



Invested in Our Future

2024
Annual Report

Stockholder Information

TRANSFER, DIVIDEND PAYING, AND DIVIDEND REINVESTMENT PLAN AGENT

For stockholder inquiries or for information concerning payments of the Company's dividend, or the Dividend Reinvestment Plan, contact:

REGULAR MAIL

Computershare

PO Box 43006

Providence RI 02940-3006

STREET ADDRESS FOR OVERNIGHT DELIVERY

Computershare

150 Royall Street, Suite 101

Canton MA 02021

312-360-5377 | 877-373-6374

www.computershare.com/contactus

FORM 10-K

A copy of the 2024 Annual Report on Form 10-K with all exhibits filed with the Securities and Exchange Commission (SEC) is available, free of charge, at www.firstmid.com by clicking on "Investor Relations" under "About First Mid." All periodic and current reports of First Mid Bancshares, Inc. can be accessed through this website as soon as reasonably practicable after these materials are filed with the SEC.

**A copy may also be obtained by
sending a written request to:**

Austin Frank

First Mid Bancshares, Inc.

1421 Charleston Avenue, PO Box 499

Mattoon IL 61938

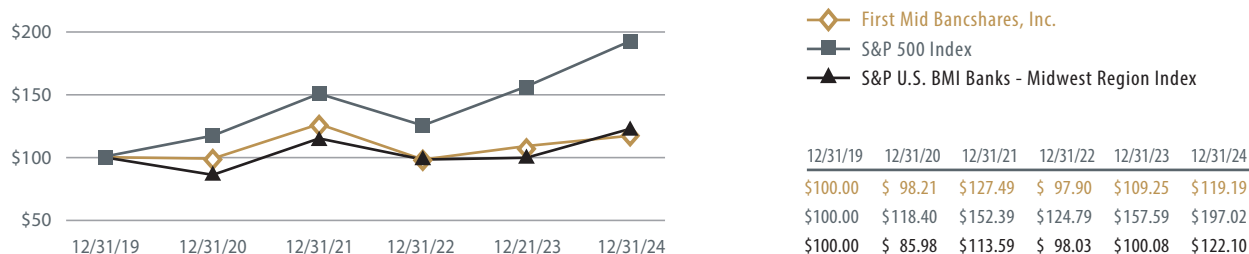
or by email to: afrank@firstmid.com

The annual meeting of stockholders will be Wednesday, April 30, 2025 at 4:00 p.m. in the lobby of First Mid Bank & Trust, 1515 Charleston Avenue, Mattoon, Illinois.

This document contains forward looking statements. For a discussion of factors that could cause actual results to differ materially from those contained in such statements, please see "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our annual report on Form 10-K included herein, and our other filings with the Securities and Exchange Commission.

Comparison of Five Year Cumulative Total Return*

Among First Mid Bancshares, Inc., the S&P 500 Index, and S&P U.S. BMI Banks - Midwest



* \$100 invested on 12/31/19 in stock or index, including reinvestment of dividends. Fiscal year ending December 31. Source: S&P Global Market Intelligence © 2024

Message from the Chairman



Joseph Dively
*Chairman and
Chief Executive Officer*

Amidst the continually challenging and dynamic economic environment in 2024, First Mid once again demonstrated resiliency, adaptability, and focus, delivering results while upholding our commitment to serving our customers and communities with excellence.

From a financial standpoint, we saw increases in net income, earnings per share, dividends per share, and tangible book value. Despite continued interest rate volatility, we achieved modest loan growth and net interest margin expansion, driven by the strength of our funding and deposit portfolio. Our disciplined pricing strategies resulted in loan yields increasing at a faster pace than our funding costs. We achieved solid growth in our insurance, wealth management, and mortgage banking business lines, resulting in noninterest income diversification of 30% of revenues, which remains an important differentiator for First Mid. Overall, the first full year after our Blackhawk Bank acquisition experienced better financial results and customer retention than projected.

Our success stems from a culture of collaboration, teamwork, and commitment to our community banking model. This culture drives our purpose and relationships, inspiring our community impact. Being recognized as a 2024 Top Workplace by USA Today and receiving a Top Workplaces Industry Award for the second year affirms our team-focused strategy. We will continue to prioritize attracting, developing, and retaining top talent to better serve our customers.

New Members of the Executive Committee

Welcoming two exceptional professionals to our Executive Committee in 2024 further strengthened our leadership team's depth and expertise.

- Jeremy Frieberg joined us as our new Chief Information Officer, succeeding David Hiden who relocated closer to family after a successful five-year tenure. Jeremy brings over 20 years of experience as a financial technology and systems leader and is guiding the development and execution of First Mid's technology strategies. As our CIO, he is playing a key role in aligning technology initiatives with our broader business objectives, ultimately enhancing the customer experience in driving greater efficiency.
- Stas Wolak assumed the role of Chief Retail Banking Officer, previously held by Mandy Lewis who is now our Chief Operations Officer. Stas brings a wealth of customer-focused banking industry experience to First Mid. With a proven track record in leading cross-functional teams, driving growth, and establishing consistent and exceptional customer experiences, he is playing a pivotal role in our continued success.

These appointments will allow us to leverage the collective and diverse strengths of our executive team to navigate the evolving landscape of the financial industry while driving sustainable, profitable growth.



Jeremy Frieberg



Stas Wolak

New Addition to Board of Directors

We were pleased to add Paul L. Palmby to the company's Board of Directors, effective November 2024. Paul currently serves as the President, Chief Executive Officer, and Director for Seneca Foods Corporation, a publicly traded food procurement and processing company based in Janesville, WI. His career at Seneca Foods has spanned more than 35 years with increasing levels of responsibility providing broad experience in P&L responsibility, mergers & acquisitions, manufacturing, and food processing. Paul's experience, knowledge, and commitment to community banking, including his previous role as a board member for Blackhawk Bank, bring a valuable perspective to our team. He is serving on several key committees, including Audit and Risk.



Paul Palmby

Strategic Highlights

2024 marked the first year of Elevate 2027, our four-year strategic plan designed to position our organization for profitable growth and long-term success. Centered on five strategic priorities of Employee Experience, Customer Experience, Growth, Commitment to Community, and Financial Performance, this plan serves as the foundation for everything we do. These priorities will continue to guide us as we execute our vision, ensuring we remain nimble and dedicated to delivering exceptional value to our customers, employees, and shareholders.

Key 2024 initiatives that align closely with our strategic priorities:

Employee Experience

Employee engagement is the heart of First Mid, built from the collective contributions, energy, and ideas of each team member. Over 96% of employees shared their thoughts and feedback on our annual employee engagement survey, showing a level of involvement that speaks volumes about our collective commitment to making First Mid the best it can be.

In 2024, we were honored with multiple Top Workplaces awards from Energage that are a testament to our exceptional performance and dedication to our culture of engagement. We received a prestigious Top Workplaces USA award, a second consecutive Top Workplaces Industry award, and Culture Excellence awards for Compensation & Benefits, Innovation, Leadership, Professional Development, and Work-Life Flexibility. Earning these awards, which are generated from employee opinions on our workplace, reflects our values, the workplace culture we cultivate, and the positive impact we have on each other.

Customer Experience

We continue to make significant investments in technology to enhance customer experience and efficiency. In 2024, we launched a new online account opening platform and developed a new FARM core system for First Mid Ag Services. We also laid the groundwork for significant enhancements in 2025, as we prepare to deliver a new Personal Online and Mobile Banking platform in the first quarter and work to integrate a new core banking system later in the year. All these initiatives are designed to provide advanced features, greater flexibility, improved security, streamlined processes, and a superior digital experience for our customers, ensuring we remain at the forefront of innovation and customer-centric solutions.

Growth

Our growth strategy emphasizes organic development, reflecting our dedication to deepening customer relations and driving revenue growth without pursuing growth for its own sake. This year, we fully integrated our customer base from the Blackhawk Bank acquisition, maintaining service standards and creating new opportunities. By uniting teams and processes, we enhanced efficiency and unlocked additional value. While we did not announce a bank acquisition this year, discussions with potential partners are ongoing, reinforcing our position as a preferred

strategic partner. We completed the acquisition of Mid Rivers Insurance Group, aligning with our customer-centric culture and growing our insurance presence in Missouri, and expanded our wealth management capabilities with the establishment of First Mid Wealth Strategies.

Commitment to Community

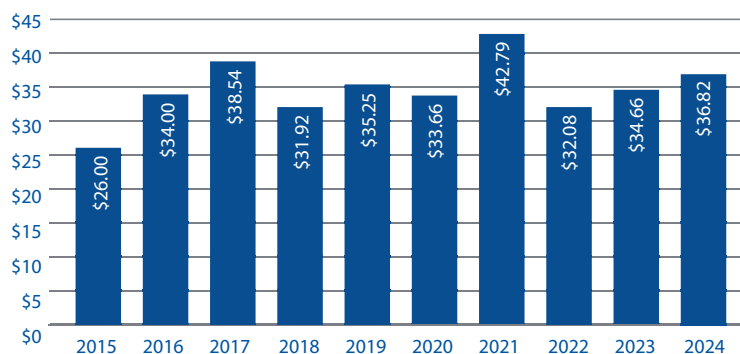
We are committed to making our communities stronger. By actively engaging with local organizations, supporting volunteerism, and participating in initiatives like financial literacy workshops, youth mentoring, fundraising, and community clean-ups, we strive to be a positive force. Our employees contributed over 22,000 hours in 2024 to these efforts. Investing in our communities strengthens our connections and demonstrates our commitment to their well-being.

Financial Performance

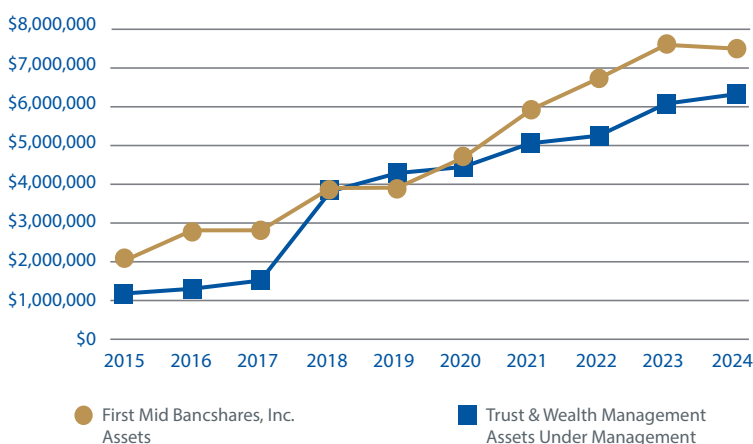
2024 was both an exciting and challenging operating environment for the financial industry. We successfully delivered strong financial results despite the volatility in the year by capitalizing on the opportunities and maintaining the strengths within our business. Our net income and diluted earnings per share for 2024 were \$78.9 million and \$3.30, respectively. These results include nonrecurring items related to acquisitions, technology investments, and losses on security sales. Excluding those items, diluted EPS on an adjusted basis was \$3.47.

Our balance sheet was relatively flat for the year with total assets ending at \$7.5 billion. The stable asset base was driven by a remix of our earning assets as loan growth of \$91.9 million was funded primarily with cash coming off the investment portfolio. This effort allowed us to shift lower earning assets into higher earning assets directly impacting growth in our net interest margin. The net interest margin increased by eight basis points

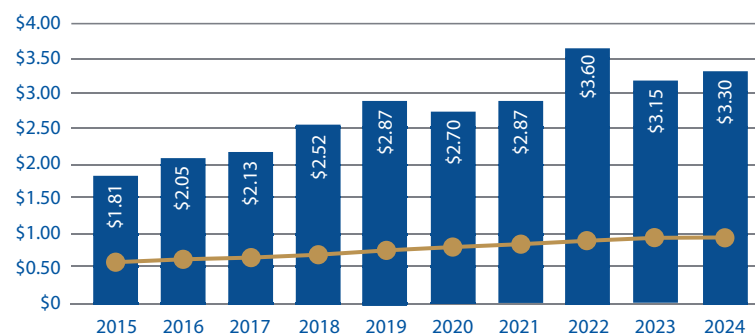
Year-End Market Price of Stock



Year-End Assets (Dollars in Thousands)



Earnings Per Share (Diluted) and Dividends Per Share (●)





in 2024 to end the year at 3.41% with a majority of the increase driven by a higher earning asset yield.

Our revenue diversification continues to be a key differentiator for our company. In a period when many financial institutions saw a decline in noninterest income, we delivered a record high of \$96.3 million, an increase of 11% for the year. This increase was the result of strong growth in all our business lines. Our insurance business led the way with a 15% increase driven both by organic growth and the acquisition of the Mid Rivers Insurance Group. Our wealth management business had a strong year with growth of 10% led by both the brokerage area and farmland sales.

