrowings	497,095	8,263	3.34%	541,249	10,093	3.76%
Federal funds purchased	701	21	6.05%	1,381	36	5.30%
Subordinated notes and debentures	144,467	5,974	8.32%	111,178	4,240	7.69%
Total borrowings	642,263	14,258	4.46%	653,808	14,369	4.43%
Total interest-bearing liabilities	$ 6,044,954	$ 107,823	3.59%	$ 4,470,271	$ 55,390	2.50%
Non-interest-bearing demand deposits	1,845,728			1,961,945		
Other liabilities	191,353			147,130		
Total stockholders' equity	1,003,804			795,341		
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 9,085,839			$ 7,374,687		
Net interest spread[3]			2.91%			3.45%
Net interest income, fully taxable equivalent		$ 172,529			$ 152,299	
Net interest margin, fully taxable equivalent[2][4]			4.00%			4.36%
Reconciliation to reported net interest income:						
Less: Tax-equivalent adjustment		462	0.01%		415	0.01%
Net interest income		$ 172,067			$ 151,884	
Net interest margin[4]			3.99%			4.35%
Net loan accretion impact on margin		$ 7,940	0.18%		$ 1,340	0.04%

(1)Loan and lease balances are net of deferred origination fees and costs and initial direct costs. Non-accrual loans and leases are included in total loan and lease balances.
(2)Interest income and rates include the effects of a tax equivalent adjustment to adjust tax-exempt investment income on tax-exempt investment securities to a fully taxable basis, assuming a federal income tax rate of 21%
(3)Represents the average rate earned on interest-earning assets minus the average rate paid on interest-bearing liabilities.
(4)Represents net interest income (annualized) divided by total average interest-earning assets.
(5)Average balances are average daily balances.

Increases and decreases in interest income and interest expense result from changes in average balances (volume) of interest-earning assets and interest-bearing liabilities, as well as changes in average interest rates. The following table sets forth the effects of changing rates and volumes on our net interest income during the periods shown. Information is provided with respect to (i) effects on interest income attributable to changes in volume (changes in volume multiplied by prior rate) and (ii) effects on interest income attributable to changes in rate (changes in rate multiplied by prior volume). Changes applicable to both volume and rate have been allocated to volume. Yields have been calculated on a pre-tax basis. The table below is a summary of increases and decreases in interest income and interest expense resulting from changes in average balances (volume) and changes in average interest rates (dollars in thousands):

	Three Months Ended June 30, 2024 Compared to Three Months Ended June 30, 2023 Increase (Decrease) Due to		
	Volume	Rate	Total
Interest income			
Cash and cash equivalents	$ 1,848	$ 426	$ 2,274
Loans and leases[1]	23,398	3,991	27,389
Taxable securities	1,622	2,923	4,545
Tax-exempt securities	36	75	111
Total interest income	$ 26,904	$ 7,415	$ 34,319
Interest expense			
Deposits			
Interest checking	$ 993	$ 928	$ 1,921
Money market accounts	6,432	2,747	9,179
Savings	(26)	—	(26)
Time deposits	7,412	4,394	11,806
Total interest-bearing deposits	14,811	8,069	22,880
Other borrowings	92	106	198
Federal funds purchased	21	—	21
Subordinated notes and debentures	680	158	838
Total borrowings	793	264	1,057
Total interest expense	$ 15,604	$ 8,333	$ 23,937
Net interest income, fully taxable equivalent	$ 11,300	$ (918)	$ 10,382

(1)Includes loans and leases on non-accrual status.

	Six Months Ended June 30, 2024 Compared to Six Months Ended June 30, 2023 Increase (Decrease) Due to		
	Volume	Rate	Total
Interest income			
Cash and cash equivalents	$ 4,572	$ 1,088	$ 5,660
Loans and leases[1]	46,508	12,330	58,838
Taxable securities	2,723	5,213	7,936
Tax-exempt securities	101	128	229
Total interest income	$ 53,904	$ 18,759	$ 72,663
Interest expense			
Deposits			
Interest checking	$ 801	$ 1,055	$ 1,856
Money market accounts	13,278	7,833	21,111
Savings	(56)	—	(56)
Time deposits	19,695	9,938	29,633
Total interest-bearing deposits	33,718	18,826	52,544
Other borrowings	(706)	(1,124)	(1,830)
Federal funds purchased	(20)	5	(15)
Subordinated notes and debentures	1,388	346	1,734
Total borrowings	662	(773)	(111)
Total interest expense	$ 34,380	$ 18,053	$ 52,433
Net interest income, fully taxable equivalent	$ 19,524	$ 706	$ 20,230

(1)Includes loans and leases on non-accrual status.

Net interest income for the three months ended June 30, 2024 was $86.5 million compared to $76.2 million during the same period in 2023, an increase of $10.4 million, or 13.6%. Interest income increased $34.3 million for the three months ended June 30, 2024 compared to the same period in 2023 primarily a result of growth in the loan and lease portfolio, including acquired loans, and higher yields on interest earning assets. Interest expense increased by $23.9 million for the three months ended June 30, 2024 compared to the same period in 2023

mostly due growth of the deposit portfolio, including assumed deposits, change in deposit mix, and higher rates paid on interest-bearing deposits.

Net interest income for the six months ended June 30, 2024 was $172.1 million compared to $151.9 million during the same period in 2023, an increase of $20.2 million, or 13.3%. Interest income increased $72.6 million for the six months ended June 30, 2024 compared to the same period in 2023 primarily a result of growth in the loan and lease portfolio, including acquired loans, and higher yields on interest earning assets. Interest expense increased by $52.4 million for the six months ended June 30, 2024 compared to the same period in 2023 mostly due growth of the deposit portfolio, including assumed deposits, change in deposit mix, and higher rates paid on interest-bearing deposits.

The net interest margin for the three months ended June 30, 2024 was 3.98%, a decrease of 34 basis points compared to 4.32% for the three months ended June 30, 2023. The decrease was primarily attributable to the rising rate environment. The net interest margin for the six months ended June 30, 2024 was 3.99%, a decrease of 36 basis points compared to 4.35% for the six months ended June 30, 2023. The decrease was primarily attributable to the rising rate environment.

Net loan accretion income was $3.7 million for the three months ended June 30, 2024 compared to $611,000 for the three months ended June 30, 2023, an increase of $3.0 million due to loans acquired in the Inland acquisition. Total net loan accretion on acquired loans contributed 17 basis points to the net interest margin for the three months ended June 30, 2024 compared to three basis points for the three months ended June 30, 2023.

Net loan accretion income was $7.9 million for the six months ended June 30, 2024 compared to $1.3 million for the six months ended June 30, 2023, an increase of $6.6 million due to loans acquired in the Inland acquisition. Total net loan accretion on acquired loans contributed 18 basis points to the net interest margin for the six months ended June 30, 2024 compared to four basis points for the six months ended June 30, 2023.

Assuming no additional acquisitions, we expect loan accretion income to decline over time. Based on our portfolio, the estimated projected accretion income for the remaining periods as of June 30, 2024 is summarized as follows (dollars in thousands):

	Estimated Projected Accretion[1][2]
Remainder of 2024	$ 3,932
2025	6,101
2026	4,470
2027	2,802
2028	1,590
Thereafter	11,982
Total	$ 30,877

(1) Estimated projected accretion excludes contractual interest income on acquired loans and leases.
(2) Projections are undated quarterly, assume no prepayments, and are subject to change.

Provision for Credit Losses

The provision for credit losses reflects the amount required to maintain the ACL at an appropriate level based upon management's evaluation of collectively and individually evaluated loss reserves. The provision for credit losses represents a charge to earnings necessary to establish an allowance for credit losses that, in management's evaluation, is appropriate to provide coverage for current expected credit losses in the loan and lease portfolio. The ACL is increased by the provision for credit losses and is decreased by charge-offs, net of recoveries on prior charge-offs.

The provision for credit losses was $6.0 million for the three months ended June 30, 2024, compared to $5.8 million for the three months ended June 30, 2023, an increase of $255,000 and is comprised of a provision for credit losses - loans and leases and a provision for credit losses - unfunded commitments. Provision for credit losses - loans and leases was $6.9 million for the three months ended June 30, 2024, and $6.5 million for the three months ended June 30, 2023, an increase of $411,000. The provision for credit losses - unfunded commitments was a recapture of $833,000 and a recapture of $677,000 for the three months ended June 30, 2024 and 2023, respectively.

The provision for credit losses was $12.7 million for the six months ended June 30, 2024, compared to $15.6 million for the six months ended June 30, 2023, a decrease of $2.9 million. Provision for credit losses - loans and leases was $13.8 million for the six months ended June 30, 2024, and $16.2 million for the six months ended June 30, 2023, a decrease of $2.4 million. The provision for credit losses - unfunded commitments reflects a recapture of $1.1 million and a recapture of $564,000 for the six months ended June 30, 2024 and 2023, respectively.

Non-Interest Income

The following table presents the major components of non-interest income for the three and six months ended June 30, 2024 and 2023, respectively (dollars in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,		QTD 2024 Compared to 2023		YTD 2024 Compared to 2023	
	2024	2023	2024	2023	$ Change	% Change	$ Change	% Change
Fees and service charges on deposits	$ 2,548	$ 2,233	$ 4,975	$ 4,353	$ 315	14.1%	$ 622	14.3%
Loan servicing revenue	3,216	3,377	6,580	6,757	(161)	(4.8)%	(177)	(2.6)%
Loan servicing asset revaluation	(2,468)	(865)	(3,171)	(209)	(1,603)	185.3%	(2,962)	1,417.2%
ATM and interchange fees	1,163	1,112	2,238	2,175	51	4.6%	63	2.9%
Change in fair value of equity securities, net	(390)	193	2	543	(583)	NM	(541)	(99.6)%
Net gains on sales of loans	6,036	5,704	11,569	10,852	332	5.8%	717	6.6%
Wealth management and trust income	942	1,039	2,099	1,963	(97)	(9.3)%	136	6.9%
Other non-interest income	1,797	1,498	4,025	3,002	299	20.0%	1,023	34.1%
Total non-interest income	$ 12,844	$ 14,291	$ 28,317	$ 29,436	$ (1,447)	(10.1)%	$ (1,119)	(3.8)%

Fees and service charges on deposits represent amounts charged to customers for banking services, such as fees on deposit accounts, and include, but are not limited to, maintenance fees, insufficient fund fees, overdraft protection fees, wire transfer fees, and other charges. Fees and service charges on deposits were $2.5 million and $2.2 million for the three months ended June 30, 2024 and 2023, respectively. Fees and service charges on deposits were $5.0 million and $4.4 million for the six months ended June 30, 2024 and 2023, respectively. The increases were primarily due to increases in deposit balances.

While portions of the loans that we originate are sold and generate gains on sale revenue, servicing rights for the majority of loans that we sell are retained by us. In exchange for continuing to service loans that have been sold, we receive servicing revenue from a portion of the interest cash flow of the loan. We generated $3.2 million and $3.4 million in loan servicing revenue on the sold portion of the U.S. government guaranteed loans for the three months ended June 30, 2024 and 2023, respectively. We generated $6.6 million and $6.8 million in loan servicing revenue on the sold portion of the U.S. government guaranteed loans for the six months ended June 30, 2024 and 2023, respectively. At June 30, 2024 and 2023, the outstanding balance of guaranteed loans serviced was $1.7 billion.

Loan servicing asset revaluation represents net changes in the fair value of our servicing assets. Loan servicing asset revaluation had a downward adjustment of $2.5 million and $865,000 for the three months ended June 30, 2024 and 2023, respectively, a change of $1.6 million. Loan servicing asset revaluation had a downward adjustment of $3.2 million and $209,000 for the six months ended June 30, 2024 and 2023, respectively, a change of $3.0 million. Changes in the revaluation were mainly due to a decline in overall loans serviced balances and higher prepayment speeds.

Net gains on sales of loans were $6.0 million for the three months ended June 30, 2024 compared to $5.7 million for the three months ended June 30, 2023, an increase of $332,000, or 5.8%, driven mainly by higher premiums. We sold $72.5 million of U.S. government guaranteed loans during the three months ended June 30, 2024 compared to $72.2 million during the three months ended June 30, 2023. Net gains on sales of loans were $11.6 million for the six months ended June 30, 2024 compared to $10.9 million for the six months ended June 30, 2023, an increase of $717,000 or 6.6%, driven by higher premiums. We sold $146.4 million of U.S. government guaranteed loans during the six months ended June 30, 2024 compared to $158.1 million during the six months ended June 30, 2023.