Operating expenses for 2024 were \$215.0 million, which included \$4.9 million of acquisition and technology investment nonrecurring costs. While inflationary pressures continued to be a headwind to operating efficiency in the year, we actively managed our expenses to maintain our efficiency ratio. The technology investments made throughout the year, and those we continue to work on, will not only improve our customer experience, but will provide significant cost savings in future years. Our full-time equivalent employees ended the year at 1,198 versus 1,187 at the end of 2023.

The strength of our asset quality continues to be a cornerstone of our consistency through varying economic cycles. For 2024, our credit ratios continued to be better than historical averages. Combined, our special mention and substandard loans declined by \$9.6 million and the ratio of nonperforming loans to total loans came in at a solid 0.53%. The allowance reserve for credit losses ended the year at 1.24%.

The strength of our balance sheet and overall financial performance allowed us to continue to deliver a competitive dividend to our shareholders of \$0.94 for 2024 compared to \$0.92 in the prior year. In addition, we continued to build capital during the year, providing significant flexibility in how we can enhance shareholder value going forward.

2024 Summary

Our success this year is a testament to the talent, dedication, and collaboration of our entire team. By aligning our strategies with the evolving needs of our customers, we strengthened our relationships and reinforced our position as a trusted partner for their financial needs. Looking to 2025, we remain committed to delivering exceptional value for our stakeholders while investing in the people, technology, and capabilities that will sustain our long-term growth. As we continue to build on this year's success, I have never been more confident and excited about our future.

Sincerely,



Joseph R. Dively
Chairman and Chief Executive Officer

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549
FORM 10-K

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 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 001-36434

FIRST MID BANCSHARES, INC.

(Exact name of Registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

1421 Charleston Avenue, Mattoon, Illinois

(Address of principal executive offices)

37-1103704

(I.R.S. employer identification no.)

61938

(Zip code)

(217) 234-7454

(Registrant's telephone number, including area code)

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

Title of each class

Trading Symbol(s)

Name of each exchange on which registered

Common Stock

FMBH

NASDAQ Global Market

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

NONE

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. ☐ Yes ☒ No

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. ☐ Yes ☒ No

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 (Section 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, non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐ Yes ☒ No

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Act). ☐

The aggregate market value of the outstanding common stock, other than shares held by persons who may be deemed affiliates of the Registrant, as of the last business day of the Registrant's most recently completed second fiscal quarter was approximately \$704,766,369. Determination of stock ownership by non-affiliates was made solely for the purpose of responding to this requirement and the Registrant is not bound by this determination for any other purpose.

As of February 28, 2025, 23,982,333 shares of the Registrant's common stock, \$.00 par value, were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Document

Into Form 10-K Part:

Portions of the Proxy Statement for 2025 Annual Meeting of Shareholders to be held on April 30, 2025 III

First Mid Bancshares, Inc.
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PART I

ITEM 1. BUSINESS

Company and Subsidiaries

First Mid Bancshares, Inc. (the “Company”), is a financial holding company. The Company is engaged in the business of banking through its wholly owned subsidiary, First Mid Bank & Trust, N.A. (“First Mid Bank”). The Company offers insurance products and services to customers through its wholly owned subsidiary, First Mid Insurance Group, Inc. (“First Mid Insurance”). The Company offers trust, farm services, investment services, and retirement planning through its wholly owned subsidiary, First Mid Wealth Management Company. The Company also wholly owns a captive insurance company, First Mid Captive, Inc. Through First Mid Bank, the Company owns an investment subsidiary, First Mid Investments, Inc. In addition, the Company wholly owns five statutory business trusts, First Mid-Illinois Statutory Trust II (“First Mid Trust II”), Clover Leaf Statutory Trust I (“CLST Trust”), FBTC Statutory Trust I (“FBTCST I”), Blackhawk Statutory Trust I (BHST I), and Blackhawk Statutory Trust II (BHST II) all of which are unconsolidated subsidiaries of the Company. On August 15, 2023, the Company acquired Blackhawk Bank, which was merged into First Mid Bank on December 1, 2023. During the quarter ended September 30, 2024 and June 30, 2023 the Company acquired Mid Rivers Insurance Group, Inc. and Purdum, Gray, Ingledue, Beck, Inc. both companies were subsequently merged into First Mid Insurance.

The Company, a Delaware corporation, was incorporated on September 8, 1981, and pursuant to the approval of the Board of Governors of the Federal Reserve System (the “Federal Reserve Board”) became the holding company owning all of the outstanding stock of First National Bank, Mattoon (“First National”) on June 1, 1982. First National changed its name to First Mid-Illinois Bank & Trust, N.A. in 1992, and subsequently changed its name to First Mid Bank & Trust, N.A. in 2019. The Company has also acquired all the outstanding stock of a number of community banks or thrift institutions, and subsequently combined their operations with those of the Company and First Mid Bank.

Human Capital

The Company seeks to provide a work environment that attracts, develops, and retains top talent. The Company’s culture is derived from its core values: Integrity, Motivation, Professionalism, Accountability, Commitment, and Teamwork. These values are the framework for providing employees an engaging work experience that allows for career fulfillment and growth.

Diversity and Inclusion

The Company’s commitment to diversity and inclusion starts with its Board of Directors, which oversees the culture and holds management accountable to build and maintain a diverse and inclusive environment. Creating and maintaining a work environment where every employee is treated with dignity and respect is fundamental to ensuring they can fully focus on performing their jobs to the best of their ability. The Company recognizes that its success depends on continually strengthening its culture of inclusion, where all employees feel valued and empowered to contribute.

Talent Engagement

For the past seven years, the Company has partnered with a trusted industry leader to conduct an annual employee engagement survey. In 2024, 96% of employees participated, providing a high level of confidence that the results accurately reflect employee sentiment and highlight genuine areas for improvement.

To celebrate outstanding contributions, the Company’s CEO sponsors the annual Chairman’s Award for Excellence. This prestigious award allows employees to nominate peers who have consistently exceed expectations or achieve exceptional results while embodying the Company’s core values.

The CEO also hosts a quarterly all-employee call to keep the workforce informed about Company updates and key initiatives. During these calls, employees are encouraged to submit questions for management to address. A cherished tradition of these calls is the recognition of top-performing employees, both for their achievements at work and their positive impact in the communities the Company serves.

Talent Development

The Company supports the personal and professional development of its employees through a variety of initiatives. Employees are offered tuition reimbursement of up to \$3,500 annually for eligible educational courses, empowering them to pursue continued education and skill development. Additionally, all employees complete annual regulatory training tailored to their specific job functions, through a partnership with a third-party provider. To further enhancing learning, employees have access to a robust library of career development content within the Company’s online learning management system.

Development opportunities also include a job-shadowing program, allowing employees to observe and experience other roles within the organization. This program helps employees explore potential career paths, identify roles that align with their goals, and gain a broader understanding of the Company. Together, these initiatives reflect the Company’s ongoing commitment to fostering employee growth and supporting their career advancement.

The Company offers a range of professional development trainings to support job-specific skills, leadership growth, and compliance requirements. One example is The Banker Basics Mentor Program, designed to develop its frontline employees. In this program, experienced team members are selected by management to mentor and train new hires, focusing on core systems, customer service, and transaction processing. New employees spend their first ten days working one-on-one with a peer, gaining valuable on-the-job learning and support.

To enhance leadership skills, in 2021 the Company implemented the Leadership Development Training: New to Manager Role program. This training equips managers with essential skills in hiring, coaching, holding crucial conversations, and driving employee engagement. Additionally, the Company provides advanced leadership training based on the principles outlined in the book *The Leadership Pipeline*. This interactive program targets executive, upper, and mid-level management,

emphasizing the importance of coaching and mentoring team members. The purpose of this engaging program is to educate leaders that their role is to coach and mentor their team members. Regular one-on-one meetings with purposeful conversations is an expectation because it leads to better results and engagement of their team. After the formal training, participants deepen their learning through six months of follow-up cohort meetings, guided by the CEO and CHRO. In 2024, the Company further supported leadership growth by training 44 managers through its Leader of Leaders and Leader of Others programs.

Lastly, succession planning is conducted annually for the Company's most senior leaders and high impact roles. The process includes identifying potential successors for different positions and assessing their readiness level to fill the role should it become vacant. Management focuses on intentional development with activities needed to prepare the employee for the next level.

Total Rewards

The Company is committed to enhancing employee's overall experience by offering a competitive total rewards package, including compensation and benefits, designed to support and reward their contributions. In 2024, the Company prioritized its workforce by making meaningful investments to ensure ongoing competitiveness in the market. For compensation, the Company increased the starting rate of pay an additional \$0.50 per hour, for the second consecutive year, positively impacting many entry level employees. Additionally, market pay adjustments were implemented for employees with 3 years of tenure or more and a certain performance score, helping to address wage compression and bring their pay closer to the midpoint of the salary range. All salary range bands were increased by 7%, providing employees with even greater opportunities for growth and earning potential within their roles. In addition, the Company provided more than 50 hourly and salaried employees with spot bonuses in recognition of work on significant projects, as well as provided over 140 employees with a bonus for the extra work during an acquisition. To further support employees, the Company enhanced its benefits offering to promote health and financial well-being. A chronic condition management program was introduced at no cost to employees and their covered dependents enrolled in our medical plans, providing valuable resources to manage their health effectively.

The Company continues to offer a wide array of benefits for its employees including:

- Medical, Dental, and Vision Insurance Plans
- Flexible Spending Accounts
- Health Savings Accounts with a Company Matching Contribution
- Company provided Life and AD&D Insurance
- Company provided Long Term Disability
- Company provided Employee Assistance Program
- Company provided Checking Account
- 401(k) Plan including a Company Match
- Employee Stock Purchase Plan with an Employee Discount
- Voluntary Ancillary Insurance Plans (Employee, Spouse, and Child Life and AD&D, Short-Term Disability, Accident, and Critical Illness)
- Paid Time Off (Vacation, Sick, Volunteer and Personal Time)
- Maternity/Paternity Paid Leave
- Tuition Reimbursement
- Computer Purchase Program
- Dress Professional Program
- Service Anniversary/Retirement Recognition and Award
- Chairman's Award – Top Peer Recognition
- Volunteer Time Recognition
- Company Apparel – Company Pays 50%
- Opportunity for Bonus and Stock awards
- Employee Referral Program
- Verizon Cell Phone Discount

- First Mid Marketplace Discount Program
- Job Shadowing

Encouraging Volunteerism

The Company invests in and contributes to the growth and development of its communities. The Commitment to the Communities program encourages employees to be engaged in the communities where they live and work. In 2024, the Company's employees volunteered 22,321 hours to organizations in their communities, compared to 19,066 hours in 2023. The Company also encourages employees to serve in leadership roles in these organizations as part of their professional development. Over 41% of the Company's workforce contributed to its annual United Way campaign and contributed an impressive \$78,000. The Company matches 100% of those donations in the sequent year which resulted in a total contribution to the United Way of over \$167,000 back to our communities in 2024.

Business Strategies

Vision Statement. The Company's vision statement is to be a nimble, independent, community-focused financial organization committed to quality, growth and earned independence for the benefit of all stakeholders.

Growth Strategy. The Company believes that growth of revenues and its customer base is vital to the goal of increasing the value of its shareholders' investment. The Company strives to create shareholder value by maintaining a strong balance sheet and increasing profits.

Management attempts to grow in two primary ways:

- by organic growth through adding new customers and selling more products and services to existing customers; and
- by strategic acquisitions.

Virtually all of the Company's customer-contact personnel, in each of its business lines, are engaged in organic growth efforts to one degree or another. These personnel attempt to match products and services with the particular financial needs of individual customers and prospective customers. Many senior officers of the organization are required to attend monthly meetings where they report on their business development efforts and results. Executive management uses these meetings as an educational and risk management opportunity as well. Cross-selling opportunities are encouraged and measured between the business lines.

Within the community banking line, the Company has focused on a variety of lending and deposit services products that meet the needs of the communities it serves. The Company has achieved significant growth in these areas. Total commercial real estate loans have increased from \$1.2 billion at December 31, 2020 to \$2.4 billion at December 31, 2024. Approximately 72% of the Company's total revenues were derived from lending activities in the fiscal year ended December 31, 2024. The Company has also focused on growing its commercial and retail deposit base through growth in checking, money markets and customer repurchase agreement balances. The wealth management line has focused its growth efforts on estate planning and investment services for individuals and employee benefit services for businesses as well as, farm management and brokerage services. The insurance brokerage line has focused on increasing property and casualty, senior insurance products and group medical insurance for businesses and personal lines insurance to individuals.

Growth through acquisitions has been an integral part of the Company's strategy for an extended period of time. When reviewing acquisition possibilities, the Company focuses on those organizations where there is a cultural fit with its existing operations and where there is a strong likelihood of building shareholder value.

Customer Strategy. The Company uses its market and customer knowledge to build relationships that provide high-value customer experiences that continually improve customer satisfaction and loyalty.

Employee Strategy. The Company strives for employee engagement at all levels of the organization. The judgments, experiences and capabilities of these employees are used to create an environment where meeting the needs of our customer, communities and stockholders is always a priority.

Strategy for Operations and Infrastructure. Operationally, the Company centralizes most administrative and operational tasks within its home office in Mattoon, Illinois. This allows branches to maintain customer focus, helps assure compliance with banking regulations, keeps fixed administrative costs at as low a level as practicable, and allows for better management of risk inherent in the business. The Company also utilizes technology where practicable in daily banking activities to reduce the potential for human error. While the Company does not employ every new technology that is introduced, it attempts to be competitive with other banking organizations with respect to operational and customer technology.

Shareholder Strategy. The Company strives to provide a competitive dividend as well as the opportunity for stock price appreciation.

Risk Management Strategy. The Company maintains a comprehensive risk management framework. The Company has initiated an Enterprise Risk Management (“ERM”) process whereby management assesses the relevant risks inherent in the business, determines internal controls and procedures are in place to address the various risks, develops a structure for monitoring and reporting risk indicators and trends over time, and incorporates action plans to manage risk positions. The ERM process was not undertaken as a result of any weaknesses or deficiencies identified during the Company’s control assessments but rather is part of the Company’s effort to continually assess and improve by taking a more holistic approach to risk management. The Company’s Chief Risk Officer is responsible for facilitating the ERM process. The Company utilizes a comprehensive set of operational policies and procedures that have been developed over time. These policies are continually reviewed by management, the Chief Risk Officer, and the Board of Directors. The Company’s internal audit function completes procedures to ensure compliance with these policies. While there are several risks that pertain to the business of banking, three risks that are inherent with most banking companies are credit risk, interest rate risk, and liquidity risk.

In the business of banking, credit risk is an important risk as losses from uncollectible loans can diminish capital, earnings and shareholder value. In order to address this risk, the lending function of First Mid Bank receive significant oversight from executive management and the Board of Directors. An important element of credit risk management is the quality, experience and training of the loan officers. The Company has invested, and will continue to invest, significant resources to ensure the quality, experience and training of our loan officers in order to keep credit losses at a minimum. In addition to the human element of credit risk management, the Company’s loan policies address the additional aspects of credit risk. Most lending personnel have signature authority that allows them to lend up to a certain amount based on their own judgment as to the creditworthiness of a borrower. The amount of the signature authority is based on the lending officers’ experience and training. The Senior Loan Committee, consisting of the senior management, must approve all underwriting decisions in excess of \$10 million and up to \$30 million. The Board of Directors must approve all underwriting decisions in excess of \$30 million. The legal lending limit for First Mid Bank was \$132.1 million at December 31, 2024. While the underlying nature of lending will result in some amount of credit losses, First Mid’s credit loss experience has been good with average net charge offs amounting to \$2.6 million (0.06% of total loans) over the past five years. Nonperforming loans were \$29.8 million (0.53% of total loans) at December 31, 2024. These percentages have historically compared well with peer financial institutions and continue to do so today.

Interest rate and liquidity risk are two other forms of risk embedded in the banking business. The Company’s Asset Liability Management Committee, consisting of experienced individuals, from various departments, who monitor all aspects of interest rates and maturities of interest earning assets and interest paying liabilities, manages these risks. The underlying objectives of interest rate and liquidity risk management are to shelter the Company’s net interest margin from changes in interest rates while maintaining adequate liquidity reserves to meet unanticipated funding demands. The Company uses financial modeling technology as a tool for evaluating these risks. Despite the tools and methods used to monitor this risk, a sustained unfavorable interest rate environment can lead to some amount of compression in the net interest margin. For 2024, the Company’s net interest margin on a tax-effected basis increased to 3.34% as of December 31, 2024 from 3.05% in December 31, 2023 primarily due to the repricing of earning assets catching up to the increased cost of funding experienced in 2023.

Markets and Competition

The Company has active competition in all areas in which First Mid Bank does business. First Mid Bank competes for commercial and individual deposits and loans with many Illinois, Missouri, Wisconsin and Texas banks, savings and loan associations, and credit unions. The principal methods of competition in the banking and financial services industry are quality of services to customers, ease of access to facilities, on-line services and pricing of services, including interest rates paid on deposits, interest rates charged on loans, and fees charged for fiduciary and other banking services.

During 2024, First Mid Bank operated branches in the Illinois counties of Adams, Boone, Champaign, Christian, Clark, Coles, Cumberland, Douglas, Edgar, Effingham, Jackson, Jefferson, Kane, Knox, Lawrence, Macon, Madison, McHenry, McLean, Moultrie, Peoria, Piatt, Saline, St. Clair, Wabash, White, Williamson, and Winnebago, Missouri counties of Boone, Camden, Cole, Lincoln, St. Charles and St. Louis, Wisconsin county of Rock, and the Texas county of Tarrant. Each branch primarily serves the community in which it is located. First Mid Bank served sixty-three different communities with fifty-nine separate locations in Illinois, eighteen locations in Missouri, three locations in Wisconsin, one location in Texas, and one office in Indiana dedicated for agency finance and loan production.

Website

The Company maintains a website at www.firstmid.com. All periodic and current reports of the Company and amendments to these reports filed with the Securities and Exchange Commission (“SEC”) can be accessed, free of charge, through this website and at www.sec.gov as soon as reasonably practicable after these materials are filed with the SEC.

Blackhawk Bancorp, Inc.

On March 20, 2023, First Mid Bancshares, Inc. (“First Mid”) and Eagle Sub LLC, a newly formed Wisconsin limited liability company and wholly-owned subsidiary of First Mid (“Merger Sub”), entered into an Agreement and Plan of Merger (the “Merger Agreement”) with Blackhawk Bancorp, Inc., a Wisconsin corporation (“Blackhawk”), pursuant to which, among other things, First Mid agreed to acquire 100% of the issued and outstanding shares of Blackhawk pursuant to a business combination whereby Blackhawk will merge with and into Merger Sub, whereupon the separate corporate existence of Blackhawk will cease and Merger Sub will continue as the surviving company and a wholly-owned subsidiary of First Mid (the “Blackhawk Merger”).

Subject to the terms and conditions of the Merger Agreement, at the effective time of the Merger, each share of common stock, par value \$0.01 per share, of Blackhawk issued and outstanding immediately prior to the effective time of the Merger (other than shares held in treasury by Blackhawk and dissenting shares) were converted into and become the right to receive 1.15 shares of common stock, par value \$4.00 per share, of First Mid and cash in lieu of fractional shares, less any applicable taxes required to be withheld, and subject to certain potential adjustments. On an aggregate basis, the total consideration payable by First Mid at the closing of the Merger to Blackhawk’s shareholders and equity award holders was 3,290,222 shares of First Mid common stock valued at \$93.51 million and \$1,928 of cash in lieu of fractional shares.

The Blackhawk Merger closed August 15, 2023 and Blackhawk Bank was merged into First Mid Bank on December 1, 2023.

Supervision and Regulation General

Financial institutions, financial services companies, and their holding companies are extensively regulated under federal and state law. As a result, the growth and earnings performance of the Company can be affected not only by management decisions and general economic conditions, but also by the requirements of applicable state and federal statutes and regulations and the policies of various governmental regulatory authorities including, but not limited to, the Office of the Comptroller of the Currency (the "OCC"), the Federal Reserve Board, the Federal Deposit Insurance Corporation (the "FDIC"), the Missouri Division of Finance ("MDOF"), the Internal Revenue Service and state taxing authorities. Any change in applicable laws, regulations or regulatory policies may have material effects on the business, operations and prospects of the Company and First Mid Bank. The Company is unable to predict the nature or extent of the effects that fiscal or monetary policies, economic controls or new federal or state legislation may have on its business and earnings in the future.

Federal and state laws and regulations generally applicable to financial institutions and financial services companies, such as the Company and its subsidiaries, regulate, among other things, the scope of business, investments, reserves against deposits, capital levels relative to operations, the nature and amount of collateral for loans, the establishment of branches, mergers, consolidations and dividends. The system of supervision and regulation applicable to the Company and its subsidiaries establishes a comprehensive framework for their respective operations and is intended primarily for the protection of the FDIC's deposit insurance fund and the depositors, rather than the stockholders, of financial institutions.

The following references to material statutes and regulations affecting the Company and its subsidiaries are brief summaries thereof and do not purport to be complete and are qualified in their entirety by reference to such statutes and regulations. Any change in applicable law or regulations may have a material effect on the business of the Company and its subsidiaries.

Financial Modernization Legislation

The 1999 Gramm-Leach-Bliley Act (the "GLB Act") significantly changed financial services regulation by expanding permissible non-banking activities of bank holding companies and removing certain barriers to affiliations among banks, insurance companies, securities firms and other financial services entities. These activities and affiliations can be structured through a holding company structure or, in the case of many of the activities, through a financial subsidiary of a bank. The GLB Act also established a system of federal and state regulation based on functional regulation, meaning that primary regulatory oversight for a particular activity generally resides with the federal or state regulator having the greatest expertise in the area. Banking is supervised by banking regulators, insurance by state insurance regulators and securities activities by the SEC and state securities regulators. The GLB Act also requires the disclosure of agreements reached with community groups that relate to the Community Reinvestment Act, and contains various other provisions designed to improve the delivery of financial services to consumers while maintaining an appropriate level of safety in the financial services industry.

The GLB Act repealed the anti-affiliation provisions of the Glass-Steagall Act and revised the Bank Holding Company Act of 1956 (the "BHCA") to permit qualifying holding companies, called "financial holding companies," to engage in, or to affiliate with companies engaged in, a full range of financial activities, including banking, insurance activities (including insurance portfolio investing), securities activities, merchant banking and additional activities that are "financial in nature," incidental to financial activities or, in certain circumstances, complementary to financial activities. A bank holding company's subsidiary banks must be "well-capitalized" and "well-managed" and have at least a "satisfactory" Community Reinvestment Act rating for the bank holding company to elect and maintain its status as a financial holding company.

A significant component of the GLB Act's focus on functional regulation relates to the application of federal securities laws and SEC oversight of some bank securities activities previously exempt from broker-dealer registration. Among other things, the GLB Act amended the definitions of "broker" and "dealer" under the Securities Exchange Act of 1934, as amended, to remove the blanket exemption for banks. Under the GLB Act, banks may conduct securities activities without broker-dealer registration only if the activities fall within a set of activity-based exemptions designed to allow banks to conduct only those activities traditionally considered to be primarily banking or trust activities.

Securities activities outside these exemptions, as a practical matter, need to be conducted by a registered broker-dealer affiliate. The GLB Act also amended the Investment Advisers Act of 1940 to require the registration of banks that act as investment advisers for mutual funds. The Company believes that it has taken the necessary actions to comply with these requirements of the GLB Act and the regulations adopted under them.

Anti-Terrorism Legislation

The USA PATRIOT Act of 2001 included the International Money Laundering Abatement and Anti-Terrorist Financing Act of 2001 (the "IMLAFA"). The IMLAFA contains anti-money laundering measures affecting insured depository institutions, broker-dealers, and certain other financial institutions. The IMLAFA requires U.S. financial institutions to adopt policies and procedures to combat money laundering and grants the Secretary of the Treasury broad authority to establish regulations and to impose requirements and restrictions on financial institutions' operations. The Company has established policies and procedures for compliance with the IMLAFA and the related regulations. The Company has designated an officer solely responsible for ensuring compliance with existing regulations and monitoring changes to the regulations as they occur.

Dodd-Frank Wall Street Reform and Consumer Protection Act

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the "Dodd-Frank Act") was signed into law on July 21, 2010. Generally, the Act is effective the day after it was signed into law, but different effective dates apply to specific sections of the law. The Act, among other things:

- Resulted in the Federal Reserve issuing rules limiting debit-card interchange fees.
- After a three-year phase-in period which began January 1, 2013, existing trust preferred securities for holding companies with consolidated assets greater than \$15 billion and all new issuances of trust preferred securities are removed as a permitted component of a holding company's Tier 1 capital. Trust

preferred securities outstanding as of May 19, 2010 that were issued by bank holding companies with total consolidated assets of less than \$15 billion, such as the Company, will continue to count as Tier 1 capital.

- Provides for disclosure and other requirements relating to executive compensation and corporate governance.
- Changes standards for Federal preemption of state laws related to federally chartered institutions and their subsidiaries.
- Provides mortgage reform provisions including (i) a customer's ability to repay, (ii) restricting variable-rate lending by requiring the ability to repay to be determined for variable-rate loans by requiring lenders to evaluate using the maximum rate that will apply during the first five years of a variable-rate loan term, and (iii) making more loans subject to provisions for higher cost loans and new disclosures.
- Creates a financial stability oversight council that will recommend to the Federal Reserve increasingly strict rules for capital, leverage, liquidity, risk management and other requirements as companies grow in size and complexity.
- Permanently increases the deposit insurance coverage to \$250 thousand and allows depository institutions to pay interest on checking accounts.
- Requires publicly traded bank holding companies with assets of \$10 billion or more to establish a risk committee responsible for enterprise-wide risk management practices.
- Limits and regulates, under the provisions of the Act known as the Volker Rule, a financial institution's ability to engage in proprietary trading or to own or invest in certain private equity and hedge funds.