Wealth management and trust income represents fees charged to customers for investment, trust, or wealth management services and are primarily determined by total assets under administration. Wealth management and trust income was $942,000 for the three months ended June 30, 2024 compared to $1.0 million for the three months ended June 30, 2023, a decrease of $97,000 or 9.3%. Wealth management and trust income was $2.1 million for the six months ended June 30, 2024 compared to $2.0 million for the six months ended June 30, 2023, an increase of $136,000 or 6.9%. Assets under administration were $665.7 million and $636.0 million as of June 30, 2024 and 2023, respectively. Assets under administration decreased $104.8 million or 13.6% from $770.5 million as of December 31, 2023, due to account attrition.

Other non-interest income was $1.8 million for the three months ended June 30, 2024 compared to $1.5 million for the three months ended June 30, 2023, an increase of $299,000 or 20.0%. The increase was primarily driven by income associated with bank owned life insurance. Other non-interest income was $4.0 million for the six months ended June 30, 2024 compared to $3.0 million for the six months ended June 30, 2023, an increase of $1.0 million or 34.1%. The increase was primarily driven by net gains on sales of leased equipment and income associated with bank owned life insurance.

Non-Interest Expense

The following table presents the major components of non-interest expense for the three and six months ended June 30, 2024 and 2023, respectively (dollars in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,		QTD 2024 Compared to 2023		YTD 2024 Compared to 2023	
	2024	2023	2024	2023	$ Change	% Change	$ Change	% Change
Salaries and employee benefits	$ 33,911	$ 29,642	$ 67,864	$ 60,036	$ 4,269	14.4%	$ 7,828	13.0%
Occupancy and equipment expense, net	4,639	4,404	9,923	8,848	235	5.3%	1,075	12.1%
Impairment charge on assets held for sale	—	—	—	20	—	0.0%	(20)	(100.0)%
Loan and lease related expenses	741	488	1,426	1,451	253	51.8%	(25)	(1.7)%
Legal, audit and other professional fees	3,708	3,675	6,427	6,789	33	0.9%	(362)	(5.3)%
Data processing	4,036	4,272	8,181	8,055	(236)	(5.5)%	126	1.6%
Net (gain) loss recognized on other real estate owned and other related expenses	(62)	288	(160)	185	(350)	NM	(345)	NM
Other intangible assets amortization expense	1,345	1,455	2,690	2,910	(110)	(7.6)%	(220)	(7.6)%
Other non-interest expense	4,892	5,104	10,668	9,834	(212)	(4.2)%	834	8.5%
Total non-interest expense	$ 53,210	$ 49,328	$ 107,019	$ 98,128	$ 3,882	7.9%	$ 8,891	9.1%

Salaries and employee benefits, the single largest component of our non-interest expense, totaled $33.9 million for the three months ended June 30, 2024 compared to $29.6 million for the three months ended June 30, 2023, an increase of $4.3 million, or 14.4%. Salaries and employee benefits, totaled $67.9 million for the six months ended June 30, 2024 compared to $60.0 million for the six months ended June 30, 2023, an increase of $7.8 million, or 13.0%. The increases were primarily a result of increased headcount as a result of our acquisition of Inland. Our staffing increased from 987 full-time equivalent employees as of June 30, 2023 to 1,052 as of June 30, 2024.

Occupancy and equipment expense, net, was $4.6 million for the three months ended June 30, 2024 compared to $4.4 million for the three months ended June 30, 2023, an increase of $235,000 or 5.3%. Occupancy and equipment expense, net, was $9.9 million for the six months ended June 30, 2024 compared to $8.8 million for the six months ended June 30, 2023, an increase of $1.1 million, or 12.1%. The increases were primarily due to branches acquired as a result of the Inland acquisition.

Loan and lease related expenses were $741,000 for the three months ended June 30, 2024 compared to $488,000 for the three months ended June 30, 2023, an increase of $253,000, or 51.8%. Loan and lease related expenses were $1.4 million for the six months ended June 30, 2024, compared to $1.5 million for the six months ended June 30, 2023, a decrease of $25,000. The decrease was primarily driven by lower government guaranteed expenses.

Legal, audit, and other professional fees were $3.7 million for the three months ended June 30, 2024 compared to $3.7 million for the three months ended June 30, 2023, an increase of $33,000, or 0.9%. Legal, audit, and other professional fees were $6.4 million for the six months ended June 30, 2024 compared to $6.8 million for the six months ended June 30, 2023, a decrease of $362,000 or 5.3%. The decrease was principally driven by merger-related expenses incurred during the first half of 2023.

Data processing was $4.0 million for the three months ended June 30, 2024 compared to $4.3 million for the three months ended June 30, 2023, a decrease of $236,000 or 5.5%. The decrease was driven by lower IT infrastructure expenses. Data processing was $8.2 million for the six months ended June 30, 2024, compared to $8.1 million for the six months ended June 30, 2023, an increase of $126,000 or 1.6%. The increases were driven by increased software licensing expenses.

Other non-interest expense was $4.9 million for the three months ended June 30, 2024 compared to $5.1 million for the three months ended June 30, 2023, a decrease of $212,000 or 4.2%. This decrease was due to lower general expenses. Other non-interest expense was $10.7 million for the six months ended June 30, 2024, compared to $9.8 million for the six months ended June 30, 2023, an increase of $834,000 or 8.5%. These increases were mostly due to branch consolidation charges taken during the first half of 2024.

Our efficiency ratio was 52.19% for the three months ended June 30, 2024 compared to 52.92% for the three months ended June 30, 2023. The change in our efficiency ratio for the three months ended June 30, 2024 was driven by net interest income growth. Our adjusted efficiency ratio was 52.19% for the three months ended June 30, 2024 compared to 51.39% for the three months ended June 30, 2023. Our efficiency ratio was 52.06% for the six months ended June 30, 2024, compared to 52.51% for the six months ended June 30, 2023. The change in our efficiency ratio was due to higher net interest income. Our adjusted efficiency ratio was 51.97% for the six months ended June 30, 2024, compared to 51.47% for the six months ended June 30, 2023.

Please refer to the "Reconciliation of Non-GAAP Financial Measures" for a reconciliation of our non-GAAP measures to the most directly comparable GAAP financial measure.

Income Taxes

Our provision for income taxes for the three months ended June 30, 2024 totaled $10.4 million compared to $9.2 million for the three months ended June 30, 2023, an increase of $1.2 million, or 13.1%. The increase in income tax expense was principally due to an increase in net income before provision for income taxes. Our effective tax rate was 26.0% for the three months ended June 30, 2024 and 26.1% for the three months ended June 30, 2023.

Our provision for income taxes for the six months ended June 30, 2024 totaled $20.6 million compared to $17.5 million for the six months ended June 30, 2023, an increase of $3.0 million or 17.4%. The increase in income tax expense was principally due to an increase in net income before provision for income taxes. Our effective tax rate was 25.5% for the six months ended June 30, 2024 and 25.9% for the six months ended June 30, 2023.

We expect our effective tax rate for 2024 to be approximately 25-27%.

Financial Condition

Condensed Consolidated Statements of Financial Condition Analysis

Our total assets increased by $751.8 million, or 8.5%, to $9.6 billion at June 30, 2024 compared to $8.9 billion at December 31, 2023. The increase in total assets was primarily due to an increase in cash and cash equivalents of $504.3 million, inclusive of $200.0 million in short term investments, and an increase of $206.9 million in loans and leases, or 3.1%, from $6.7 billion at December 31, 2023 to $6.9 billion at June 30, 2024. Our originated loan and lease portfolio increased by $308.8 million and our purchased credit deteriorated loans and acquired non-credit-deteriorated loans and leases portfolio decreased by $101.9 million. The increase in our originated portfolio was primarily attributed to growth in the commercial and industrial portfolio. The decrease in our purchased credit deteriorated loans and acquired non-credit-deteriorated loans and leases portfolio was attributed to decreases in commercial and residential real estate resulting from resolutions and charge-offs.

Total liabilities increased by $709.0 million, or 9.0%, to $8.6 billion at June 30, 2024 compared to $7.9 billion at December 31, 2023. Total deposits increased by $170.2 million, or 2.4%, driven by growth in time deposits and interest bearing checking accounts. Other borrowings increased by $523.5 million, or 132.5%, mainly due to advances under the BTFP of $200.0 million and increased FHLB advances.

Investment Portfolio

Our investment securities portfolio consists of securities classified as available-for-sale and held-to-maturity. There were no securities classified as trading in our investment portfolio as of June 30, 2024 or December 31, 2023. All available-for sale securities are carried at fair value and may be used for liquidity purposes should management consider it to be in our best interest. Securities available-for-sale consist primarily of residential mortgage-backed securities, commercial mortgage-backed securities and U.S. government agencies securities.

Securities available-for-sale increased by $44.3 million, or 3.3%, from $1.3 billion at December 31, 2023 to $1.4 billion at June 30, 2024. The increase was mainly attributed to purchases of securities, net of maturities, calls, and repayments.

At June 30, 2024, our held-to-maturity securities portfolio consists of obligations of states, municipalities and political subdivisions. We carry these securities at amortized cost. Securities held-to-maturity were $606,000 at June 30, 2024, and $1.2 million at December 31, 2023, respectively.

The following table summarizes the fair value of the available-for-sale and held-to-maturity securities portfolio as of the dates presented (dollars in thousands):

	June 30, 2024		December 31, 2023	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Available-for-sale				
U.S. Treasury Notes	$ 52,638	$ 51,785	$ 116,398	$ 115,434
U.S. Government agencies	164,453	147,174	147,062	130,695
Obligations of states, municipalities, and political subdivisions	85,541	80,390	86,022	82,275
Residential mortgage-backed securities				
Agency	850,340	749,198	786,970	695,803
Non-agency	131,968	109,054	122,359	100,260
Commercial mortgage-backed securities				
Agency	227,984	193,948	181,452	147,204
Corporate securities	40,652	36,780	40,681	36,171
Asset-backed securities	19,700	18,498	35,857	34,638
Total available-for-sale	$ 1,573,276	$ 1,386,827	$ 1,516,801	$ 1,342,480
Held-to-maturity				
Obligations of states, municipalities, and political subdivisions	$ 606	$ 601	$ 1,157	$ 1,149
Total held-to-maturity	$ 606	$ 601	$ 1,157	$ 1,149

Certain securities have fair values less than amortized cost and, therefore, contain unrealized losses. At June 30, 2024, we evaluated the securities that had an unrealized loss for credit losses and determined there were none. There were 339 investment securities with unrealized losses at June 30, 2024. We anticipate full recovery of amortized cost with respect to these securities by maturity, or sooner in the event of a more favorable market interest rate environment. We do not intend to sell these securities and it is not more likely than not that we will be required to sell them before recovery of their amortized cost basis, which may be at maturity.

The following table (dollars in thousands) set forth certain information regarding contractual maturities and the weighted average yields of our investment securities as of June 30, 2024. Expected maturities may differ from contractual maturities if borrowers have the right to call or prepay obligations with or without call or prepayment penalties.

	Maturity as of June 30, 2024							
	Due in One Year or Less		Due from One to Five Years		Due from Five to Ten Years		Due after Ten Years	
	Amortized Cost	Weighted Average Yield[1]	Amortized Cost	Weighted Average Yield[1]	Amortized Cost	Weighted Average Yield[1]	Amortized Cost	Weighted Average Yield[1]
Available-for-sale								
U.S. Treasury Notes	$ 37,889	2.53%	$ 14,749	3.78%	$ —	0.00%	$ —	0.00%
U.S. government agencies	3,000	3.40%	61,786	1.82%	93,357	2.60%	6,310	3.77%
Obligations of states, municipalities, and political subdivisions	3,108	2.90%	19,527	3.11%	23,895	3.76%	39,011	2.47%
Residential mortgage-backed securities								
Agency	—	0.00%	30,100	1.64%	50,249	1.60%	769,991	2.68%
Non-agency	—	0.00%	—	0.00%	—	0.00%	131,968	2.52%
Commercial mortgage-backed securities								
Agency	—	0.00%	2,916	2.57%	11,098	1.42%	213,970	2.81%
Corporate securities	—	0.00%	15,601	5.29%	25,051	3.69%	—	0.00%
Asset-backed securities	—	0.00%	—	0.00%	19,700	4.98%	—	0.00%
Total available-for-sale	$ 43,997	2.61%	$ 144,679	2.54%	$ 223,350	2.77%	$ 1,161,250	2.68%
Held-to-maturity								
Obligations of states, municipalities, and political subdivisions	$ 606	2.75%	$ —	0.00%	$ —	0.00%	$ —	0.00%
Total held-to-maturity	$ 606	2.75%	$ —	0.00%	$ —	0.00%	$ —	0.00%

(1)The weighted average yields are based on amortized cost.