Basel III

In September 2010, the Basel Committee on Banking Supervision proposed higher global minimum capital standards, including a minimum Tier 1 common capital ratio and additional capital and liquidity requirements. On July 2, 2013, the Federal Reserve Board approved a final rule to implement these reforms and changes required by the Dodd-Frank Act. This final rule was subsequently adopted by the OCC and the FDIC.

The final rule includes revised risk-based capital and leverage ratios. The minimum capital level requirements applicable to the Company and First Mid Bank are: (i) a common equity Tier 1 capital ratio of 4.5%, plus a 2.5% "capital conservation buffer", for effectively a minimum requirement of 7%; (ii) a Tier 1 capital ratio of 6%, plus a 2.5% "capital conservation buffer", for effectively a minimum requirement of 8.5%; (iii) a total capital ratio of 8%, plus a 2.5% "capital conservation buffer", for effectively a minimum requirement of 10.5%; and (iv) a Tier 1 leverage ratio of 4%. An institution is subject to limitations on paying dividends, engaging in share repurchases and paying discretionary bonuses if its capital level falls below the buffer amount.

Relevant to the Company, the final rule permanently grandfathered into Tier 1 capital of depository institution holding companies with total consolidated assets of less than \$15 billion as of December 31, 2009 any trust preferred securities or cumulative perpetual preferred stock issued before May 19, 2010.

The Company

General. As a registered financial holding company under the BHCA that has elected to become a financial holding company under the GLB Act, the Company is subject to regulation by the Federal Reserve Board. In accordance with Federal Reserve Board policy, the Company is expected to act as a source of financial strength to First Mid Bank and to commit resources to support First Mid Bank in circumstances where the Company might not do so absent such policy. The Company is subject to inspection, examination, and supervision by the Federal Reserve Board.

Activities. As a financial holding company, the Company may affiliate with securities firms and insurance companies and engage in other activities that are financial in nature or incidental or complementary to activities that are financial in nature. A bank holding company that is not also a financial holding company is limited to engaging in banking and such other activities as determined by the Federal Reserve Board to be so closely related to banking or managing or controlling banks as to be a proper incident thereto.

No Federal Reserve Board approval is required for the Company to acquire a company (other than a bank holding company, bank, or savings association) engaged in activities that are financial in nature or incidental to activities that are financial in nature, as determined by the Federal Reserve Board. However, the Company generally must give the Federal Reserve Board after-the-fact notice of these activities. Prior Federal Reserve Board approval is required before the Company may acquire beneficial ownership or control of more than 5% of the voting shares or substantially all of the assets of a bank holding company, bank, or savings association.

If any subsidiary bank of the Company ceases to be "well-capitalized" or "well-managed" under applicable regulatory standards, the Federal Reserve Board may, among other actions, order the Company to divest its depository institution. Alternatively, the Company may elect to conform its activities to those permissible for a bank holding company that is not also a financial holding company.

If any subsidiary bank of the Company receives a rating under the Community Reinvestment Act of less than "satisfactory", the Company will be prohibited, until the rating is raised to "satisfactory" or better, from engaging in new activities or acquiring companies other than bank holding companies, banks, or savings associations.

Capital Requirements. Bank holding companies are required to maintain minimum levels of capital in accordance with Federal Reserve Board capital adequacy guidelines. The Federal Reserve Board's capital guidelines establish the following minimum regulatory capital requirements for bank holding companies, which include the full phase in of the "capital conservation buffer": a total capital to total risk-based capital ratio of not less than 10.5%, a Tier 1 risk-based ratio of not less than 8.5%, a common equity Tier 1 capital ratio of not less than 7%, and a Tier 1 leverage ratio of not less than 4%. For purposes of these capital standards, Tier 1 capital consists primarily of permanent stockholders' equity, less intangible assets (other than certain mortgage servicing rights and purchased credit card relationships), and total

capital means Tier 1 capital plus certain other debt and equity instruments which do not qualify as Tier 1 capital, limited amounts of unrealized gains on equity securities and a portion of the Company's allowance for credit losses.

The risk-based and leverage standards described above are minimum requirements, and higher capital levels will be required if warranted by the particular circumstances or risk profiles of individual banking organizations. For example, the Federal Reserve Board's capital guidelines contemplate that additional capital may be required to take adequate account of, among other things, interest rate risk, or the risks posed by concentrations of credit, nontraditional activities or securities trading activities. Further, any banking organization experiencing or anticipating significant growth would be expected to maintain capital ratios, including tangible capital positions (i.e., Tier 1 capital less all intangible assets), well above the minimum levels.

As of December 31, 2024, the Company had regulatory capital, calculated on a consolidated basis, in excess of the Federal Reserve Board's minimum requirements, and its capital ratios exceeded those required for categorization as well-capitalized under the capital adequacy guidelines established by bank regulatory agencies with a total risk-based capital ratio of 15.37%, a Tier 1 risk-based ratio of 12.82%, a common equity Tier 1 capital ratio of 12.42% and a leverage ratio of 10.33%.

Control Acquisitions. The Change in Bank Control Act prohibits a person or group of people from acquiring "control" of a bank holding company unless the Federal Reserve Board has been notified and has not objected to the transaction. Under a rebuttable presumption established by the Federal Reserve Board, the acquisition of 10% or more of a class of voting stock of a bank holding company with a class of securities registered under Section 12 of the Securities Exchange Act of 1934, as amended, such as the Company, would, under the circumstances set forth in the presumption, constitute acquisition of control of the Company. In addition, any company is required to obtain the approval of the Federal Reserve Board under the BHCA before acquiring 25% (5% in the case of an acquirer that is a bank holding company) or more of the outstanding common of the Company, or otherwise obtaining control of a "controlling influence" over the Company or First Mid Bank.

Interstate Banking and Branching. The Dodd-Frank Act expands the authority of banks to engage in interstate branching. The Dodd-Frank Act allows a state or national bank to open a de novo branch in another state if the law of the state where the branch is to be located would permit a state bank chartered by that state to open the branch.

Privacy and Security. The GLB Act establishes a minimum federal standard of financial privacy by, among other provisions, requiring banks to adopt and disclose privacy policies with respect to consumer information and setting forth certain rules with respect to the disclosure to third parties of consumer information. The Company has adopted and disseminated its privacy policies pursuant to the GLB Act. Regulations adopted under the GLB Act set standards for protecting the security, confidentiality, and integrity of customer information, and require notice to regulators, and in some cases, to customers, in the event of security breaches. A number of states have adopted their own statutes requiring notification of security breaches. In addition, the GLB Act requires the disclosure of agreements reached with community groups that relate to the CRA, and contains various other provisions designed to improve the delivery of financial services to consumers while maintaining an appropriate level of safety in the financial services industry.

First Mid Bank

General. First Mid Bank is a national bank, chartered under the National Bank Act. The FDIC insures the deposit accounts of the banks. The Bank is a member of the Federal Reserve System and is subject to the examination, supervision, reporting and enforcement requirements of the OCC, as the primary federal regulator of national banks, and the FDIC, as administrator of the deposit insurance fund.

Deposit Insurance. As an FDIC-insured institution, banks are required to pay deposit insurance premium assessments to the FDIC. A number of requirements with respect to the FDIC insurance system have affected results, including insurance assessment rates.

The Company expensed \$3.5 million, \$3.3 million and \$1.8 million for its insurance assessment during 2024, 2023, and 2022 respectively.

OCC Assessments. All national banks are required to pay supervisory fees to the OCC to fund the operations of the OCC. The amount of such supervisory fees is based upon each institution's total assets, including consolidated subsidiaries, as reported to the OCC. During the years ended December 31, 2024, 2023, and 2022 the Company expensed supervisory fees totaling \$774,000, \$703,000, and \$868,000, respectively. Changes in total expense are due to changes in assessment rates and increases in total assets of First Mid Bank.

Capital Requirements. The banking regulators established the following minimum capital standards for banks, which include the full phase in of the "capital conservation buffer": a total capital to total risk-based capital ratio of not less than 10.5%, a Tier 1 risk-based ratio of not less than 8.5%, a common equity Tier 1 capital ratio of not less than 7%, and a Tier 1 leverage ratio of not less than 4%. For purposes of these capital standards, Tier 1 capital and total capital consists of substantially the same components as Tier 1 capital and total capital under the Federal Reserve Board's capital guidelines for bank holding companies (See "The Company—Capital Requirements").

The capital requirements described above are minimum requirements. Higher capital levels will be required if warranted by the particular circumstances or risk profiles of individual institutions. For example, the banking regulators provide that additional capital may be required to take adequate account of, among other things, interest rate risk or the risks posed by concentrations of credit, nontraditional activities, or securities trading activities.

During the year ended December 31, 2024, First Mid Bank was not required to increase capital to an amount in excess of the minimum regulatory requirements, and capital ratios exceeded those required for categorization as well-capitalized under the capital adequacy guidelines established by bank regulatory agencies. First Mid Bank's total risk-based capital ratio was 14.51%, Tier 1 risk-based ratio was 13.40%, common equity Tier 1 ratio was 13.40% and leverage ratio was 10.82%.

Prompt Corrective Action. Federal law provides the federal banking regulators with broad power to take prompt corrective action to resolve the problems of undercapitalized institutions. The extent of the regulators' powers depends on whether the institution in question is "well-capitalized," "adequately-capitalized," "undercapitalized," "significantly undercapitalized" or "critically undercapitalized." Depending upon the capital category to which an institution is assigned, the regulators' corrective powers include: requiring the submission of a capital restoration plan; placing limits on asset growth and restrictions on activities; requiring the institution to issue additional capital stock (including additional voting stock) or to be acquired; restricting transactions with affiliates; restricting the interest rate the institution may pay on deposits; ordering a new election of directors of the institution; requiring that senior executive officers or directors be dismissed; prohibiting the institution from

accepting deposits from correspondent banks; requiring the institution to divest certain subsidiaries; prohibiting the payment of principal or interest on subordinated debt; and in the most severe cases, appointing a conservator or receiver for the institution.

Dividends. The National Bank Act impose limitations on the amount of dividends that may be paid by a bank. Generally, a bank may pay dividends out of its undivided profits, in such amounts and at such times as the bank's board of directors deems prudent. Without prior OCC approval, however, a national bank may not pay dividends in any calendar year which, in the aggregate, exceed the bank's year-to-date net income plus the bank's adjusted retained net income for the two preceding years.

The payment of dividends by any financial institution or its holding company is affected by the requirement to maintain adequate capital pursuant to applicable capital adequacy guidelines and regulations, and a financial institution generally is prohibited from paying any dividends if, following payment thereof, the institution would be undercapitalized. As described above, First Mid Bank exceeded minimum capital requirements under applicable guidelines as of December 31, 2024. As of December 31, 2024, approximately \$74.5 million was available to be paid as dividends to the Company by First Mid Bank. Notwithstanding the availability of funds for dividends, however, the OCC may prohibit the payment of any dividends if the OCC, as applicable, determines that such payment would constitute an unsafe or unsound practice.

Affiliate and Insider Transactions. First Mid Bank is subject to certain restrictions under federal law, including Regulation W of the Federal Reserve Board, on extensions of credit to the Company and its subsidiaries, on investments in the stock or other securities of the Company and its subsidiaries and the acceptance of the stock or other securities of the Company or its subsidiaries as collateral for loans. Certain limitations and reporting requirements are also placed on extensions of credit by First Mid Bank to its directors and officers, to directors and officers of the Company and its subsidiaries, to principal stockholders of the Company, and to "related interests" of such directors, officers, and principal stockholders.

First Mid Bank is subject to restrictions under federal law that limits certain transactions with the Company, including loans, other extensions of credit, investments, or asset purchases. Such transactions by a banking subsidiary with any one affiliate are limited in amount to 10% of the bank's capital and surplus and, with all affiliates together, to an aggregate of 20% of the bank's capital and surplus. Furthermore, such loans and extensions of credit, as well as certain other transactions, are required to be secured in specified amounts. These and certain other transactions, including any payment of money to the Company, must be on terms and conditions that are or in good faith would be offered to nonaffiliated companies.

In addition, federal law and regulations may affect the terms upon which any person becoming a director or officer of the Company or one of its subsidiaries or a principal stockholder of the Company may obtain credit from banks with which First Mid Bank maintains a correspondent relationship.