Total non-taxable securities classified as obligations of states, municipalities and political subdivisions were $53.5 million at June 30, 2024, a decrease of $2.2 million from December 31, 2023.

There were no holdings of securities of any one issuer, other than U.S. government-sponsored entities and agencies, with total outstanding balances greater than 10% of our stockholders' equity as of June 30, 2024 or December 31, 2023.

Restricted Stock

As a member of the Federal Home Loan Bank system, Byline Bank is required to maintain an investment in the capital stock of the FHLB. No market exists for this stock, and it has no quoted market value. The stock is redeemable at par by the FHLB and is, therefore, carried at cost. In addition, Byline Bank owns stock of Bankers' Bank that was acquired as part of a bank acquisition. The stock is redeemable at par and carried at cost. As of June 30, 2024 and December 31, 2023, we held $31.8 million and $16.3 million, respectively, in FHLB and Bankers' Bank stock. We evaluate impairment of our investment in FHLB and Bankers' Bank based on the ultimate recoverability of the par value rather than by recognizing temporary declines in value. We did not identify any indicators of impairment of FHLB and Bankers' Bank stock as of June 30, 2024 and December 31, 2023.

Loan and Lease Portfolio

Lending-related income is the most important component of our net interest income and is the main driver of the results of our operations. Total loans and leases at June 30, 2024 and December 31, 2023 were $6.9 billion and $6.7 billion, respectively, an increase of $206.9 million, or 3.1%. Originated loans and leases were $6.1 billion at June 30, 2024, an increase of $308.8 million, or 5.4%, compared to $5.8 billion at December 31, 2023. Purchased credit deteriorated loans and acquired non-credit-deteriorated loans and leases were $815.3 million at June 30, 2024, a decrease of $101.9 million, or 11.1%, compared to $917.3 million at December 31, 2023. The increase in our originated portfolio was primarily attributed to organic loan and lease growth, and renewals of acquired loans and leases that are now reflected with originated loans. The decrease in the purchased credit deteriorated and acquired non-credit-deteriorated loan and lease portfolio was driven by renewals of acquired loans and leases as well as resolutions and charge-offs.

We strive to maintain a relatively diversified loan portfolio to help reduce the risk inherent in concentration in certain types of collateral. Loans, excluding leases, are typically made to real estate, manufacturing, wholesale, retail and service businesses for working capital needs, business expansions and operations. As of June 30, 2024, the loan portfolio included $414.4 million of unguaranteed 7(a) SBA and USDA loans with exposure to the following top three industries: 17.6% retail trade, 13.9% accommodation and food services, and 10.8% manufacturing. The following table shows our allocation of originated, purchase credit deteriorated and acquired non-credit-deteriorated loans and leases as of the dates presented (dollars in thousands):

	June 30, 2024		December 31, 2023	
	Amount	% of Total	Amount	% of Total
Originated loans and leases				
Commercial real estate	$ 1,924,797	27.9%	$ 1,907,029	28.5%
Residential real estate	498,578	7.2%	465,133	7.0%
Construction, land development, and other land	445,919	6.5%	415,162	6.2%
Commercial and industrial	2,493,229	36.2%	2,311,563	34.6%
Installment and other	2,576	0.0%	2,919	0.0%
Leasing financing receivables	710,784	10.3%	665,239	10.0%
Total originated loans and leases	$ 6,075,883	88.1%	$ 5,767,045	86.3%
Purchased credit deteriorated loans				
Commercial real estate	$ 114,053	1.7%	$ 137,807	2.1%
Residential real estate	40,728	0.6%	42,510	0.6%
Construction, land development, and other land	9	0.0%	25,331	0.4%
Commercial and industrial	17,796	0.3%	19,460	0.3%
Installment and other	116	0.0%	125	0.0%
Total purchased credit deteriorated loans	$ 172,702	2.6%	$ 225,233	3.4%
Acquired non-credit-deteriorated loans and leases				
Commercial real estate	$ 254,858	3.7%	$ 275,476	4.1%
Residential real estate	188,489	2.7%	211,887	3.2%
Construction, land development, and other land	84,849	1.2%	86,344	1.3%
Commercial and industrial	113,997	1.7%	117,538	1.7%
Installment and other	153	0.0%	156	0.0%
Leasing financing receivables	273	0.0%	627	0.0%
Total acquired non-credit-deteriorated loans and leases	$ 642,619	9.3%	$ 692,028	10.3%
Total loans and leases	$ 6,891,204	100.0%	$ 6,684,306	100.0%
Allowance for credit losses - loans and leases	(99,730)		(101,686)	
Total loans and leases, net of allowance for credit losses - loans and leases	$ 6,791,474		$ 6,582,620	

Loans collateralized by real estate comprised 51.5% and 53.4% of the loan and lease portfolio at June 30, 2024 and December 31, 2023, respectively. Commercial real estate loans comprised the largest portion of the real estate loan portfolio as of June 30, 2024 and December 31, 2023 and totaled $2.3 billion, or 64.6% of real estate loans and 33.3% of the total loan and lease portfolio at June 30, 2024. At December 31, 2023, commercial real estate loans totaled $2.3 billion and comprised 65.1% of real estate loans and 34.7% of the total loan and lease portfolio. Purchased credit deteriorated commercial real estate loans decreased from $137.8 million as of December 31, 2023 to $114.1 million as of June 30, 2024, a decrease of $23.8 million, or 17.2%. At June 30, 2024 and December 31, 2023, commercial real estate loans, including both owner-occupied and non-owner occupied, as a percentage of total capital were 287.9% and 299.6%, respectively. Non-owner occupied commercial real estate loans were $992.5 million and $1.0 billion, or 87.4% and 95.9% of total capital, at June 30, 2024 and December 31, 2023, respectively.

Residential real estate loans totaled $727.8 million at June 30, 2024 compared to $719.5 million at December 31, 2023, an increase of $8.3 million, or 1.1%. The residential real estate loan portfolio comprised 20.5% and 20.2% of real estate loans as of June 30, 2024 and December 31, 2023, respectively, and 10.6% and 10.8% of total loans and leases at June 30, 2024 and December 31, 2023, respectively. Purchased credit deteriorated and acquired non-credit-deteriorated residential real estate loans decreased from $254.4 million at December 31, 2023 to $229.2 million at June 30, 2024, a decrease of $25.2 million, or 9.9%. Multifamily real estate loans were $423.4 million and $399.3 million, or 37.3% and 36.8% of total capital, at June 30, 2024 and December 31, 2023, respectively.

Construction, land development, and other land loans totaled $530.8 million at June 30, 2024 compared to $526.8 million at December 31, 2023, an increase of $3.9 million, or 0.7%. The construction, land development and other land loan portfolio comprised 14.9% and 14.8% of real estate loans at June 30, 2024 and December 31, 2023, respectively, and 7.7% and 7.9% of the total loan and lease portfolio at June 30, 2024 and December 31, 2023, respectively. The construction, land development and other land loan portfolio was 46.8% and 48.3% of total capital, at June 30, 2024 and December 31, 2023, respectively.

Our exposure to non-owner occupied commercial real estate office space as of June 30, 2024 was $196.7 million, or 2.9% of our total loan and lease portfolio.

Commercial and industrial loans totaled $2.6 billion at June 30, 2024 and $2.4 billion at December 31, 2023, an increase of $176.5 million, or 7.2%. The commercial and industrial loan portfolio comprised 38.1% and 36.6% of the total loan and lease portfolio at June 30, 2024 and December 31, 2023, respectively.

Lease financing receivables comprised 10.3% and 10.0% of the loan and lease portfolio at June 30, 2024 and December 31, 2023, respectively. Total lease financing receivables were $711.1 million and $665.9 million at June 30, 2024 and December 31, 2023, respectively, an increase of $45.2 million, or 6.8%.

Loan and Lease Portfolio Maturities and Interest Rate Sensitivity

The following table shows our loan and lease portfolio by scheduled maturity at June 30, 2024 (dollars in thousands):

	Due in One Year or Less		Due after One Year Through Five Years		Due after Five Years Through Fifteen Years		Due after Fifteen Years		
	Fixed Rate	Floating Rate	Fixed Rate	Floating Rate	Fixed Rate	Floating Rate	Fixed Rate	Floating Rate	Total
Originated loans and leases									
Commercial real estate	$ 131,475	$ 221,610	$ 772,792	$ 328,661	$ 204,001	$ 112,758	$ 10,126	$ 143,374	$ 1,924,797
Residential real estate	18,753	50,523	162,304	106,578	15,731	83,261	58,767	2,661	498,578
Construction, land development, and other land	156	197,619	50,338	172,896	16,585	7,796	529	—	445,919
Commercial and industrial	38,454	516,705	407,035	1,099,017	132,553	259,623	30,950	8,892	2,493,229
Installment and other	384	206	549	1,250	187	—	—	—	2,576
Leasing financing receivables	20,847	—	637,743	—	52,194	—	—	—	710,784
Total originated loans and leases	$ 210,069	$ 986,663	$ 2,030,761	$ 1,708,402	$ 421,251	$ 463,438	$ 100,372	$ 154,927	$ 6,075,883
Purchased credit deteriorated loans									
Commercial real estate	$ 35,714	$ 10,329	$ 31,966	$ 21,453	$ 3,806	$ 10,538	$ 116	$ 131	$ 114,053
Residential real estate	2,158	8,948	17,005	468	4,128	236	4,449	3,336	40,728
Construction, land development, and other land	7	—	2	—	—	—	—	—	9
Commercial and industrial	1,073	—	7,832	2,650	—	6,241	—	—	17,796
Installment and other	8	—	16	—	92	—	—	—	116
Total purchased credit deteriorated loans	$ 38,960	$ 19,277	$ 56,821	$ 24,571	$ 8,026	$ 17,015	$ 4,565	$ 3,467	$ 172,702
Acquired non-credit-deteriorated loans and leases									
Commercial real estate	$ 31,632	$ 17,384	$ 142,317	$ 18,691	$ 6,289	$ 23,618	$ 2,320	$ 12,607	$ 254,858
Residential real estate	4,181	1,113	41,506	11,924	19,083	10,116	3,485	97,081	188,489
Construction, land development, and other land	10,689	10,918	—	46,099	—	—	4,598	12,545	84,849
Commercial and industrial	3,080	11,116	34,058	8,034	55,875	1,834	—	—	113,997
Installment and other	29	—	124	—	—	—	—	—	153
Leasing financing receivables	273	—	—	—	—	—	—	—	273
Total acquired non-credit-deteriorated loans and leases	$ 49,884	$ 40,531	$ 218,005	$ 84,748	$ 81,247	$ 35,568	$ 10,403	$ 122,233	$ 642,619
Total loans and leases	$ 298,913	$ 1,046,471	$ 2,305,587	$ 1,817,721	$ 510,524	$ 516,021	$ 115,340	$ 280,627	$ 6,891,204

At June 30, 2024, 46.9% of the loan and lease portfolio bears interest at fixed rates and 53.1% at floating rates. The expected life of our loan portfolio will differ from contractual maturities because borrowers may have the right to curtail or prepay their loans with or without penalties. Because a portion of the portfolio is accounted for under ASC 326, the carrying value is significantly affected by estimates and it is impracticable to allocate scheduled payments for those loans based on those estimates. Consequently, the tables presented include information limited to contractual maturities of the underlying loans.

Allowance for Credit Losses - Loans and Leases

The ACL is determined by us on a quarterly basis, although we are engaged in monitoring the appropriate level of the allowance on a more frequent basis. The ACL reflects management's estimate of current expected credit losses inherent in the loan and lease portfolios. The computation includes elements of judgment and high levels of subjectivity.

Factors considered by us include, but are not limited to, actual loss experience, peer loss experience, changes in size and risk profile of the portfolio, identification of individual problem loan and lease situations that may affect a borrower's ability to repay, application of a

reasonable and supportable forecast, and evaluation of the prevailing economic conditions. Changes in conditions may necessitate revision of the estimate in future periods.

We assess the ACL based on three categories: (i) originated loans and leases, (ii) acquired non-credit-deteriorated loans and leases, and (iii) purchased credit deteriorated loans.

Total ACL was $99.7 million at June 30, 2024 compared to $101.7 million at December 31, 2023, a decrease of $2.0, or 1.9%. The decrease was primarily due to an increase in qualitative adjustments and growth in the loan and lease portfolio, offset by charge-offs on individually evaluated loans. Total ACL to total loans and leases held for investment, net before ACL, was 1.45% and 1.52% of total loans and leases at June 30, 2024 and December 31, 2023, respectively. As of June 30, 2024, approximately $36.1 million of the ACL was allocated to the unguaranteed portion of SBA 7(a) and USDA loans.

The following tables present an analysis of the allowance for credit losses - loans and leases for the periods presented (dollars in thousands):

	Commercial Real Estate	Residential Real Estate	Construction, Land Development, and Other Land	Commercial and Industrial	Installment and Other	Lease Financing Receivables	Total
Balance at March 31, 2024	$ 31,440	$ 3,348	$ 2,930	$ 56,231	$ 33	$ 8,384	$ 102,366
Provision/(recapture) for PCD loans	(3,396)	(109)	22	1,302	—	—	(2,181)
Provision/(recapture) for acquired non-credit-deteriorated loans	(142)	(201)	(215)	(20)	(1)	—	(579)
Provision/(recapture) for originated loans	(89)	(16)	(14)	9,279	(2)	480	9,638
Total provision/(recapture)	$ (3,627)	$ (326)	$ (207)	$ 10,561	$ (3)	$ 480	$ 6,878
Charge-offs for PCD loans	—	—	—	—	—	—	—
Charge-offs for acquired non-credit deteriorated loans	(140)	—	—	—	—	—	(140)
Charge-offs for originated loans	(302)	—	—	(9,530)	—	(680)	(10,512)
Total charge-offs	$ (442)	$ —	$ —	$ (9,530)	$ —	$ (680)	$ (10,652)
Recoveries for PCD loans	1	—	—	—	—	—	1
Recoveries for acquired non-credit deteriorated loans	—	—	—	—	—	—	—
Recoveries for originated loans	480	1	—	322	—	334	1,137
Total recoveries	$ 481	$ 1	$ —	$ 322	$ —	$ 334	$ 1,138
Net (charge-offs) recoveries	39	1	—	(9,208)	—	(346)	(9,514)
Balance at June 30, 2024	27,852	3,023	2,723	57,584	30	8,518	99,730
Ending ACL Balances							
PCD loans	3,997	768	172	3,024	1	—	7,962
Acquired non-credit-deteriorated loans	1,744	438	409	1,290	1	1	3,883
Originated loans	22,111	1,817	2,142	53,270	28	8,517	87,885
Balance at June 30, 2024	$ 27,852	$ 3,023	$ 2,723	$ 57,584	$ 30	$ 8,518	$ 99,730
Loans individually evaluated for impairment	$ 7,329	$ 57	$ —	$ 16,185	$ —	$ —	$ 23,571
Loans collectively evaluated for impairment	20,523	2,966	2,723	41,399	30	8,518	76,159
Balance at June 30, 2024	$ 27,852	$ 3,023	$ 2,723	$ 57,584	$ 30	$ 8,518	$ 99,730
Loans and leases ending balance							
Loans individually evaluated for impairment	$ 36,755	$ 3,788	$ —	$ 35,210	$ —	$ —	$ 75,753
Loans collectively evaluated for impairment	2,256,953	724,007	530,777	2,589,812	2,845	711,057	6,815,451
Total loans and leases at June 30, 2024, gross	$ 2,293,708	$ 727,795	$ 530,777	$ 2,625,022	$ 2,845	$ 711,057	$ 6,891,204
Ratio of net charge-offs to average loans outstanding during the year							
PCD loans	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Acquired non-credit-deteriorated loans	0.01%	0.00%	0.00%	0.00%	0.00%	0.00%	0.01%
Originated loans	(0.01)%	0.00%	0.00%	0.54%	0.00%	0.02%	0.55%
Loans ending balance as a percentage of total loans, gross							
Loans individually evaluated for impairment	0.53%	0.04%	0.00%	0.51%	0.00%	0.00%	1.10%
Loans collectively evaluated for impairment	32.75%	10.51%	7.70%	37.58%	0.04%	10.32%	98.90%
Total	**33.28%**	**10.55%**	**7.70%**	**38.09%**	**0.04%**	**10.32%**	**100.00%**

	Commercial Real Estate	Residential Real Estate	Construction, Land Development, and Other Land	Commercial and Industrial	Installment and Other	Lease Financing Receivables	Total
Balance at December 31, 2023	$ 33,237	$ 3,495	$ 2,906	$ 53,782	$ 36	$ 8,230	$ 101,686
Provision/(recapture) for PCD loans	(2,767)	(134)	(39)	955	—	—	(1,985)
Provision/(recapture) for acquired non-credit-deteriorated loans	(186)	(198)	(198)	(62)	(1)	(2)	(647)
Provision/(recapture) for originated loans	150	(142)	54	15,504	(5)	840	16,401
Total provision/(recapture)	$ (2,803)	$ (474)	$ (183)	$ 16,397	$ (6)	$ 838	$ 13,769
Charge-offs for PCD loans	(74)	—	—	—	—	—	(74)
Charge-offs for acquired non-credit deteriorated loans	(140)	—	—	(58)	—	—	(198)
Charge-offs for originated loans	(3,285)	—	—	(13,091)	—	(1,053)	(17,429)
Total charge-offs	$ (3,499)	$ —	$ —	$ (13,149)	$ —	$ (1,053)	$ (17,701)
Recoveries for PCD loans	5	—	—	—	—	—	5
Recoveries for acquired non-credit deteriorated loans	—	—	—	—	—	—	—
Recoveries for originated loans	912	2	—	554	—	503	1,971
Total recoveries	$ 917	$ 2	$ —	$ 554	$ —	$ 503	$ 1,976
Net (charge-offs) recoveries	(2,582)	2	—	(12,595)	—	(550)	(15,725)
Balance at June 30, 2024	$ 27,852	$ 3,023	$ 2,723	$ 57,584	$ 30	$ 8,518	$ 99,730
Ending ACL Balances							—
PCD loans	$ 3,997	$ 768	$ 172	$ 3,024	$ 1	$ —	$ 7,962
Acquired non-credit-deteriorated loans	1,744	438	409	1,290	1	1	3,883
Originated loans	22,111	1,817	2,142	53,270	28	8,517	87,885
Balance at June 30, 2024	$ 27,852	$ 3,023	$ 2,723	$ 57,584	$ 30	$ 8,518	$ 99,730
Loans individually evaluated for impairment	$ 7,329	$ 57	$ —	$ 16,185	$ —	$ —	$ 23,571
Loans collectively evaluated for impairment	20,523	2,966	2,723	41,399	30	8,518	76,159
Balance at June 30, 2024	$ 27,852	$ 3,023	$ 2,723	$ 57,584	$ 30	$ 8,518	$ 99,730
Loans and leases ending balance							
Loans individually evaluated for impairment	$ 36,755	$ 3,788	$ —	$ 35,210	$ —	$ —	$ 75,753
Loans collectively evaluated for impairment	2,256,953	724,007	530,777	2,589,812	2,845	711,057	6,815,451
Total loans and leases at June 30, 2024, gross	$ 2,293,708	$ 727,795	$ 530,777	$ 2,625,022	$ 2,845	$ 711,057	$ 6,891,204
Ratio of net charge-offs to average loans outstanding during the year							
PCD loans	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.01%
Acquired non-credit-deteriorated loans	0.01%	0.00%	0.00%	0.00%	0.00%	0.00%	0.46%
Originated loans	0.07%	0.00%	0.00%	0.37%	0.00%	0.02%	0.47%
Loans ending balance as a percentage of total loans, gross							
Loans individually evaluated for impairment	0.53%	0.05%	0.00%	0.51%	0.00%	0.00%	1.10%
Loans collectively evaluated for impairment	32.75%	10.50%	7.70%	37.58%	0.04%	10.32%	98.90%
Total	**33.28%**	**10.55%**	**7.70%**	**38.09%**	**0.04%**	**10.32%**	**100.00%**

	Commercial Real Estate	Residential Real Estate	Construction, Land Development, and Other Land	Commercial and Industrial	Installment and Other	Lease Financing Receivables	Total
Balance at March 31, 2023	$ 24,738	$ 2,679	$ 3,498	$ 51,849	$ 25	$ 7,676	$ 90,465
Provision/(recapture) for PCD loans	142	(55)	(3)	3	—	—	87
Provision/(recapture) for acquired non-credit-deteriorated loans	190	(42)	—	(199)	—	(7)	(58)
Provision/(recapture) for originated loans	4,027	(101)	(1,560)	3,357	17	698	6,438
Total provision/(recapture)	$ 4,359	$ (198)	$ (1,563)	$ 3,161	$ 17	$ 691	$ 6,467
Charge-offs for PCD loans	—	—	—	—	—	—	—
Charge-offs for acquired non-credit deteriorated loans	—	—	—	—	—	—	—
Charge-offs for originated loans	(2,945)	—	—	(2,097)	—	(462)	(5,504)
Total charge-offs	$ (2,945)	$ —	$ —	$ (2,097)	$ —	$ (462)	$ (5,504)
Recoveries for PCD loans	—	—	—	—	—	—	—
Recoveries for acquired non-credit deteriorated loans	—	—	—		—	—	—
Recoveries for originated loans	225	63	—	727	1	221	1,237
Total recoveries	$ 225	$ 63	$ —	$ 727	$ 1	$ 221	$ 1,237
Net (charge-offs) recoveries	(2,720)	63	—	(1,370)	1	(241)	(4,267)
Balance at June 30, 2023	26,377	2,544	1,935	53,640	43	8,126	92,665
Ending ACL Balances							
PCD loans	733	341	7	39	2	—	1,122
Acquired non-credit-deteriorated loans	3,061	96	—	684	1	17	3,859
Originated loans	22,583	2,107	1,928	52,917	40	8,109	87,684
Balance at June 30, 2023	$ 26,377	$ 2,544	$ 1,935	$ 53,640	$ 43	$ 8,126	$ 92,665
Loans individually evaluated for impairment	$ 8,555	$ —	$ —	$ 17,399	$ —	$ —	$ 25,954
Loans collectively evaluated for impairment	17,822	2,544	1,935	36,241	43	8,126	66,711
Balance at June 30, 2023	$ 26,377	$ 2,544	$ 1,935	$ 53,640	$ 43	$ 8,126	$ 92,665
Loans and leases ending balance							
Loans individually evaluated for impairment	$ 30,750	$ —	$ —	$ 38,485	$ —	$ —	$ 69,235
Loans collectively evaluated for impairment	1,932,696	504,947	387,943	2,066,265	3,736	605,695	5,501,282
Total loans and leases at June 30, 2023, gross	$ 1,963,446	$ 504,947	$ 387,943	$ 2,104,750	$ 3,736	$ 605,695	$ 5,570,517
Ratio of net charge-offs to average loans outstanding during the year							
PCD loans	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Acquired non-credit-deteriorated loans	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Originated loans	0.19%	0.00%	0.00%	0.10%	0.00%	0.02%	0.31%
Loans ending balance as a percentage of total loans, gross							
Loans individually evaluated for impairment	0.55%	0.00%	0.00%	0.69%	0.00%	0.00%	1.24%
Loans collectively evaluated for impairment	34.70%	9.06%	6.96%	37.09%	0.07%	10.87%	98.76%
Total	**35.25%**	**9.06%**	**6.96%**	**37.78%**	**0.07%**	**10.87%**	**100.00%**