Safety and Soundness Standards. The federal banking agencies have adopted guidelines that establish operational and managerial standards to promote the safety and soundness of federally insured depository institutions. The guidelines set forth standards for internal controls, information systems, internal audit systems, loan documentation, credit underwriting, interest rate exposure, asset growth, compensation, fees and benefits, asset quality and earnings. In general, the guidelines prescribe the goals to be achieved in each area, and each institution is responsible for establishing its own procedures to achieve those goals. If an institution fails to comply with any of the standards set forth in the guidelines, the institution's primary federal regulator may require the institution to submit a plan for achieving and maintaining compliance. The preamble to the guidelines states that the agencies expect to require a compliance plan from an institution whose failure to meet one or more of the guidelines are of such severity that it could threaten the safety and soundness of the institution. Failure to submit an acceptable plan, or failure to comply with a plan that has been accepted by the appropriate federal regulator, would constitute grounds for further enforcement action.

Community Reinvestment Act. First Mid Bank is subject to the Community Reinvestment Act (CRA). The CRA and the regulations issued thereunder are intended to encourage banks to help meet the credit needs of their service areas, including low and moderate income neighborhoods, consistent with the safe and sound operations of the banks. These regulations also provide for regulatory assessment of a bank's record in meeting the needs of its service area when considering applications to establish branches, merger applications and applications to acquire the assets and assume the liabilities of another bank. The Financial Institutions Reform, Recovery and Enforcement Act of 1989 requires federal banking agencies to make public a rating of a bank's performance under the CRA. In the case of a bank holding company, the CRA performance record of its bank subsidiaries is reviewed by federal banking agencies in connection with the filing of an application to acquire ownership or control of shares or assets of a bank or thrift or to merge with any other bank holding company. An unsatisfactory record can substantially delay or block the transaction. First Mid Bank received satisfactory CRA ratings from its regulator in its most recent CRA examination.

Consumer Laws and Regulations. In addition to the laws and regulations discussed above, First Mid Bank is also subject to certain consumer laws and regulations that are designed to protect consumers in transactions with banks. While the list set forth herein is not exhaustive, these laws and regulations include the Truth in Lending Act, the Truth in Savings Act, the Equal Credit Opportunity Act, the Fair Housing Act, the Fair Credit Reporting Act, the Fair and Accurate Credit Transactions Act and the Real Estate Settlement Procedures Act, among others. These laws and regulations mandate certain disclosure requirements and regulate the manner in which financial institutions must deal with customers when taking deposits, making loans to or marketing to or engaging in other types of transactions with such customers. Failure to comply with these laws and regulations could lead to substantial penalties, operating restrictions, and reputational damage to the financial institution.

Supplemental Item – Executive Officers of the Registrant

The executive officers of the Company are elected annually by the Company's Board of Directors and are identified below.

Name (Age)	Position With Company
Joseph R. Dively (65)	Chairman of the Board of Directors, President and Chief Executive Officer
Michael L. Taylor (56)	Senior Executive Vice President and Chief Operating Officer
Matthew K. Smith (50)	Executive Vice President and Chief Financial Officer
Eric S. McRae (59)	Executive Vice President
Bradley L. Beesley (53)	Executive Vice President
Clay M. Dean (50)	Executive Vice President
Amanda D. Lewis (45)	Executive Vice President
Rhonda Gatons (53)	Executive Vice President
Stas R. Wolak (49)	Executive Vice President
Jordan Read (35)	Executive Vice President
Jason Crowder (54)	Senior Vice President
Megan McElwee (37)	Senior Vice President
Anya Schuetz (50)	Senior Vice President
Jeremy R. Frieberg (44)	Senior Vice President

Joseph R. Dively, age 65, is the Chairman of the Board of Directors, President and Chief Executive Officer of the Company since January 1, 2014 and the President of First Mid Bank since May 2011. Prior to assuming these positions in the Company, he was the Senior Executive Vice President of the Company beginning in May 2011. He was with Consolidated Communications Holdings, Inc. in Mattoon, Illinois from 2003 to May 2011.

Michael L. Taylor, age 56, has been Senior Executive Vice President since 2014 and Chief Operating Officer since July 2017. He served as Chief Financial Officer of the Company from 2000 to 2017. He served as Executive Vice President from 2007 to 2014 and as Vice President from 2000 to 2007. He was with AMCORE Bank in Rockford, Illinois from 1996 to 2000.

Matthew K. Smith, age 50, has been Executive Vice President of the Company since November 2016 and Chief Financial Officer since July 2017. He served as Director of Finance from November 2016 to July 2017. He was Treasurer and Vice President of Finance and Investor Relations with Consolidated Communications, Inc from 1997 to 2016 and with Marine Bank prior.

Eric S. McRae, age 59, has been Executive Vice President of the Company and Executive Vice President, Chief Lending Officer of First Mid Bank since January 2022. He was Chief Credit Officer from January 2017 to December 2021. He served as Senior Lender of First Mid Bank from December 2008 to December 2016 and he served as President of the Decatur region from 2001 to December 2008.

Bradley L. Beesley, age 53, has been Executive Vice President of the Company and Chief Trust & Wealth Management Officer of First Mid Bank since March 2015 and First Mid Wealth Management Company since July 2018. He served as Senior Vice President from May 2007 to March 2015.

Clay M. Dean, age 50, has been Executive Vice President of the Company since January 2019 and Senior Vice President of the Company since 2010 and Senior Vice President and Chief Insurance Services Officer of the First Mid Bank and Chief Executive Officer of First Mid Insurance since September 2014. He served as Senior Vice President, Chief Deposit Services Officer of First Mid Bank from November 2012 to September 2014 and as Senior Vice President, Director of Treasury Management of First Mid Bank from 2010 to 2012.

Amanda D. Lewis, age 45, has been Chief Operations Officer since July 2023 and Executive Vice President of the Company since January 2019. She served as Senior Vice President of the Company and Senior Vice President, Retail Banking Officer of First Mid Bank from September 2014 to July 2023 and as Vice President, Director of Marketing from 2001 until September 2014.

Rhonda Gatons, age 53, has been Executive Vice President of the Company since April of 2022 and Director of Human Resources since March 2016. Prior to joining the Company, she was the Director of Human Resources at Midland States Bank.

Stas R. Wolak, age 49, has been Executive Vice President and the Chief Retail Banking Officer since February 2024. Prior to joining the Company, he was the Sales and Client Experience Director at PNC Bank from 2013 to 2023.

Jordan Read, age 35, has been Executive Vice President for the Company since January 2024 and Senior Vice President and Chief Risk Officer of First Mid Bank since August 2021. He was Director of Internal Audit of Enterprise Bank and Trust from 2018 to 2021.

Jason Crowder, age 54, has been Senior Vice President and General Counsel of the Company since August 2019. Prior to joining the Company, he was the Corporate Counsel of Petersen Health Care, Inc., from 2008 to July 2019, and an attorney at Heller, Holmes & Associates from 1996 to 2008.

Megan McElwee, age 37, has been Senior Vice President and Chief Credit Officer since January 2022. She served as Vice President and Director of Credit Administration from 2021 to 2022, Credit Administration Manager from 2017 to 2021, and Credit Officer from 2011 to 2017.

Anya Schuetz, age 50, has been Senior Vice President since February 2023 and Director of Project Management since January 2013. She served as Vice President from January 2013 to January 2023.

Jeremy R. Frieburg, age 44, has been Senior Vice President and the Chief Information Officer since February 2024. Prior to joining the Company, he was a Chief Information Officer for INB, N.A. from 2021 to 2024.

ITEM 1A. RISK FACTORS

Various risks and uncertainties, some of which are difficult to predict and beyond the Company's control, could negatively impact the Company. As a financial institution, the Company is exposed to credit risk, interest rate and liquidity risk, operational risk, risks from economic and market conditions, and general business risks among others. Adverse experience with these or other risks could have a material impact on the Company's financial condition and results of operations, as well as the value of its common stock.

Credit Risks

Loan customers or other counterparties may not be able to perform their contractual obligations resulting in a negative impact on the Company's earnings. Overall economic conditions affecting businesses and consumers, including the current difficult economic conditions and market disruptions, could impact the Company's credit losses. In addition, real estate valuations could also impact the Company's credit losses as the Company maintains \$3.9 billion in loans secured by commercial, agricultural, and residential real estate. A significant decline in real estate values could have a negative effect on the Company's financial condition and results of operations. In addition, the Company's total loan balances by industry exceeded 25% of total risk-based capital for each of three industries as of December 31, 2024. A listing of these industries is contained in under "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations -- Loans" herein. A significant change in one of these industries such as a significant decline in agricultural crop prices, could adversely impact the Company's credit losses.

Deterioration in the real estate market could lead to losses, which could have a material adverse effect on the business, financial condition and results of operations or the Company. Commercial and commercial real estate loans generally involve higher credit risks than residential real estate and consumer loans. Because payments on loans secured by commercial real estate or equipment are often dependent upon the successful operation and management of the underlying assets, repayment of such loans may be influenced to a great extent by conditions in the market or the economy. Increases in commercial and consumer delinquency levels or declines in real estate market values would require increased net charge-offs and increases in the allowance for credit losses, which could have a material adverse effect on our business, financial condition and results of operations and prospects.

The allowance for credit losses may prove inadequate or be negatively affected by credit risk exposures. The Company's business depends on the creditworthiness of its customers. Management periodically reviews the allowance for loan and lease losses for adequacy considering economic conditions and trends, collateral values, and credit quality indicators, including past charge-off experience and levels of past due loans and nonperforming assets. There is no certainty that the allowance for credit losses will be adequate over time to cover credit losses in the portfolio because of unanticipated adverse changes in the economy, market conditions or events adversely affecting specific customers, industries, or markets. If the credit quality of the customer base materially decreases, if the risk profile of a market, industry or group of customers changes materially, or if the allowance for credit losses is not adequate, the Company's business, financial condition, liquidity, capital, and results of operations could be materially adversely affected.

The Company depends on the accuracy and completeness of information furnished by and on behalf of our customers and counterparties. In deciding whether to extend credit or enter into other transactions, the Company may rely on information furnished by or on behalf of customers and counterparties, including financial statements, credit reports, and other financial information. The Company may also rely on representations of those customers, counterparties, or other third parties, such as independent auditors, as to the accuracy and completeness of that information. Reliance on inaccurate or misleading financial statements, credit reports, or other financial information could cause the Company to enter into unfavorable transactions, which could have a material adverse effect on financial condition and results of operations.

Interest Rate and Liquidity Risks

Changes in interest rates may negatively affect our earnings. Changes in market interest rates and prices may adversely affect the Company's financial condition or results of operations. The Company's net interest income, its largest source of revenue, is highly dependent on achieving a positive spread between the interest earned on loans and investments and the interest paid on deposits and borrowings. Changes in interest rates could negatively impact the Company's ability to attract deposits, make loans, and achieve a positive spread resulting in compression of the net interest margin.

Declines in the value of securities held in the investment portfolio may negatively affect the Company's earnings and capital. The value of an investment in the portfolio could decrease due to changes in market factors. The market value of certain investment securities is volatile and future declines or other-than-temporary impairments could materially adversely affect the Company's future earnings and capital. Continued volatility in the market value of certain of the investment securities, whether caused by changes in market perceptions of credit risk, as reflected in the expected market yield of the security, or actual defaults in the portfolio could result in significant fluctuations in the value of the securities. This could have a material adverse impact on the Company's accumulated other comprehensive loss and shareholders' equity depending upon the direction of the fluctuations.

Furthermore, future downgrades or defaults in these securities could result in future classifications as other-than-temporarily impaired. The Company has invested in trust preferred securities issued by financial institutions and insurance companies, corporate securities of financial institutions, and stock in the Federal Home Loan Bank of Chicago and Federal Reserve Bank of Chicago. Deterioration of the financial stability of the underlying financial institutions for these investments could result in other-than-temporary impairment charges to the Company and could have a material impact on future earnings. For further discussion of the Company's investments, see Note 4 -- "Investment Securities."

The Company may not have sufficient cash or access to cash to satisfy current and future financial obligations, including demands for loans and deposit withdrawals, funding operating costs and for other corporate purposes. This type of liquidity risk arises whenever the maturities of financial instruments included

in assets and liabilities differ. The Company's liquidity can be affected by a variety of factors, including general economic conditions, market disruption, operational problems affecting third parties or the Company, unfavorable pricing, competition, the Company's credit rating and regulatory restrictions. (See "Liquidity" herein for management's actions to mitigate this risk.)

If the Company were unable to borrow funds through access to capital markets, it may not be able to meet the cash flow requirements of its depositors, creditors, and borrowers, or the operating cash needed to fund corporate expansion and other corporate activities. As seen starting in the middle of 2007, significant turmoil and volatility in worldwide financial markets can result in a disruption in the liquidity of financial markets and could directly impact the Company to the extent it needs to access capital markets to raise funds to support its business and overall liquidity position. These types of situations could affect the cost of such funds or the Company's ability to raise such funds. If the Company were unable to access any of these funding sources when needed, it might be unable to meet customers' needs, which could adversely impact its financial condition, results of operations, cash flows, and level of regulatory-qualifying capital. For further discussion, see the "Liquidity" section.