	Commercial Real Estate	Residential Real Estate	Construction, Land Development, and Other Land	Commercial and Industrial	Installment and Other	Lease Financing Receivables	Total
Balance at December 31, 2022	$ 26,062	$ 3,140	$ 3,134	$ 41,888	$ 24	$ 7,676	$ 81,924
Provision/(recapture) for acquired impaired loans	(418)	(333)	(6)	(7)	—	—	(764)
Provision/(recapture) for acquired non-impaired loans and leases	(675)	(200)	(1)	(545)	—	(17)	(1,438)
Provision for originated loans	4,331	(118)	(1,192)	14,518	14	828	18,381
Total provision	$ 3,238	$ (651)	$ (1,199)	$ 13,966	$ 14	$ 811	$ 16,179
Charge-offs for acquired impaired loans	—	—	—	—	—	—	—
Charge-offs for acquired non-impaired loans and leases	—	—	—	—	—	—	—
Charge-offs for originated loans and leases	(3,910)	(9)	—	(3,887)	—	(767)	(8,573)
Total charge-offs	$ (3,910)	$ (9)	$ —	$ (3,887)	$ —	$ (767)	$ (8,573)
Recoveries for acquired impaired loans	—	—	—	—	—	—	—
Recoveries for acquired non-impaired loans and leases	—	—	—	—	—	—	—
Recoveries for originated loans and leases	987	64	—	1,673	5	406	3,135
Total recoveries	$ 987	$ 64	$ —	$ 1,673	$ 5	$ 406	$ 3,135
Net (charge-offs) recoveries	2,923	(55)	—	2,214	(5)	361	5,438
Balance at June 30, 2023	26,377	2,544	1,935	53,640	43	8,126	$ 92,665
Ending ACL Balances							
PCD loans	733	341	7	39	2	—	1,122
Acquired non-credit-deteriorated loans	3,061	96	—	684	1	17	3,859
Originated loans	22,583	2,107	1,928	52,917	40	8,109	87,684
Balance at June 30, 2023	$ 26,377	$ 2,544	$ 1,935	$ 53,640	$ 43	$ 8,126	$ 92,665
Loans individually evaluated for impairment	8,555	—	—	17,399	—	—	$ 25,954
Loans collectively evaluated for impairment	17,822	2,544	1,935	36,241	43	8,126	66,711
Balance at June 30, 2023	$ 26,377	$ 2,544	$ 1,935	$ 53,640	$ 43	$ 8,126	$ 92,665
Loans and leases ending balance							
Loans individually evaluated for impairment	$ 30,750	$ —	$ —	$ 38,485	$ —	$ —	$ 69,235
Loans collectively evaluated for impairment	1,932,696	504,947	387,943	2,066,265	3,736	605,695	5,501,282
Total loans and leases at June 30, 2023, gross	$ 1,963,446	$ 504,947	$ 387,943	$ 2,104,750	$ 3,736	$ 605,695	$ 5,570,517
Ratio of net charge-offs to average loans and leases outstanding during the period (annualized)							
PCD loans	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Acquired non-credit-deteriorated loans	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Originated loans	0.11%	0.00%	0.00%	0.08%	0.00%	0.01%	0.20%
Loans and leases ending balance as a percentage of total loans and leases, gross							
Loans individually evaluated for impairment	0.55%	0.00%	0.00%	0.69%	0.00%	0.00%	1.24%
Loans collectively evaluated for impairment	34.70%	9.06%	6.96%	37.09%	0.07%	10.87%	98.76%
Total	**35.25%**	**9.06%**	**6.96%**	**37.78%**	**0.07%**	**10.87%**	**100.00%**

Non-Performing Assets

Non-performing loans and leases include loans and leases 90 days past due and still accruing and loans and leases accounted for on a non-accrual basis. Non-performing assets consist of non-performing loans and leases plus other real estate owned. Non-performing assets at June 30, 2024 and December 31, 2023 totaled $64.6 million and $65.3 million, with the decrease driven mainly by decreases to non-accrual loans and leases. The U.S. government guaranteed portion of non-performing loans totaled $6.6 million at June 30, 2024 and $4.2 million at December 31, 2023.

Total OREO decreased from $1.2 million at December 31, 2023 to $780,000 at June 30, 2024. The $420,000 decrease in OREO resulted from sales.

The following table sets forth the amounts of non-performing loans and leases, non-performing assets, and OREO at the dates indicated (dollars in thousands):

	June 30, 2024	December 31, 2023
Non-performing assets:		
Non-accrual loans and leases[1][2]	$ 63,808	$ 64,107
Past due loans and leases 90 days or more and still accruing interest	—	—
Total non-performing loans and leases	63,808	64,107
Other real estate owned	780	1,200
Total non-performing assets	$ 64,588	$ 65,307
Total non-performing loans and leases as a percentage of total loans and leases	0.93%	0.96%
Total non-accrual loans and leases as a percentage of total loans and leases	0.93%	0.96%
Total non-performing assets as a percentage of total assets	0.67%	0.74%
Allowance for credit losses - loans and leases, as a percentage of non-performing loans and leases	156.30%	158.62%
Allowance for credit losses - loans and leases, as a percentage of non-accrual loans and leases	156.30%	158.62%
Non-performing assets guaranteed by U.S. government:		
Non-accrual loans guaranteed	$ 6,616	$ 4,154
Past due loans 90 days or more and still accruing interest guaranteed	—	—
Total non-performing loans guaranteed	$ 6,616	$ 4,154
Total non-performing loans and leases not guaranteed as a percentage of total loans and leases	0.83%	0.90%
Total non-accrual loans and leases not guaranteed as a percentage of total loans and leases	0.83%	0.62%
Total non-performing assets not guaranteed as a percentage of total assets	0.60%	0.69%

(1)Includes $2.8 million and $406,000 of non-accrual loan modifications at June 30, 2024 and December 31, 2023, respectively.
(2)For the six months ended June 30, 2024 and 2023, $3.1 million and $1.9 million in interest income would have been recorded had non-accrual loans been current.

Deposits

Our loan and lease growth is funded primarily through core deposits. We gather deposits primarily through each of our 45 branch locations in the Chicago metropolitan area and one branch in Wauwatosa, Wisconsin. Through our branch network, online, mobile and direct banking channels, we offer a variety of deposit products including demand deposit accounts, interest-bearing products, savings accounts, and certificates of deposit. Small businesses are a significant source of low cost deposits as they value convenience, flexibility, and access to local decision makers that are responsive to their needs.

Total deposits at June 30, 2024 were $7.3 billion, representing an increase of $170.2 million, or 2.4%, compared to $7.2 billion at December 31, 2023, driven by an increase in time deposits and money market demand accounts. Non-interest-bearing deposits were $1.8 billion, or 24.0% of total deposits, at June 30, 2024, a decrease of $143.0 million, or 7.5%, compared to $1.9 billion at December 31, 2023, or 26.6% of total deposits. Core deposits were 85.7% and 87.0% of total deposits at June 30, 2024 and December 31, 2023, respectively.

The following table shows the average balance amounts and the average contractual rates paid on our deposits for the periods indicated (dollars in thousands):

	For Three Months Ended June 30, 2024		For Three Months Ended June 30, 2023	
	Average Balance	Average Rate	Average Balance	Average Rate
Non-interest-bearing demand deposits	$ 1,817,133	0.00%	$ 1,848,538	0.00%
Interest checking	717,513	2.30%	541,036	1.61%
Money market accounts	2,270,231	3.54%	1,534,463	2.82%
Savings	514,192	0.15%	575,254	0.15%
Time deposits (below $100,000)	906,103	4.84%	797,241	3.82%
Time deposits ($100,000 and above)	1,045,345	4.72%	531,438	2.96%
Total	$ 7,270,517	2.56%	$ 5,827,970	1.70%

	For the Six Months Ended June 30, 2024		For the Six Months Ended June 30, 2023	
	Average Balance	Average Rate	Average Balance	Average Rate
Non-interest-bearing demand deposits	$ 1,845,728	0.00%	$ 1,961,945	0.00%
Interest checking	653,960	2.01%	573,342	1.64%
Money market accounts	2,253,777	3.54%	1,500,260	2.49%
Savings	523,052	0.15%	594,316	0.15%
Time deposits (below $100,000)	944,097	4.79%	663,900	3.35%
Time deposits ($100,000 and above)	1,027,805	4.80%	484,645	2.64%
Total	$ 7,248,419	2.60%	$ 5,778,408	1.43%

Our average cost of deposits was 2.63% during the three months ended June 30, 2024, compared to 1.70% for the three months ended June 30, 2023. Our average cost of deposits was 2.60% during the six months ended June 30, 2024, compared to 1.43% for the six months ended June 30, 2023 These increases were principally attributed to higher rates on interest-bearing deposits as a result of the rising interest rate environment, an increase in interest bearing deposits and corresponding decrease in non-interest bearing deposits both related to deposit flows and the impact of the Inland acquisition. The ratio of our average non-interest bearing deposits to total average deposits was 25.0% during the three months ended June 30, 2024, compared to 31.7% during the three months ended June 30, 2023. The ratio of our average non-interest bearing deposits to total average deposits ratios was 25.5% during the six months ended June 30, 2024 compared to 34.0% during the six months ended June 30, 2023. We had $433.1 million in brokered time deposits at June 30, 2024 and $480.0 million at December 31, 2023, which represented 5.9% and 6.7% of total deposits, respectively. The decrease in brokered deposits was due to increases in other sources of funding. Our loan and lease to deposit ratio was 93.98% at June 30, 2024 compared to 93.39% at December 31, 2023.

The following table shows time deposits and other time deposits of $250,000 or more by time remaining until maturity as of June 30, 2024 (dollars in thousands):

	Less than $250,000	$250,000 or Greater	Total	Uninsured Portion
Three months or less	$ 564,784	$ 163,167	$ 727,951	$ 53,417
Over three months through six months	505,795	142,137	647,932	53,887
Over six months through 12 months	469,693	101,253	570,946	32,253
Over 12 months	70,036	23,016	93,052	9,516
Total	$ 1,610,308	$ 429,573	$ 2,039,881	$ 149,073

Total estimated uninsured deposits were $2.1 billion and $1.9 billion as of June 30, 2024 and December 31, 2023. Estimated uninsured deposits reflect amounts disclosed in our regulatory reports, adjusted to exclude related accrued interest and intercompany deposit balances.

Short Term and Long Term Borrowings

In addition to deposits, we also utilize FHLB advances as a supplementary funding source to finance our operations. The Bank's advances from the FHLB are collateralized by commercial, residential and multi-family real estate loans and securities. At June 30, 2024 and December 31, 2023, we had an available borrowing capacity from the FHLB of $2.6 billion and $2.8 billion, respectively, subject to the availability of collateral. At June 30, 2024, we had $670.0 million of FHLB advances outstanding with a maturities ranging from July 2024 to September 2024. We also had a $15.0 million term loan outstanding maturing in May 2026.

On January 17, 2024, we entered into a Letter Agreement with the FRB that allows the Bank to access the BTFP. On January 22, 2024, we opened an advance of $200.0 million from the FRB as part of the BTFP. Under the terms of the BTFP, the Bank pledges securities to the FBR as collateral for available advances. The advance carries a fixed interest rate of 4.91%, and matures on January 22, 2025. Advances under the BTFP are prepayable at any time without a prepayment penalty.

We also have the capacity to borrow funds from the discount window of the Federal Reserve System. There were no borrowings outstanding under the Federal Reserve Bank discount window line as of June 30, 2024 and December 31, 2023. We pledge loans as collateral for any borrowings under the Federal Reserve Bank discount window.

The following table sets forth certain information regarding our short-term borrowings at the dates and for the periods indicated (dollars in thousands):

	Six Months Ended June 30,	
	2024	2023
Federal Reserve Bank discount window borrowing:		
Average balance outstanding	$ —	$ —
Maximum outstanding at any month-end period during the year	—	—
Balance outstanding at end of period	—	—
Weighted average interest rate during period	N/A	N/A
Weighted average interest rate at end of period	N/A	N/A
Federal Home Loan Bank advances:		
Average balance outstanding	$ 266,566	$ 511,929
Maximum outstanding at any month-end period during the year	670,000	675,000
Balance outstanding at end of period	670,000	540,000
Weighted average interest rate during period	2.01%	3.87%
Weighted average interest rate at end of period	5.46%	5.24%
Federal funds purchased:		
Average balance outstanding	$ 701	$ 1,381
Maximum outstanding at any month-end period during the year	—	—
Balance outstanding at end of period	—	—
Weighted average interest rate during period	6.05%	5.30%
Weighted average interest rate at end of period	N/A	N/A
Bank Term Funding Program:		
Average balance outstanding	$ 176,923	$ —
Maximum outstanding at any month-end period during the year	200,000	—
Balance outstanding at end of period	200,000	—
Weighted average interest rate during period	4.92%	N/A
Weighted average interest rate at end of period	4.91%	N/A
Term Loan:		
Average balance outstanding	$ 15,842	$ —
Maximum outstanding at any month-end period during the year	16,667	—
Balance outstanding at end of period	15,000	—
Weighted average interest rate during period	7.81%	N/A
Weighted average interest rate at end of period	7.63%	N/A
Revolving Line of Credit:		
Average balance outstanding	$ 2,658	$ —
Maximum outstanding at any month-end period during the year	7,500	—
Balance outstanding at end of period	—	—
Weighted average interest rate during period	9.05%	N/A
Weighted average interest rate at end of period	N/A	N/A

Customer Repurchase Agreements (Sweeps)

Securities sold under agreements to repurchase represent a demand deposit product offered to customers that sweep balances in excess of the FDIC insurance limit into overnight repurchase agreements. We pledge securities as collateral for the repurchase agreements. Securities sold under agreements to repurchase decreased by $6.9 million, from $40.6 million at December 31, 2023 to $33.7 million at June 30, 2024.

Liquidity

We manage liquidity based upon factors that include the amount of core deposits as a percentage of total deposits, the level of diversification of our funding sources, the amount of non-deposit funding used to fund assets, the availability of unused funding sources, off-balance sheet obligations, the availability of assets to be readily converted into cash without undue loss, the amount of cash and liquid securities we hold and the re-pricing characteristics and maturities of our assets when compared to the re-pricing characteristics of our liabilities, the ability to securitize and sell certain pools of assets and other factors.

Our liquidity needs are primarily met by cash and investment securities positions, growth in deposits, cash flow from amortizing loan portfolios, and borrowings from the FHLB. For additional information regarding our operating, investing, and financing cash flows, see Consolidated Statements of Cash Flows in our Unaudited Interim Condensed Consolidated Financial Statements included elsewhere in this report.

As of June 30, 2024, Byline Bank had maximum advance potential from the FHLB of $3.3 billion and $764.6 million from the FRB. As of June 30, 2024, Byline Bank had open FHLB advances of $670.0 million and open letters of credit of $13.5 million. Based on collateral and securities pledged, our available aggregate borrowing capacity at June 30, 2024 was $1.1 billion. In addition, Byline Bank had uncommitted federal funds lines available of $127.5 million available at June 30, 2024.

As of December 31, 2023, Byline Bank had maximum borrowing capacity from the FHLB of $3.1 billion and $866.5 million from the FRB. As of December 31, 2023, Byline Bank had open advances of $325.0 million and open letters of credit of $19.7 million. Based on collateral and securities pledged, our available aggregate borrowing capacity at December 31, 2023 was $1.6 billion. In addition, Byline Bank had an uncommitted federal funds line available of $135.0 million available at December 31, 2023.

On October 13, 2016, we entered into a $30.0 million revolving credit agreement with a correspondent bank. Through subsequent amendments, the revolving credit agreement was reduced to $15.0 million. The amended revolving line of credit bears interest at either SOFR plus 205 basis points or Prime Rate minus 75 basis points, not to be less than 2.00%, based on our election, which is required to be communicated at least three business days prior to the commencement of an interest period. If we fail to provide timely notification, the interest rate will be Prime Rate minus 75 basis points. On May 24, 2024, we entered into the First Amendment to the Second Amended and restated Term Loan and Revolving Credit Agreement (the "Amendment") with the lender, which is effective May 26, 2024, and provides for: (1) the renewal of the revolving line-of-credit facility of up to $15.0 million, and (2) extending its maturity date to May 25, 2025, subject to the existing Negative Pledge Agreement dated October 11, 2018, as amended.

At June 30, 2024, the variable term loan had an interest rate of 7.63% and an outstanding balance of $15.0 million. At December 31, 2023, the variable term loan had an interest rate of 7.64% and an outstanding balance of $18.3 million. At June 30, 2024, the line of credit had a no outstanding balance. At December 31, 2023, the line of credit had a $11.3 million outstanding balance and an interest rate of 7.39%

There are regulatory limitations that affect the ability of Byline Bank to pay dividends to the Company. See Note 21 of our Consolidated Financial Statements, included in our Annual Report on Form 10-K for the year ended December 31, 2023 for additional information. Management believes that such limitations will not impact our ability to meet our ongoing short-term cash obligations.

We expect that our cash and liquidity resources will be generated by the operations of Byline Bank, which we expect to be sufficient to satisfy our liquidity and capital requirements for at least the next twelve months.

Capital Resources

Stockholders' equity at June 30, 2024 was $1.0 billion compared to $990.2 million at December 31, 2023, an increase of $42.9 million, or 4.3%. The increase was primarily driven by an increase in retained earnings, offset by an increase in accumulated other comprehensive loss during the six months ended June 30, 2024, reflecting the unrealized losses in our available-for-sale securities portfolio of $139.1 million compared to $130.2 million as of December 31, 2023.

The Company and Byline Bank are subject to various regulatory capital requirements administered by federal banking regulators. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by federal banking regulators that, if undertaken, could have a direct material effect on our financial statements.

Under applicable bank regulatory capital requirements, each of the Company and Byline Bank must meet specific capital guidelines that involve quantitative measures of their assets, liabilities and certain off-balance sheet items as calculated under regulatory accounting practices. Byline Bank must also meet certain specific capital guidelines under the prompt corrective action framework. The capital amounts and classification are subject to qualitative judgments by the federal banking regulators about components, risk weightings and other factors. Quantitative measures established by regulation to ensure capital adequacy require the Company and Byline Bank to maintain minimum

amounts and ratios of CET1 capital, Tier 1 capital and total capital to risk-weighted assets and of Tier 1 capital to average consolidated assets, (referred to as the "leverage ratio"), as defined under these capital requirements.

As of June 30, 2024, Byline Bank exceeded all applicable regulatory capital requirements and was considered "well-capitalized." There have been no conditions or events since June 30, 2024 that management believes have changed Byline Bank's classifications.

The regulatory capital ratios for the Company and Byline Bank to meet the minimum capital adequacy standards and for Byline Bank to be considered well capitalized under the prompt corrective action framework and the Company's and Byline Bank's actual capital amounts and ratios are set forth in the following tables as of the periods indicated (dollars in thousands):

	Actual		Minimum Capital Required		Required to be Considered Well Capitalized	
June 30, 2024	**Amount**	**Ratio**	**Amount**	**Ratio**	**Amount**	**Ratio**
Total capital to risk weighted assets:						
Company	$ 1,181,194	13.86%	$ 681,657	8.00%	N/A	N/A
Bank	1,135,095	13.36%	679,661	8.00%	$ 849,577	10.00%
Tier 1 capital to risk weighted assets:						
Company	$ 1,010,763	11.86%	$ 511,243	6.00%	N/A	N/A
Bank	1,039,663	12.24%	509,746	6.00%	$ 679,661	8.00%
Common Equity Tier 1 (CET1) to risk weighted assets:						
Company	$ 923,763	10.84%	$ 383,432	4.50%	N/A	N/A
Bank	1,039,663	12.24%	382,310	4.50%	$ 552,225	6.50%
Tier 1 capital to average assets:						
Company	$ 1,010,763	11.08%	$ 364,801	4.00%	N/A	N/A
Bank	1,039,663	11.41%	364,325	4.00%	$ 455,406	5.00%

	Actual		Minimum Capital Required		Required to be Considered Well Capitalized	
December 31, 2023	**Amount**	**Ratio**	**Amount**	**Ratio**	**Amount**	**Ratio**
Total capital to risk weighted assets:						
Company	$ 1,123,568	13.38%	$ 671,576	8.00%	N/A	N/A
Bank	1,085,915	12.97%	669,904	8.00%	$ 837,380	10.00%
Tier 1 capital to risk weighted assets:						
Company	$ 956,027	11.39%	$ 503,682	6.00%	N/A	N/A
Bank	993,375	11.86%	502,428	6.00%	$ 669,904	8.00%
Common Equity Tier 1 (CET1) to risk weighted assets:						
Company	$ 869,027	10.35%	$ 377,762	4.50%	N/A	N/A
Bank	993,375	11.86%	376,821	4.50%	$ 544,297	6.50%
Tier 1 capital to average assets:						
Company	$ 956,027	10.86%	$ 352,089	4.00%	N/A	N/A
Bank	993,375	11.30%	351,735	4.00%	$ 439,669	5.00%

The ratios above reflect the Company's election to opt into the regulators' joint CECL transition provision, which allows the Company to phase in the capital impact of the adoption of CECL over the three years beginning January 1, 2022. Accordingly, capital ratios as of June 30, 2024 reflect 75% of the CECL impact and December 31, 2023 reflect 50% of the CECL impact.

The Company and Byline Bank must maintain a capital conservation buffer consisting of CET1 capital greater than 2.5% of risk-weighted assets above the required minimum risk-based capital levels in order to avoid limitations on paying dividends, repurchasing shares, and paying discretionary bonuses. The conservation buffers for the Company and Byline Bank exceed the minimum capital requirement as of June 30, 2024.

Provisions of state and federal banking regulations may limit, by statute, the amount of dividends that may be paid to the Company by Byline Bank without prior approval of Byline Bank's regulatory agencies. The Company is economically dependent on the cash dividends received from Byline Bank. These dividends represent the primary cash flow from operating activities used to service obligations. For the six months ended June 30, 2024 the Company received $23.0 million in cash dividends from Byline Bank, in order to pay the required interest on its outstanding subordinated note, junior subordinated debentures in connection with its trust preferred securities interest, principal and interest payments related to its term note and revolving line of credit, and to fund other Company-related activities. For the year ended December 31, 2023, the Company received $35.0 million in cash dividends from Byline Bank, in order to pay the required interest on its outstanding subordinated note and junior subordinated debentures in connection with its trust preferred securities interest, principal and interest on its term loan and revolving line of credit, and to fund other Company-related activities.

On December 12, 2022, we announced that our Board of Directors approved a stock repurchase program authorizing the purchase of up to an aggregate of 1,250,000 shares of our outstanding common stock. The program was in effect from January 1, 2023 until December 31, 2023. No shares were repurchased under this program.

On December 6, 2023, we announced that our Board of Directors approved a new stock repurchase program authorizing the purchase of up to an aggregate of 1,250,000 shares of the Company's outstanding common stock. The program will be effect from January 1, 2024 until December 31, 2024, unless terminated earlier. The shares may, at the discretion of management, be repurchased from time to time in open market purchases as market conditions warrant or in privately negotiated transactions. The Company is not obligated to purchase any shares under the program, and the program may be discontinued at any time. The actual timing, number and share price of shares purchased under the repurchase program will be determined by the Company at its discretion and will depend on a number of factors, including the market price of the Company's stock, general market and economic conditions and applicable legal requirements. The shares authorized to be repurchased represented approximately 2.9% of the Company's outstanding common stock at December 31, 2023. No shares were repurchased under this program during the three or six months ended June 30, 2024.

On July 23, 2024, our Board of Directors declared a cash dividend of $0.09 per share payable on August 20, 2024 to stockholders of record of our common stock as of August 6, 2024.

Off-Balance Sheet Items and Other Financing Arrangements

We are a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of our customers. These financial instruments include commitments to extend credit, commercial letters of credit and standby letters of credit. Those instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the Condensed Consolidated Statements of Financial Condition. The contractual or notional amounts of those instruments reflect the extent of involvement we have in particular classes of financial instruments.

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amount does not necessarily represent future cash requirements. We evaluate each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by Byline Bank upon extension of credit, is based on management's credit evaluation of the counterparty. Collateral is primarily obtained in the form of commercial and residential real estate (including income producing commercial properties).

Letters of credit are conditional commitments issued by Byline Bank to guarantee the performance of a customer to a third-party. Those guarantees are primarily issued to support public and private borrowing arrangements, bond financing and similar transactions. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers.

Commitments to make loans are generally made for periods of 90 days or less. The fixed rate loan commitments have interest rates ranging from 1.00% to 15.00% and maturities up to 2052. Variable rate loan commitments have interest rates ranging from 4.00% to 18.00% and maturities up to 2053.

Our exposure to credit loss in the event of non-performance by the other party to the financial instrument for commitments to extend credit and standby letters of credit is represented by the contractual or notional amount of those instruments. We use the same credit policies in making commitments and conditional obligations as for funded instruments. We do not anticipate any material losses as a result of the commitments and standby letters of credit.

We enter into interest rate swaps that are used to manage differences in the amount, timing, and duration of our known or expected cash receipts and its known or expected cash payments principally related to certain variable rate loans, money market accounts and variable rate borrowings. We also enter into interest rate swaps with certain qualified borrowers to facilitate the borrowers' risk management strategies and concurrently entered into mirror-image derivatives with a third party counterparty.

We recognize derivative financial instruments at fair value regardless of the purpose or intent for holding the instrument. We record derivative assets and derivative liabilities on the Condensed Consolidated Statements of Financial Condition within accrued interest receivable and other assets, and accrued interest payable and other liabilities, respectively. Because the derivative assets and liabilities recorded on the balance sheet at June 30, 2024 do not represent the amounts that may ultimately be paid under these contracts, these assets and liabilities are listed in the table below (dollars in thousands):

	June 30, 2024		
		Fair Value	
	Notional	Asset	Liability
Interest rate swaps designated as cash flow hedges	$ 650,000	$ 35,297	$ (822)
Other interest rate derivatives	734,434	22,126	(21,931)
Other credit derivatives	12,833	3	(19)

See Note 16 of our Unaudited Interim Condensed Consolidated Financial Statements as of June 30, 2024, included in this report, and Note 21 of our Consolidated Financial Statements, included in our Annual Report on Form 10-K for the year ended December 31, 2023 for additional information on derivatives.