Operational Risks

A failure in or breach of the Company's operational or security systems, or those of its third-party service providers, including as a result of cyber-attacks, could disrupt the Company's business, result in unintentional disclosure or misuse of confidential or proprietary information, damage the Company's reputation, increase our costs, and cause losses. As a financial institution, the Company's operations rely heavily on the secure processing, storage, and transmission of confidential and other information on its computer systems and networks. Any failure, interruption or breach in security or operational integrity of these systems could result in failures or disruptions in the Company's online banking system, customer relationship management, general ledger, deposit and loan servicing and other systems. The security and integrity of these systems could be threatened by a variety of interruptions or information security breaches, including those caused by computer hacking, cyber-attacks, electronic fraudulent activity, or attempted theft of financial assets. Management cannot assert that any such failures, interruption or security breaches will not occur, or if they do occur that they will be adequately addressed. While certain protective policies and procedures are in place, the nature and sophistication of the threats continue to evolve. The Company may be required to expend significant additional resources in the future to modify and enhance these protective measures.

Additionally, the Company faces the risk of operational disruption, failure, termination, or capacity constraints of any of the third parties that facilitate its business activities, including exchanges, clearing agents, clearing houses or other financial intermediaries. Such parties could also be the source of an attack on, or breach of, its operational systems. Any failures, interruptions or security breaches in the Company's information systems could damage its reputation, result in a loss of customer business, result in a violation of privacy or other laws, or expose us to civil litigation, regulatory fines or losses not covered by insurance.

If the Company's stock price declines from levels at December 31, 2024, management will evaluate the goodwill balance for impairment, and if the values of the business has declined, the Company could recognize an impairment charge for its goodwill. Management performed its annual goodwill impairment assessment as of September 30, 2024. Based on these analyses, management concluded that the fair value of the Company's reporting units exceeded the fair value of its assets and liabilities and, therefore, goodwill was not considered impaired. It is possible that management's assumptions and conclusions regarding the valuation of the Company's lines of business could change adversely, which could result in the recognition of impairment for goodwill, which could have a material effect on the Company's financial position and future results of operations.

Human error, inadequate or failed internal processes and systems, and external events may have adverse effects on the Company. Operational risk includes compliance or legal risk, which is the risk of loss from violations of, or noncompliance with, laws, rules, regulations, prescribed practices, or ethical standards. Operational risk also encompasses transaction risk, which includes losses from fraud, error, the inability to deliver products or services, and loss or theft of information. Losses resulting from operational risk could take the form of explicit charges, increased operational costs, harm to the Company's reputation or forgone opportunities. Any of these could potentially have a material adverse effect on the Company's reputation, financial condition, and results of operations.

The Company is exposed to various business risks that could have a negative effect on the financial performance of the Company. These risks include changes in customer behavior, changes in competition, new litigation or changes to existing litigation, claims and assessments, environmental liabilities, real or threatened acts of war or terrorist activity, adverse weather, changes in accounting standards, legislative or regulatory changes, taxing authority interpretations, and an inability on the Company's part to retain and attract skilled employees.

In addition to these risks identified by the Company, investments in the Company's common stock involve risk. The market price of the Company's common stock may fluctuate significantly in response to a number of factors including volatility of stock market prices and volumes, rumors or erroneous information, changes in market valuations of similar companies, changes in securities analysts' estimates of financial performance, and variations in quarterly or annual operating results.

Economic and Market Conditions Risks

Difficult economic conditions and market disruption have adversely impacted the banking industry and financial markets generally and may again significantly affect the business, financial condition, or results of operations of the Company. The Company's success depends, to a certain extent, upon economic and political conditions, local and national, as well as governmental monetary policies. Conditions such as inflation, recession, unemployment, changes in interest rates, money supply and other factors beyond the Company's control may adversely affect its asset quality, deposit levels and loan demand and, therefore, its earnings.

The Company's profitability depends significantly on economic conditions in the geographic region in which it operates. A large percentage of the Company's loans are to individuals and businesses in Illinois, consequently, any decline in the economy of this market area could have a materially adverse effect on the Company's financial condition and results of operations.

Decline in the strength and stability of other financial institutions may adversely affect the Company's business. The actions and commercial soundness of other financial institutions could affect the Company's ability to engage in routine funding transactions. Financial services institutions are interrelated as a result of

clearing, counterparty or other relationships. The Company has exposure to different counterparties and executes transactions with various counterparties in the financial industry. Recent defaults by financial services institutions, and even rumors or questions about one or more financial services institutions or the financial services industry in general, led to market-wide liquidity problems in recent years and could lead to losses or defaults by the Company or by other institutions. Many of these transactions expose the Company to credit risk in the event of default of its counterparty or client. Any such losses could materially and adversely affect the Company's results of operations.

The Company is subject to Environmental, Social and Governance ("ESG") risks that could adversely affect its reputation and the market price of its securities. The Company is subject to a variety of risks arising from ESG matters. ESG matters include climate risk, hiring practices, the diversity of the work force, and racial and social justice issues involving the Company's personnel, customers and third parties with whom it otherwise does business. Risks arising from ESG matters may adversely affect, among other things, reputation and the market price of the Company's securities. Further, the Company may be exposed to negative publicity based on the identity and activities of those to whom it lends and with which it otherwise does business and the public's view of the approach and performance of its customers and business partners with respect to ESG matters. Any such negative publicity could arise from adverse news coverage in traditional media and could also spread through the use of social media platforms. The Company's relationships and reputation with its existing and prospective customers and third parties with which it does business could be damaged if it were to become the subject of any such negative publicity. This, in turn, could have an adverse effect on the Company's ability to attract and retain customers and employees and could have a negative impact on the market price for securities. Investors have begun to consider the steps taken and resources allocated by financial institutions and other commercial organizations to address ESG matters when making investment and operational decisions. Certain investors are beginning to incorporate the business risks of climate change and the adequacy of companies' responses to the risks posed by climate change and other ESG matters into their investment theses. These shifts in investing priorities may result in adverse effects on the market price of the Company's securities to the extent that investors determine that the Company has not made sufficient progress on ESG matters.

The Company's business could suffer if it fails to attract and retain skilled people. The Company's success depends, in large part, on its ability to attract and retain key people. Competition for the best employees in most of the activities the Company engages in can be intense. The Company may not be able to hire the best people for key roles or retain them. In addition, increased work-from-home arrangements, may exacerbate the challenges of attracting and retaining talented and diverse employees as job markets may be less constrained by physical geography. Our current or future approach to in-office and work-from-home arrangements may not meet the needs or expectations of current or prospective employees or may not be perceived as favorable compared to the arrangements offered by competitors, which could adversely affect the Company's ability to attract and retain employees. The loss of any key personnel or an inability to continue to attract, retain, and motivate key personnel could adversely affect the Company's business.

Climate change could have a material negative impact on the Company and customers. The Company's business, as well as the operations and activities of its customers, could be negatively impacted by climate change. Climate change presents both immediate and long-term risks to the Company and its customers, and these risks are expected to increase over time. Climate change presents multi-faceted risks, including: operational risk from the physical effects of climate events on the Company and its customers' facilities and other assets; credit risk from borrowers with significant exposure to climate risk; transition risks associated with the transition to a less carbon-dependent economy; and reputational risk from stakeholder concerns about the Company's practices related to climate change, the Company's carbon footprint, and the Company's business relationships with clients who operate in carbon-intensive industries. Federal and state banking regulators and supervisory authorities, investors, and other stakeholders have increasingly viewed financial institutions as important in helping to address the risks related to climate change both directly and with respect to their customers, which may result in financial institutions coming under increased pressure regarding the disclosure and management of their climate risks and related lending and investment activities. Ongoing legislative or regulatory uncertainties and changes regarding climate risk management and practices may result in higher regulatory, compliance, credit, and reputational risks and costs. The risks associated with climate change are changing and evolving in an escalating fashion, making them difficult to assess due to limited data and other uncertainties. The Company could experience increased expenses resulting from strategic planning, litigation, and technology and market changes, and reputational harm as a result of negative public sentiment, regulatory scrutiny, and reduced investor and stakeholder confidence due to the Company's response to climate change and its climate change strategy, which, in turn, could have a material negative impact on business, results of operations, and financial condition.

Other Business Risks

The Company may issue additional common stock or other equity securities in the future which could dilute the ownership interest of existing stockholders. To maintain capital at desired or regulatory-required levels, to replace existing capital, or to complete acquisitions the Company may be required to issue additional shares of common stock, or securities convertible into, exchangeable for or representing rights to acquire shares of common stock. The Company may sell these shares at prices below the current market price of shares, and the sale of these shares may significantly dilute stockholder ownership. The Company could also issue additional shares in connection with acquisitions of other financial institutions.

If the Company is unable to make favorable acquisitions or successfully integrate our acquisitions, the Company's growth could be impacted. In the past several years, the Company has completed acquisitions of banks, bank branches and other businesses. We may continue to make such acquisitions in the future. When the Company evaluates acquisition opportunities, the Company evaluates whether the target institution has a culture similar to the Company, experienced management, and the potential to improve the financial performance of the Company. If the Company fails to successfully identify, complete, and integrate favorable acquisitions, the Company could experience slower growth. Acquiring other banks, bank branches or businesses involves various risks commonly associated with acquisitions, including, among other things: potential exposure to unknown or contingent liabilities or asset quality issues of the target institution, difficulty and expense of integrating the operations and personnel of the target institution, potential disruption to the Company (including diversion of management's time and attention), difficulty in estimating the value of the target institution, and potential changes in banking or tax laws or regulations that may affect the target institution.

The Company and the banking industry are subject to government regulation, legislation, and policy. Government regulation, legislation and policy affect the Company and the banking industry as a whole, including the Company's business and results of operations. The Company's results of operations could be adversely affected by changes in how existing regulations are interpreted or applied by government agencies, or by the adoption of new government regulation, legislation, and policy. These changes may require the Company to invest significant funds and management attention and resources in order to reach compliance. In addition, any enforcement matters could impact supervisory and CRA ratings, which may restrict or limit the Company's activities.

The Company operates in a highly competitive industry and market area. The Company faces substantial competition in all areas of its operations from a variety of different competitors, both within and beyond its principal markets, many of which are larger and may have more financial resources. Such competitors primarily include national, regional, and internet banks within the various markets in which the Company operates. The Company also faces competition from many other types of financial institutions, including, without limitation, savings and loans, credit unions, finance companies, brokerage firms, insurance companies, and other financial intermediaries. The financial services industry could become even more competitive as a result of legislative and regulatory changes and continued consolidation.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 1C. CYBERSECURITY

Risk management and strategy

The Company's Information Security strategy prioritizes detection, analysis and response to known, anticipated or unexpected threats; effective management of security risks; and resiliency against incidents. The Company's cybersecurity risk management processes include technical security controls, policy enforcement mechanisms, monitoring systems, employee training, contractual arrangements, tools and related services from third-party providers, and management oversight to assess, identify and manage material risks from cybersecurity threats. The Company implements risk-based controls to protect the Company's information, information systems, business operations, products and related services, and the information of the Company's customers. The Company has adopted security-control principles based on the Federal Financial Institutions Examination Council (FFIEC) Cyber Security Assessment Tool (CAT), and other industry-recognized standards, and contractual requirements, as applicable. The Company also leverages industry associations, third-party benchmarking, the results from regular internal and third-party audits, threat intelligence feeds, and other similar resources to inform the Company's cybersecurity processes and allocate resources.

The Company maintains security programs that include physical, administrative and technical safeguards, and the Company maintains plans and procedures whose objective is to help the Company prevent and timely and effectively respond to cybersecurity threats or incidents. Through the Company's cybersecurity risk management process, the Company continuously monitors cybersecurity vulnerabilities and potential attack vectors to Company systems, and the Company evaluates the potential operational and financial effects of any threat and of cybersecurity countermeasures made to defend against such threats. The Company continues to integrate the Company's cyber practice within the Company's Risk Oversight Committee, and Enterprise Risk Management program, both of which are overseen by the Company's Board of Directors and provide frameworks for identifying and tracking cyber-related business and compliance risks across the Organization. The Company periodically engages third-party consultants to assist us in assessing, enhancing, implementing, and monitoring the Company's cybersecurity risk management programs and responding to any incidents.

As part of the Company's cybersecurity risk management process, the Company conducts an annual "tabletop" exercise during which the Company simulates cybersecurity incidents to ensure that the Company is prepared to respond to such an incident and to highlight any areas for potential improvement in the Company's cyber incident preparedness. This exercise is conducted at both the technical level and senior management level. In addition, all employees are required to pass mandatory cybersecurity training courses on an annual basis and receive bi-weekly phishing simulations to provide "experiential learning" on how to recognize phishing attempts.