GAAP Reconciliation and Management Explanation of Non-GAAP Financial Measures

Some of the financial measures included in our "Selected Financial Data" are not measures of financial performance in accordance with GAAP. Our management uses the non-GAAP financial measures set forth below in its analysis of our performance:

- "Adjusted net income" and "adjusted diluted earnings per share" exclude certain significant items, which include impairment charges on assets held for sale and right-of-use assets, and merger-related expenses, adjusted for applicable income tax. Management believes the significant items are not indicative of or useful to measure the Company's operating performance on an ongoing basis.
- "Net interest income, fully taxable-equivalent" and "net interest margin, fully taxable-equivalent" are adjusted to reflect tax-exempt interest income on an equivalent before-tax basis using tax rates effective as of the end of the period. Management believes the metric provides useful comparable information to investors and that these measures may be useful for peer comparison.
- "Total revenue" is the combination of net interest income and non-interest income. Management believes the metric is an important measure of the Company's operating performance on an ongoing basis.
- "Adjusted non-interest expense" is non-interest expense excluding certain significant items, which include impairment charges on assets held for sale and right-of-use assets, and merger-related expenses.
- "Adjusted efficiency ratio" is adjusted non-interest expense less amortization of intangible assets divided by net interest income and non-interest income. Management believes the metric is an important measure of the Company's operating performance on an ongoing basis.
- "Adjusted non-interest expense to average assets" is adjusted non-interest expense divided by average assets. Management believes the metric is an important measure of the Company's operating performance on an ongoing basis.
- "Adjusted return on average stockholders' equity" is adjusted net income divided by average stockholders' equity. Management believes the metric is an important measure of the Company's operating performance on an ongoing basis.
- "Adjusted return on average assets" is adjusted net income divided by average assets. Management believes the metric is an important measure of the Company's operating performance on an ongoing basis.
- "Non-interest income to total revenues" is non-interest income divided by net interest income plus non-interest income. Management believes that it is standard practice in the industry to present non-interest income as a percentage of total revenue. Accordingly, management believes providing these measures may be useful for peer comparison.
- "Pre-tax pre-provision net income" is pre-tax income plus the provision for credit losses. Management believes this metric demonstrates income excluding the tax provision or benefit and the provision for credit losses, and enables investors and others to assess the Company's ability to generate capital to cover credit losses through a credit cycle.
- "Adjusted pre-tax pre-provision net income" is pre-tax pre-provision net income excluding certain significant items, which include impairment charges on assets held for sale and right-of-use assets, and merger-related expenses. Management believes the metric is an important measure of the Company's operating performance on an ongoing basis.
- "Pre-tax pre-provision return on average assets" is pre-tax income plus the provision for credit losses, divided by average assets. Management believes this ratio demonstrates profitability excluding the tax provision or benefit and excludes the provision for credit losses. "Adjusted pre-tax pre-provision return on average assets" excludes certain significant items, which include impairment charges on assets held for sale and right-of-use assets, and merger-related expenses.
- "Tangible common equity" is defined as total stockholders' equity reduced by preferred stock and goodwill and other intangible assets. Management does not consider servicing assets as an intangible asset for purposes of this calculation.
- "Tangible assets" is defined as total assets reduced by goodwill and other intangible assets. Management does not consider servicing assets as an intangible asset for purposes of this calculation.

•"Tangible book value per common share" is calculated as tangible common equity, which is stockholders' equity reduced by preferred stock and goodwill and other intangible assets, divided by total shares of common stock outstanding. Management believes this metric is important due to the relative changes in the book value per share exclusive of changes in intangible assets.

•"Tangible common equity to tangible assets" is calculated as tangible common equity divided by tangible assets, which is total assets reduced by goodwill and other intangible assets. Management believes this metric is important to investors and analysts interested in relative changes in the ratio of total stockholders' equity to total assets, each exclusive of changes in intangible assets.

•"Tangible net income available to common stockholders" is net income available to common stockholders excluding after-tax intangible asset amortization.

•"Adjusted tangible net income available to common stockholders" is tangible net income available to common stockholders excluding certain significant items. Management believes the metric is an important measure of the Company's operating performance on an ongoing basis.

•"Return on average tangible common stockholders' equity" is tangible net income available to common stockholders divided by average tangible common stockholders' equity. Management believes the metric is an important measure of the Company's operating performance on an ongoing basis.

•"Adjusted return on average tangible common stockholders' equity" is adjusted tangible net income available to common stockholders divided by average tangible common stockholders' equity. Management believes the metric is an important measure of the Company's operating performance on an ongoing basis.

We believe that these non-GAAP financial measures provide useful information to its management and investors that is supplementary to our financial condition, results of operations and cash flows computed in accordance with GAAP; however, we acknowledge that our non-GAAP financial measures have a number of limitations. As such, you should not view these disclosures as a substitute for results determined in accordance with GAAP financial measures that we and other companies use. Management also uses these measures for peer comparison.

Reconciliations of Non-GAAP Financial Measures

	As of or For the Three Months Ended June 30,		As of or For the Six Months Ended June 30,	
(dollars in thousands, except per share data)	**2024**	**2023**	**2024**	**2023**
Net income and earnings per share excluding significant items				
Reported Net Income	$ 29,671	$ 26,107	$ 60,111	$ 50,052
Significant items:				
Impairment charges on assets held for sale and ROU asset	—	—	194	20
Merger-related expense	—	1,391	—	1,880
Tax benefit	—	(230)	(52)	(286)
Adjusted Net Income	$ 29,671	$ 27,268	$ 60,253	$ 51,666
Reported Diluted Earnings per Share	$ 0.68	$ 0.70	$ 1.37	$ 1.34
Significant items:				
Impairment charges on assets held for sale and ROU asset	—	—	—	—
Merger-related expense	—	0.04	—	0.05
Tax benefit	—	(0.01)	—	(0.01)
Adjusted Diluted Earnings per Share	$ 0.68	$ 0.73	$ 1.37	$ 1.38

(dollars in thousands, except per share data)	As of or For the Three Months Ended June 30, 2024	2023	As of or For the Six Months Ended June 30, 2024	2023
Adjusted non-interest expense:				
Non-interest expense	$ 53,210	$ 49,328	$ 107,019	$ 98,128
Less: Impairment charges on assets held for sale and ROU asset	—	—	194	20
Less: Merger-related expenses	—	1,391	—	1,880
Adjusted non-interest expense	$ 53,210	$ 47,937	$ 106,825	$ 96,228
Adjusted non-interest expense excluding amortization of intangible assets:				
Adjusted non-interest expense	$ 53,210	$ 47,937	$ 106,825	$ 96,228
Less: Amortization of intangible assets	1,345	1,455	2,690	2,910
Adjusted non-interest expense excluding amortization of intangible assets	$ 51,865	$ 46,482	$ 104,135	$ 93,318
Pre-tax pre-provision net income:				
Pre-tax income	$ 40,115	$ 35,339	$ 80,677	$ 67,577
Add: Provision for credit losses	6,045	5,790	12,688	15,615
Pre-tax pre-provision net income	$ 46,160	$ 41,129	$ 93,365	$ 83,192
Adjusted pre-tax pre-provision net income:				
Pre-tax pre-provision net income	$ 46,160	$ 41,129	$ 93,365	$ 83,192
Add: Impairment charges on assets held for sale and ROU asset	—	—	194	20
Add: Merger-related expenses	—	1,391	—	1,880
Adjusted pre-tax pre-provision net income	$ 46,160	$ 42,520	$ 93,559	$ 85,092
Taxable equivalent net interest income:				
Net interest income	$ 86,526	$ 76,166	$ 172,067	$ 151,884
Add: Tax-equivalent adjustment	229	207	462	415
Net interest income, fully taxable equivalent	$ 86,755	$ 76,373	$ 172,529	$ 152,299
Total revenues:				
Net interest income	$ 86,526	$ 76,166	$ 172,067	$ 151,884
Add: non-interest income	12,844	14,291	28,317	29,436
Total revenues	$ 99,370	$ 90,457	$ 200,384	$ 181,320
Tangible common stockholders' equity:				
Total stockholders' equity	$ 1,033,014	$ 813,942	$ 1,033,014	$ 813,942
Less: Goodwill and other intangibles	200,788	155,977	200,788	155,977
Tangible common stockholders' equity	$ 832,226	$ 657,965	$ 832,226	$ 657,965
Tangible assets:				
Total assets	$ 9,633,815	$ 7,575,690	$ 9,633,815	$ 7,575,690
Less: Goodwill and other intangibles	200,788	155,977	200,788	155,977
Tangible assets	$ 9,433,027	$ 7,419,713	$ 9,433,027	$ 7,419,713
Average tangible common stockholders' equity:				
Average total stockholders' equity	$ 1,008,802	$ 806,272	$ 1,003,804	$ 795,341
Less: Average goodwill and other intangibles	201,428	156,766	202,101	157,469
Average tangible common stockholders' equity	$ 807,374	$ 649,506	$ 801,703	$ 637,872
Average tangible assets:				
Average total assets	$ 9,140,736	$ 7,403,899	$ 9,085,839	$ 7,374,687
Less: Average goodwill and other intangibles	201,428	156,766	202,101	157,469
Average tangible assets	$ 8,939,308	$ 7,247,133	$ 8,883,738	$ 7,217,218
Tangible net income available to common stockholders:				
Net income available to common stockholders	$ 29,671	$ 26,107	$ 60,111	$ 50,052
Add: After-tax intangible asset amortization	987	1,067	1,973	2,133
Tangible net income available to common stockholders	$ 30,658	$ 27,174	$ 62,084	$ 52,185
Adjusted tangible net income available to common stockholders:				
Tangible net income available to common stockholders	$ 30,658	$ 27,174	$ 62,084	$ 52,185
Add: Impairment charges on assets held for sale and ROU asset	—	—	194	20
Add: Merger-related expenses	—	1,391	—	1,880
Add: Tax benefit on significant items	—	(230)	(52)	(286)
Adjusted tangible net income available to common stockholders	$ 30,658	$ 28,335	$ 62,226	$ 53,799

(dollars in thousands, except share and per share data)	As of or For the Three Months Ended June 30, 2024	2023	As of or For the Six Months Ended June 30, 2024	2023
Pre-tax pre-provision return on average assets:				
Pre-tax pre-provision net income	$ 46,160	$ 41,129	$ 93,365	$ 83,192
Average total assets	9,140,736	7,403,899	9,085,839	7,374,687
Pre-tax pre-provision return on average assets	2.03%	2.23%	2.07%	2.27%
Adjusted pre-tax pre-provision return on average assets:				
Adjusted pre-tax pre-provision net income	$ 46,160	$ 42,520	$ 93,559	$ 85,092
Average total assets	9,140,736	7,403,899	9,085,839	7,374,687
Adjusted pre-tax pre-provision return on average assets:	2.03%	2.30%	2.07%	2.33%
Net interest margin, fully taxable equivalent				
Net interest income, fully taxable equivalent	$ 86,755	$ 76,373	$ 172,529	$ 152,299
Total average interest-earning assets	8,743,462	7,072,581	8,673,521	7,041,037
Net interest margin, fully taxable equivalent	3.99%	4.33%	4.00%	4.36%
Non-interest income to total revenues:				
Non-interest income	$ 12,844	$ 14,291	$ 28,317	$ 29,436
Total revenues	99,370	90,457	200,384	181,320
Non-interest income to total revenues	12.93%	15.80%	14.13%	16.23%
Adjusted non-interest expense to average assets:				
Adjusted non-interest expense	$ 53,210	$ 47,937	$ 106,825	$ 96,228
Average total assets	9,140,736	7,403,899	9,085,839	7,374,687
Adjusted non-interest expense to average assets	2.34%	2.60%	2.36%	2.63%
Adjusted efficiency ratio:				
Adjusted non-interest expense excluding amortization of intangible assets	$ 51,865	$ 46,482	$ 104,135	$ 93,318
Total revenues	99,370	90,457	200,384	181,320
Adjusted efficiency ratio	52.19%	51.39%	51.97%	51.47%
Adjusted return on average assets:				
Adjusted net income	$ 29,671	$ 27,268	$ 60,253	$ 51,666
Average total assets	9,140,736	7,403,899	9,085,839	7,374,687
Adjusted return on average assets	1.31%	1.48%	1.33%	1.41%
Adjusted return on average stockholders' equity:				
Adjusted net income	$ 29,671	$ 27,268	$ 60,253	$ 51,666
Average stockholders' equity	1,008,802	806,272	1,003,804	795,341
Adjusted return on average stockholders' equity	11.83%	13.56%	12.07%	13.10%
Tangible common equity to tangible assets:				
Tangible common equity	$ 832,226	$ 657,965	$ 832,226	$ 657,965
Tangible assets	9,433,027	7,419,713	9,433,027	7,419,713
Tangible common equity to tangible assets	8.82%	8.87%	8.82%	8.87%
Return on average tangible common stockholders' equity:				
Tangible net income available to common stockholders	$ 30,658	$ 27,174	$ 62,084	$ 52,185
Average tangible common stockholders' equity	807,374	649,506	801,703	637,872
Return on average tangible common stockholders' equity	15.27%	16.78%	15.57%	16.50%
Adjusted return on average tangible common stockholders' equity:				
Adjusted tangible net income available to common stockholders	$ 30,658	$ 28,335	$ 62,226	$ 53,799
Average tangible common stockholders' equity	807,374	649,506	801,703	637,872
Adjusted return on average tangible common stockholders' equity	15.27%	17.50%	15.61%	17.01%
Tangible book value per share:				
Tangible common equity	$ 832,226	$ 657,965	$ 832,226	$ 657,965
Common shares outstanding	44,180,829	37,752,002	44,180,829	37,752,002
Tangible book value per share	$ 18.84	$ 17.43	$ 18.84	$ 17.43

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Our primary market risk is interest rate risk, which is defined as the risk of loss of net interest income or net interest margin because of changes in interest rates.