The Company has established a cybersecurity vendor risk management program, which is a cross-functional program that forms part of the Company's Enterprise Risk Management program and is supported by the Company's security, compliance, and third-party partners. Through this evolving program, the Company assesses the risks from cybersecurity threats that impact the Company's third-party service providers with whom the Company shares personal identifying and confidential information. The Company continues to evolve the oversight processes to mature how the Company identifies and manages cybersecurity risks associated with the products or services the Company procures from third parties.

The Company has experienced, and may in the future experience, whether directly or through the Company's third-party partners, cybersecurity incidents. While prior incidents have not materially affected the Company's business strategy, results of operations or financial condition, and although the Company's processes are designed to help prevent, detect, respond to, and mitigate the impact of such incidents, there is no guarantee that a future cyber incident would not materially affect the Company's business strategy, results of operations or financial condition.

Governance

The Company's Board of Directors has overall responsibility for risk oversight, with its committees assisting the Board in performing this function. The Company's Board of Directors has delegated oversight of risks related to cybersecurity to two Board committees, the Risk Oversight Committee and Audit Committee, and each committee reports on its activities and findings to the Board on a quarterly cadence. The Audit Committee is charged with reviewing the Company's cybersecurity processes for assessing key strategic, operational, and compliance risks. The Company's Information Security Officer provides presentations to the Risk Oversight Committee and the Board, on cybersecurity risks quarterly. These briefings may include assessments of cyber risks, the threat landscape, updates on incidents, and reports on the Company's investments in cybersecurity risk mitigation and governance. In the event of a potentially material cybersecurity event, the Incident Response Team (IRT) is notified and briefed, and meetings with that team and/or Executive Committee members are held, with the Board of Directors being briefed, as appropriate.

The Company's Information Security Officer (ISO), James Hinks, leads our cybersecurity program and oversees the Company's Security Operations Team (SOC), supporting our security functions of identifying, preventing, detecting, responding, and recovering. The SOC team comprises personnel with extensive experience in information technology across the private and public sectors. Mr. Hinks holds multiple security accreditations and 25 years of experience in cybersecurity, software development, systems, networking, and other technology-related roles within public and private industries, with 15 years in IT leadership roles. Mr. Hinks has been employed with the Company since 2019, overseeing information security, disaster recovery, vendor management, and physical security.

ITEM 2. PROPERTIES

The Company's headquarters is located at 1421 Charleston Avenue, Mattoon Illinois. This location is also used by the deposit operations department of First Mid Bank. In addition, the Company owns facilities located at 1500 Wabash Avenue, Mattoon, Illinois, and 1420 Wabash Avenue, Mattoon, Illinois, which are used by branch support operations, and 1100 Broadway Avenue, Mattoon, Illinois which is used by loan operations, and a facility located at 1321 Charleston Avenue, Mattoon, Illinois which is used by First Mid Wealth Management Company.

The main office of First Mid Bank is located at 1515 Charleston Avenue, Mattoon, Illinois and is owned by First Mid Bank. First Mid Bank also owns a building located at 1520 Charleston Avenue, which is used by First Mid Insurance, and by First Mid Bank for back-room operations. First Mid Insurance also uses a building owned by First Mid Bank at 1501 Broadway Avenue. First Mid Bank also conducts business through numerous facilities, owned, leased, and located on land only leases in twenty-eight counties throughout Illinois, six throughout Missouri, one county in Wisconsin, and one county in Texas. Of the eighty-two banking offices operated by First Mid Bank, sixty-one are owned, seventeen are leased from non-affiliated third parties, and four are located in land only leases with non-affiliated third parties. First Mid Bank also has an office in metro Indianapolis, Indiana that provides agency finance and loan production services and an office in Roscoe, Illinois that provides processing services for mortgage banking. In addition to having employees throughout the First Mid Bank footprint, First Mid Insurance Group and First Mid Wealth Management conduct business in numerous other facilities. First Mid Insurance leases facilities located in three counties in Illinois and two counties in Missouri from non-affiliated third parties. First Mid Wealth Management leases facilities located in three counties in Illinois from non-affiliated third parties.

None of the properties owned by the Company are subject to any major encumbrances. The Company believes these facilities are suitable and adequate to operate its banking and related business. The net investment of the Company and subsidiaries in real estate and equipment at December 31, 2024 was \$100.2 million.

ITEM 3. LEGAL PROCEEDINGS

From time to time the Company and its subsidiaries may be involved in litigation that the Company believes is a type common to our industry. None of any such existing claims are believed to be individually material at this time to the Company, although the outcome of any such existing claims cannot be predicted with certainty.

ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED SHAREHOLDER MATTERS AND ISSUER OF PURCHASES OF EQUITY SECURITIES

The Company's common stock is included for quotation on the NASDAQ Stock Market, LLC under the trading symbol "FMBH".

The Company's shareholders are entitled to receive dividends as are declared by the Board of Directors, which considered quarterly payment of dividends during 2024. The ability of the Company to pay dividends, as well as fund its operations, is dependent upon receipt of dividends from First Mid Bank. Regulatory authorities limit the amount of dividends that can be paid by First Mid Bank without prior approval from such authorities. For further discussion of the Bank's dividend restrictions, see Item 1 – "Business" – "First Mid Bank" – "Dividends" and Note 16 – "Dividend Restrictions" herein.

The following table summarizes share repurchase activity for the fourth quarter of 2024:

ISSUER PURCHASES OF EQUITY SECURITIES				
Period	(a) Total Number of Shares Purchased	(b) Average Price Paid per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	(d) Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs at End of Period
October 1, 2024 – October 31, 2024	—	\$ —	—	\$ 3,600,000
November 1, 2024 – November 30, 2024	—	—	—	3,600,000
December 1, 2024 – December 31, 2024	15,978	41.23	15,978	2,941,000
Total	15,978	\$ 41.23	15,978	\$ 2,941,000

All of the repurchase activity that occurred during 2024 resulted from shares withheld to cover taxes on employee stock vesting. There were no other shares repurchased during 2024. Since August 5, 1998, the Board of Directors has approved repurchase programs pursuant to which the Company may repurchase a total of approximately \$76.7 million of the Company's common stock.

ITEM 6. [Reserved]

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis are intended to provide a better understanding of the consolidated financial condition and results of operations of the Company and its subsidiaries for the years ended December 31, 2024, 2023, and 2022. This discussion and analysis should be read in conjunction with the consolidated financial statements, related notes and selected financial data appearing elsewhere in this report.

Forward-Looking Statements

This report may contain certain forward-looking statements, such as discussions of the Company's pricing and fee trends, credit quality and outlook, liquidity, new business results, expansion plans, anticipated expenses, and planned schedules. The Company intends such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995. Forward-looking statements, which are based on certain assumptions and describe future plans, strategies, and expectations of the Company, are identified by use of the words "believe," "expect," "intend," "anticipate," "estimate," "project," or similar expressions. Actual results could differ materially from the results indicated by these statements because the realization of those results is subject to many risks and uncertainties, including those described in Item 1A. "Risk Factors" and other sections of the Company's Annual Report on Form 10-K and the Company's other filings with the SEC, and changes in interest rates, general economic conditions and those in the Company's market area, legislative/regulatory changes, monetary and fiscal policies of the U.S. Government, including policies of the U.S. Treasury and the Federal Reserve Board, the quality or composition of the loan or investment portfolios and the valuation of the investment portfolio, the Company's success in raising capital, demand for loan products, deposit flows, competition, demand for financial services in the Company's market area and accounting principles, policies and guidelines. Furthermore, forward-looking statements speak only as of the date they are made. Except as required under the federal securities laws or the rules and regulations of the SEC, we do not undertake any obligation to update or review any forward-looking information, whether as a result of new information, future events or otherwise.

For the Years Ended December 31, 2024, 2023, and 2022 Overview

This overview of management's discussion and analysis highlights selected information in this document and may not contain all the information that is important to you. For a more complete understanding of trends, events, commitments, uncertainties, liquidity, capital resources, and critical accounting estimates, you should carefully read this entire document. These have an impact on the Company's consolidated financial condition and results of consolidated operations.

Net income was \$78.9 million, \$68.9 million, and \$73.0 million and diluted earnings per share were \$3.30, \$3.15, and \$3.60 for the years ended December 31, 2024, 2023, and 2022, respectively. The following table shows the Company's annualized performance ratios for the years ended December 31, 2024, 2023, and 2022:

	2024	2023	2022
Return on average assets	1.04%	0.97%	1.11%
Return on average common equity	9.67%	10.10%	11.38%
Average common equity to average assets (non-GAAP)	10.76%	9.61%	9.77%

Total assets at December 31, 2024, 2023, and 2022 were \$7.52 billion, \$7.59 billion, and \$6.74 billion, respectively. Net loan balances increased to \$5.60 billion at December 31, 2024, from \$5.51 billion at December 31, 2023, and from \$4.77 billion at December 31, 2022. The increase in 2024 was primarily due to organic growth within the established footprint. The increase in 2023 was primarily due to approximately \$730.2 million of gross loans acquired, after purchase accounting adjustments, from Blackhawk Bank. The increase in 2022 was primarily due to approximately \$418.5 million of loans acquired from Jefferson Bank.

Total deposit balances decreased to \$6.06 billion at December 31, 2024 from \$6.12 billion at December 31, 2023 which was an increase from \$5.26 billion at December 31, 2022. The decrease in 2024 was due primarily to a reduction in brokered CDs and purchased CDs as part of the Company's strategy to reduce its cost of funds. The increase in 2023 was primarily due to \$1.19 billion acquired from Blackhawk Bank.

Net interest margin (tax effected), defined as net interest income divided by average interest-earning assets, was 3.34% for 2024, 3.05% for 2023 and 3.13% for 2022. The increase in 2024 was primarily due to repricing of earning assets catching up to the increased cost of funding experience in 2023. The decrease in 2023 was primarily due to an increase in rates on interest-bearing deposits and borrowings.

Net interest income increased to \$228.7 million in 2024 from \$193.5 million in 2023 and \$184.3 million in 2022. During 2024, the increase in net interest income was primarily due to the Blackhawk Bank acquisition being present for a full calendar year and the previously mentioned explanation for the increase in net interest margin (tax effected). During 2023, the increase in net interest income was primarily due to the acquisition of Blackhawk Bank.

Non-interest income increased to \$96.3 million in 2024 compared to \$86.8 million in 2023 and \$74.7 million in 2022. The increase in 2024 was primarily due to the Blackhawk Bank acquisition being present for a full calendar year and the increase in insurance commissions due to the acquisition of Mid Rivers Insurance Group in 2024. The increase in 2023 was primarily due to the acquisition of Blackhawk Bank and an increase in insurance revenues.

Non-interest expenses increased to \$215.0 million in 2024 compared to \$185.7 million in 2023, and \$162.9 million in 2022. The increase in 2024 is primarily due to increased employees and locations from the Blackhawk Bank acquisition being present for a full calendar year. The increase in 2023 was primarily due to the acquisition of Blackhawk Bank and nonrecurring costs tied to the acquisition and integration.

Following is a summary of the factors that contributed to the changes in net income (in thousands):

	2024 vs 2023	2023 vs 2022
Net interest income	\$ 35,265	\$ 9,186
Provision for credit losses	469	(1,298)
Other income, including securities transactions	9,500	12,104
Other expenses	(29,243)	(22,879)
Income taxes	(6,028)	(1,130)
Increase (decrease) in net income	\$ 9,963	\$ (4,017)

Credit quality is an area of importance to the Company. Year-end total nonperforming loans were \$29.8 million at December 31, 2024 compared to \$20.1 million at December 31, 2023, and \$19.2 million at December 31, 2022. Repossessed Assets balances totaled \$2.2 million at December 31, 2024 compared to \$1.2 million at December 31, 2023, and \$4.4 million at December 31, 2022. The Company's provision for credit losses was \$5.6 million for 2024, compared to \$6.1 million for 2023, and \$4.8 million for 2022. The decrease of provision expense in 2024 was primarily due to the provision requirements in 2023 for the acquisition of Blackhawk Bank. The increase in provision expense for 2023 was primarily due to the acquisition of Blackhawk Bank.

The Company's capital position remains strong and the Company has consistently maintained regulatory capital ratios above the "well-capitalized" standards. The Company's Tier 1 capital ratio to risk weighted assets ratio at December 31, 2024, 2023, and 2022 was 12.82%, 12.02%, and 12.40%, respectively. The Company's total capital to risk weighted assets ratio at December 31, 2024, 2023, and 2022 was 15.37%, 14.84% and 15.20%, respectively. The increase in 2024 was primarily due to net income of the Company exceeding dividends paid to shareholders. The decrease in 2023 was primarily due to the acquisition of Blackhawk Bank.