We seek to measure and manage the potential impact of interest rate risk. Interest rate risk occurs when interest-earning assets and interest-bearing liabilities mature or re-price at different times, on a different basis or in unequal amounts. Interest rate risk also arises when our assets, liabilities and off-balance sheet contracts each respond differently to changes in interest rates, including as a result of explicit and implicit provisions in agreements related to such assets and liabilities and in off-balance sheet contracts that alter the applicable interest rate and cash flow characteristics as interest rates change.

We are also exposed to interest rate risk through the retained portion of the U.S. government guaranteed loans we make and the related servicing rights. Our U.S. government guaranteed loan portfolio is comprised primarily of SBA 7(a) loans, virtually all of which are quarterly or monthly adjustable with the prime rate. The SBA portfolio reacts differently in a rising rate environment than our other non-guaranteed portfolios. Generally, when interest rates rise, the prepayments in the SBA portfolio tend to increase.

Our management of interest rate risk is overseen by our Board of Directors and management asset liability committees based on a risk management infrastructure approved by our Board of Directors that outline reporting and measurement requirements. Our risk management infrastructure also requires a periodic review of all key assumptions used, such as identifying appropriate interest rate scenarios, setting loan prepayment rates based on historical analysis, non-interest-bearing and interest-bearing demand deposit lives based on historical analysis and the targeted investment term of capital. The committees closely monitor our interest sensitivity exposure, asset and liability allocation decisions, liquidity and capital positions, and local and national economic conditions and attempts to structure the loan and investment portfolios and funding sources to maximize earnings within acceptable risk tolerances.

We manage the interest rate risk associated with our interest-bearing liabilities by managing the interest rates and tenors associated with our borrowings from the FHLB, and deposits from our customers that we rely on for funding. We manage the interest rate risk associated with our interest-earning assets by managing the interest rates and tenors associated with our investment and loan portfolios, from time to time purchasing and selling investment securities.

We utilize interest rate derivatives to hedge our interest rate exposure on commercial loans when it meets our customers' and Byline Bank's needs. As of June 30, 2024, we had a notional amount of $1.4 billion of interest rate derivatives outstanding that includes customer swaps and those on Byline Bank's balance sheet. The overall effectiveness of our hedging strategies is subject to market conditions, the quality of our execution, the accuracy of our valuation assumptions, the associated counterparty credit risk and changes in interest rates.

We do not engage in speculative trading activities relating to interest rates, foreign exchange rates, commodity prices, equities or credit.

Evaluation of Interest Rate Risk

We evaluate interest rate risk through the use of two different models: net interest income ("NII") simulations and economic value of equity ("EVE") simulations. The simulations provide an estimate of the impact of changes in interest rates on equity and net interest income based on a variety of assumptions. Changes in assumptions may significantly alter the results of our simulations.

We use an NII simulation model to measure and evaluate potential changes in our net interest income. We run various hypothetical interest rate scenarios at least quarterly and compare these results against a scenario with no changes in interest rates. Our NII simulation model incorporates various assumptions, which we believe are reasonable but which may have a significant impact on results such as: (1) asset prepayment speed assumptions, (2) predefined credit spreads for both investment securities and loans, (3) re-pricing characteristics for market-rate-sensitive instruments on and off balance sheet, and (4) the effect of interest rate limitations in our assets, such as floors and caps. Because of limitations inherent in any approach used to measure interest rate risk, simulation results are not intended as a forecast of the actual effect of a change in market interest rates on our results but rather as a means to better plan and execute appropriate asset-liability management strategies and manage our interest rate risk.

We use an EVE simulation to analyze the Company's long-term view of interest rate risk as it analyzes the Company's future cash flows. EVE is defined as the present value of the Company's assets, less the present value of its liabilities, adjusted for off-balance sheet items, with the results showing a theoretical change in the economic value of stockholders' equity as interest rates change. Our EVE simulation model incorporates various assumptions, which we believe are reasonable but which may have a significant impact on results such as: (1) asset prepayment speed assumptions, (2) deposit decay rate assumptions, (3) predefined credit spreads for both investment securities and loans (4) re-pricing characteristics for market-rate-sensitive instruments on and off balance sheet, (5) amortization schedule, and (6) discount rates associated with the products on balance sheet.

Potential changes to our net interest income and economic value of equity in hypothetical rising and declining interest rate scenarios calculated as of June 30, 2024 are presented below.

Basis Point Change in Interest Rates	Estimated Increase/Decrease in Net Interest Income Twelve Months Ending June 30, 2025	2026	Estimated Percentage Change in EVE As of June 30, 2024
+300	11.8%	13.6%	(17.4)%
+200	8.4%	9.5%	(11.8)%
+100	4.2%	4.7%	(6.0)%
-100	(3.2)%	(4.1)%	5.6%
-200	(6.5)%	(9.0)%	10.7%
-300	(8.3)%	(12.2)%	14.8%

For the dynamic balance sheet and rate shift scenarios, we assume a balance sheet that reflects management's growth outlook and interest rates follow a forward yield curve. The shocks are defined as gradual shifts up and down it by 1/12th of the total change in rates each month for 12 months. For dynamic balance sheet and rate shifts, a gradual shift downward of 100 and 200 basis points would result in a 1.9% and 3.7% decrease to net interest income, and a gradual shift upwards of 100 and 200 basis points would result in 1.9% and 4.0% increases to net interest income, respectively, over the next 12 months.

The Bank's aggregate interest rate risk exposure is monitored and managed based on the economic outlook and under guidance of board-approved policy limits. The results of the simulations are hypothetical, and a variety of factors might cause actual results to differ substantially from what is depicted including the timing, magnitude, frequency of interest rate changes, changes in market conditions, depositor behavior changes, and management strategies.

Item 4. Controls and Procedures.

The Company's management, including our Chief Executive Officer and our Chief Financial Officer, have evaluated the effectiveness of our "disclosure controls and procedures" (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act")), as of the end of the period covered by this report. Based on such evaluation, our Chief Executive Officer and our Chief Financial Officer have concluded that, as of June 30, 2024, the Company's disclosure controls and procedures were effective to provide reasonable assurance that the information required to be disclosed by the Company in the reports it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC and is accumulated and communicated to the Company's management, including our Chief Executive Officer and our Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

There was no change in our internal control over financial reporting during the quarter ended June 30, 2024, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

The design of any system of controls and procedures is based in part upon certain assumptions about the likelihood of future events. There can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote.

PART II-OTHER INFORMATION

Item 1. Legal Proceedings.

We operate in a highly regulated environment. From time to time we are a party to various litigation matters incidental to the conduct of our business. We are not presently party to any legal proceedings the resolution of which we believe would have a material adverse effect on our business, prospects, financial condition, liquidity, results of operation, cash flows or capital levels.

Item 1A. Risk Factors.

There have been no material changes to the risk factors previously disclosed in the "Risk Factors" section included in our Form 10-K for our fiscal year ended December 31, 2023 that was filed with the SEC on March 4, 2024.

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

On December 6, 2023, we announced that our Board of Directors approved a new stock repurchase program authorizing the purchase of up to an aggregate of 1,250,000 shares of our outstanding common stock. The program is in effect from January 1, 2024 until December 31, 2024 unless terminated earlier. The shares may, at the discretion of management, be repurchased from time to time in open market purchases as market conditions warrant or in privately negotiated transactions. We are not obligated to purchase any shares under the program, and the program may be discontinued at any time. The actual timing, number and share price of shares purchased under the repurchase program will be determined by us at our discretion and will depend on a number of factors, including the market price of our stock, general market and economic conditions and applicable legal requirements.

The table below includes information regarding purchases of our common stock during the quarter ended June 30, 2024. We did not purchase any shares of our common stock during the second quarter of 2024 under our stock repurchase program.

Issuer Purchases of Equity Securities

	Total Number of Shares Purchased[1]	Average Price Paid per Share	Total Number of Shares Purchased as Part of a Publicly Announced Plan or Program	Maximum Number of Shares that May Yet Be Purchased Under the Plan or Program
April 1 - April 30, 2024	—	$ —	—	1,250,000
May 1 - May 31, 2024	—	—	—	1,250,000
June 1 - June 30, 2024	778	22.38	—	1,250,000
Total	778	$ 22.38	—	

(1)All shares acquired during the three months ended June 30, 2024 were acquired pursuant to the Company's 2017 Omnibus Incentive Compensation Plan. Under the terms of the compensation plan, we can accept previously owned shares of common stock to be surrendered to satisfy the exercise price of stock options, the settlement of restricted stock awards and tax withholding obligations upon vesting and/or exercise.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

None.

Item 6. Exhibits.

EXHIBIT	
Number	**Description**
3.1	Amended and Restated Certificate of Incorporation (filed as Exhibit 3.1 to the Company's Registration Statement on Form S-1, as amended (File No. 333-218362) filed on June 19, 2017 and incorporated herein by reference)
3.2	Amended and Restated Bylaws (filed as Exhibit 3.2 to the Company's Registration Statement on Form S-1, as amended (File No. 333-218362) filed on June 19, 2017 and incorporated herein by reference)
4.1	*Certain instruments defining the rights of holders of long-term debt securities of the registrant and its subsidiaries are omitted pursuant to Item 601(b)(4)(iii) of Regulation S-K. The registrant hereby undertakes to furnish to the SEC, upon request, copies of any such instruments.*
10.1	First Amendment to Second Amended and Restated Term Loan and Revolving Credit Agreement dated as of May 24, 2024, but effective May 26, 2024, by and between Byline Bancorp, Inc. and CIBC Bank USA (filed as exhibit 10.1 to the Company's Current Report on Form 8-K (File No. 001-38139) filed on May 30, 2024 and incorporated herein by reference)
31.1	Certification of the Chief Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) of the Securities Exchange Act of 1934, and Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of the Chief Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) of the Securities Exchange Act of 1934, and Section 302 of the Sarbanes-Oxley Act of 2002
32.1[(a)]	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101	Financial information from the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2024, formatted in Inline XBRL interactive data files pursuant to Rule 405 of Regulation S-T: (i) Condensed Consolidated Statements of Condition; (ii) Condensed Consolidated Statements of Operations; (iii) Condensed Consolidated Statements of Comprehensive Income (Loss); (iv) Condensed Consolidated Statements of Changes in Stockholders' Equity; (v) Condensed Consolidated Statements of Cash Flows; and (vi) Notes to Condensed Consolidated Financial Statements
104	Cover Page Interactive Data File – the cover page XBRL tags are embedded with the Inline XBRL document.

(a)This exhibit shall not be deemed "filed" for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section, and shall not be deemed to be incorporated by reference into any filing under the Securities Act or the Exchange Act.

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.

BYLINE BANCORP, INC.

Date: August 5, 2024

By: /s/ Roberto R. Herencia
Roberto R. Herencia
Chief Executive Officer
(Principal Executive Officer)

Date: August 5, 2024

By: /s/ Thomas J. Bell III
Thomas J. Bell III
Executive Vice President, Chief Financial Officer and Treasurer
(Principal Financial Officer)