The Company's liquidity position remains sufficient to fund operations and meet the requirements of borrowers, depositors, and creditors. The Company maintains various sources of liquidity to fund its cash needs. See "Liquidity" herein for a full listing of its sources and anticipated significant contractual obligations.

The Company enters into 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 lines of credit, letters of credit and other commitments to extend credit. The total outstanding commitments at December 31, 2024, 2023, and 2022 were \$1.4 billion, \$1.3 billion, and \$1.2 billion, respectively. See Note 17 – "Commitments and Contingent Liabilities" herein for further information.

Critical Accounting Policies and Use of Significant Estimates

The Company has established various accounting policies that govern the application of U.S. generally accepted accounting principles in the preparation of the Company's consolidated financial statements. The significant accounting policies of the Company are described in the footnotes to the consolidated financial statements. Certain accounting policies involve significant judgments and assumptions by management that have a material impact on the carrying value of certain assets and liabilities; management considers such accounting policies to be critical accounting policies. The judgments and assumptions used by management are based on historical experience and other factors, which are believed to be reasonable under the circumstances. Because of the nature of the judgments and assumptions made by management, actual results could differ from these judgments and assumptions, which could have a material impact on the carrying values of assets and liabilities and the results of operations of the Company.

Investment in Debt and Equity Securities. The Company classifies its investments in debt securities as either held-to-maturity or available-for-sale. Securities classified as held-to-maturity are recorded at amortized cost. Available-for-sale and equity securities are carried at fair value. Due to the subjective nature of the valuation process, it is possible that the actual fair values of these investments could differ from the estimated amounts, thereby affecting the financial position, results of operations and cash flows of the Company. If the estimated value of investments is less than the cost or amortized cost, the Company evaluates whether an event or change in circumstances has occurred that may have a significant adverse effect on the fair value of the investment. If such an event or change has occurred and the Company determines that the impairment is other-than-temporary, a further determination is made as to the portion of impairment that is related to credit loss. The impairment of the investment that is related to the credit loss is expensed in the period in which the event or change occurred. The remainder of the impairment is recorded in other comprehensive income (loss).

Loans. Loans are reported at amortized cost. Amortized cost is the principal balance outstanding, net of purchase discounts and premiums, fair value hedge accounting adjustments and deferred loan fees and costs. Accrued interest is reported separately and is included in interest receivable in the consolidated balance sheets.

Allowance for Credit Losses - Loans. The Company believes the allowance for credit losses for loans is the critical accounting policy that requires the most significant judgments and assumptions used in the preparation of its consolidated financial statements. The allowance for credit losses for loans represents the best estimate of losses inherent in the existing loan portfolio. An estimate of potential losses inherent in the loan portfolio are determined and an allowance for those losses is established by considering factors including historical loss rates, expected cash flows and estimated collateral values. In assessing these factors, the Company uses relevant available information, from internal and external sources, relating to past events, current conditions and reasonable and supportable forecasts.

The allowance for credit losses is measured on a collective (pool) basis for non-impaired loans with similar risk characteristics. Historical credit loss experience provides the basis for the estimate of expected credit losses. Adjustments to historical loss information are made for relevant factors to each pool including merger and acquisition activity, economic conditions, changes in policies, procedures and underwriting, and concentrations. The Company estimates the appropriate level of allowance for credit losses for impaired loans by evaluating them separately. A specific allowance is assigned to an impaired loan when expected cash flows or collateral are less than the carrying amount of the loan.

Allowance for Credit Losses - Off-Balance Sheet Credit Exposures. The Company estimates expected credit losses over the contractual period that the Company is exposed to credit risk via a contractual obligation to extend credit unless the obligation is unconditionally cancellable by the Company. The allowance for credit losses on off-balance sheet credit exposures is included in other liabilities in the consolidated balance sheets.

Deferred Income Tax Assets/Liabilities. The Company's net deferred income tax asset arises from differences in the dates that items of income and expense enter into our reported income and taxable income. Deferred tax assets and liabilities are established for these items as they arise. From an accounting standpoint, deferred tax assets are reviewed to determine if they are realizable based on the historical level of taxable income, estimates of future taxable income and the reversals of deferred tax liabilities. In most cases, the realization of the deferred tax asset is based on future profitability. If the Company were to experience net operating losses for tax purposes in a future period, the realization of deferred tax assets would be evaluated for a potential valuation reserve.

Additionally, the Company reviews its uncertain tax positions annually. An uncertain tax position is recognized as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely to be recognized on examination. For tax positions not meeting the "more likely than not" test, no tax benefit is recorded. A significant amount of judgment is applied to determine both whether the tax position meets the "more likely than not" test as well as to determine the largest amount of tax benefit that is greater than 50% likely to be recognized. Differences between the position taken by management and that of taxing authorities could result in a reduction of a tax benefit or increase to tax liability, which could adversely affect future income tax expense.

Impairment of Goodwill and Intangible Assets. Core deposit and customer relationships, which are intangible assets with a finite life, are recorded on the Company's consolidated balance sheets. These intangible assets were capitalized as a result of past acquisitions and are being amortized over their estimated useful lives of up to 15 years. Core deposit intangible assets, with finite lives will be tested for impairment when changes in events or circumstances indicate that its carrying amount may not be recoverable. Core deposit intangible assets were tested for impairment during 2024 as part of the goodwill impairment test and no impairment was deemed necessary.

As a result of the Company's acquisition activity, goodwill, an intangible asset with an indefinite life, is reflected on the consolidated balance sheets. Goodwill is evaluated for impairment annually, unless there are factors present that indicate a potential impairment, in which case, the goodwill impairment test is performed more frequently than annually.

Fair Value Measurements. The fair value of a financial instrument is defined as the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The Company estimates the fair value of a financial instrument using a variety of valuation methods. Where financial instruments are actively traded and have quoted market prices, quoted market prices are used for fair value. When the financial instruments are not actively traded, other observable market inputs, such as quoted prices of securities with similar characteristics, may be used, if available, to determine fair value. When observable market prices do not exist, the Company estimates fair value. The Company's valuation methods consider factors such as liquidity and concentration concerns. Other factors such as model assumptions, market dislocations, and unexpected correlations can affect estimates of fair value. Imprecision in estimating these factors can impact the amount of revenue or loss recorded.

ASC 820 establishes a framework for measuring the fair value of financial instruments that considers the attributes specific to particular assets or liabilities and establishes a three-level hierarchy for determining fair value based on the transparency of inputs to each valuation as of the fair value measurement date. The three levels are defined as follows:

- Level 1 — quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 — inputs include quoted prices for similar assets and liabilities in active markets, quoted prices of identical or similar assets or liabilities in markets that are not active, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3 — inputs that are unobservable and significant to the fair value measurement.

At the end of each quarter, the Company assesses the valuation hierarchy for each asset or liability measured. From time to time, assets or liabilities may be transferred within hierarchy levels due to changes in availability of observable market inputs to measure fair value at the measurement date. Transfers into or out of hierarchy levels are based upon the fair value at the beginning of the reporting period. A more detailed description of the fair values measured at each level of the fair value hierarchy can be found in Note 11 – "Disclosures of Fair Values of Financial Instruments."

Results of Operations

Net Interest Income

The largest source of operating revenue for the Company is net interest income. Net interest income represents the difference between total interest income earned on earning assets and total interest expense paid on interest-bearing liabilities. The amount of interest income is dependent upon many factors, including the volume and mix of earning assets, the general level of interest rates and the dynamics of changes in interest rates. The cost of funds necessary to support earning assets varies with the volume and mix of interest-bearing liabilities and the rates paid to attract and retain such funds.

Net interest income is the excess of interest received from earning assets over interest paid on interest-bearing liabilities. For analytical purposes, net interest income is presented on a full tax equivalent (TE) basis in the table that follows. The federal statutory rate in effect of 21% was used for all years. The TE analysis portrays the income tax benefits associated with the tax-exempt assets. The year-to-date net yield on interest-earning assets excluding the TE adjustments of \$3.1 million, \$3.1 million, and \$3.2 million for 2024, 2023, and 2022, respectively, were 3.28%, 3.00%, and 3.08% at December 31, 2024, 2023, and 2022, respectively. The Company's

average balances, fully tax equivalent interest income and interest expense, and rates earned or paid for major balance sheet categories are set forth in the following table (dollars in thousands):

	Year Ended December 31, 2024			Year Ended December 31, 2023			Year Ended December 31, 2022		
	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate
Assets									
Interest-bearing deposits	\$ 145,502	\$ 7,900	5.42%	\$ 82,640	\$ 5,107	6.18%	\$ 56,517	\$ 492	0.87%
Federal funds sold	297	53	18.00%	8,299	419	5.05%	5,772	113	1.96%
Certificates of deposit investments	3,053	144	4.71%	1,822	98	5.37%	1,756	37	2.10%
Investment securities									
Taxable	879,221	21,510	2.42%	964,898	24,307	2.52%	1,053,511	20,595	1.95%
Tax-exempt (Municipals)(TE)(1)	273,995	9,574	3.49%	276,417	9,889	3.58%	328,832	11,121	3.38%
Loans (TE)(1)(2)(3)	5,558,527	321,498	5.78%	5,079,949	263,406	5.19%	4,518,566	186,697	4.13%
Total earning assets	6,860,595	360,679	5.25%	6,414,025	303,226	4.73%	5,964,954	219,055	3.67%
Cash and due from banks	98,932			133,237			123,306		
Premises and equipment	101,529			94,897			88,744		
Other assets	603,998			520,944			439,545		
Allowance for credit losses	(68,805)			(62,878)			(58,876)		
Total assets	<u>\$ 7,596,249</u>			<u>\$ 7,100,225</u>			<u>\$ 6,557,673</u>		
Liabilities and stockholders' equity									
Deposits:									
Demand deposits, interest-bearing	\$ 3,040,397	67,999	2.24%	\$ 2,618,452	47,939	1.83%	\$ 2,598,480	13,709	0.53%
Savings deposits	675,622	810	0.12%	663,760	739	0.11%	666,334	570	0.09%
Time deposits	1,019,629	38,110	3.74%	961,162	28,616	2.98%	655,240	4,534	0.69%
Total interest-bearing deposits	4,735,648	106,919	2.26%	4,243,374	77,294	1.82%	3,920,054	18,813	0.48%
Securities sold under agreements to repurchase	221,789	6,448	2.91%	225,307	6,565	2.91%	202,242	1,795	0.89%
FHLB advances	239,949	8,673	3.61%	462,197	16,779	3.63%	276,401	6,184	2.24%
Federal funds purchased	—	1	—%	192	10	5%	481	9	1.87%
Subordinated debt	99,313	4,454	4.48%	99,638	4,196	4.18%	94,471	3,945	4.18%
Junior subordinated debentures	24,168	2,156	8.92%	21,337	1,859	8.87%	19,275	868	4.50%
Other debt	1	—	—%	—	—	—%	14	—	—%
Total borrowings	585,220	21,732	3.71%	808,671	29,409	3.64%	592,884	12,801	2.16%
Total interest-bearing liabilities	5,320,868	128,651	2.42%	5,052,045	106,703	2.11%	4,512,938	31,614	0.70%
Demand deposits	1,407,537			1,312,023			1,356,912		
Other liabilities	50,665			53,838			46,811		
Stockholders' equity	817,179			682,319			641,012		
Total liabilities and stockholders' equity	<u>\$ 7,596,249</u>			<u>\$ 7,100,225</u>			<u>\$ 6,557,673</u>		
Net interest income		<u>\$ 231,791</u>			<u>\$ 196,523</u>			<u>\$ 187,441</u>	
Net interest spread			2.83%			2.62%			2.97%
Impact of non-interest-bearing funds			0.51%			0.43%			0.16%
TE net yield on interest-earning assets			<u>3.34%</u>			<u>3.05%</u>			<u>3.13%</u>

(1) Tax-exempt income is shown on a fully tax equivalent basis.

(2) Nonaccrual loans have been included in the average balances. Balances are net of unaccreted discount related to loans acquired.

(3) Includes loans held for sale

Changes in net interest income may also be analyzed by segregating the volume and rate components of interest income and interest expense. The following table summarizes the approximate relative contribution of changes in average volume and interest rates to changes in net interest income for the past two years (in thousands):

	2024 Compared to 2023 Increase (Decrease)			2023 Compared to 2022 Increase (Decrease)		
	Total Change	Volume (1)	Rate (1)	Total Change	Volume (1)	Rate (1)
Earning assets:						
Interest-bearing deposits	\$ 2,793	\$ 3,486	\$ (693)	\$ 4,615	\$ 325	\$ 4,290
Federal funds sold	(366)	(687)	321	306	67	239
Certificates of deposit investments	46	59	(13)	61	1	60
Investment securities:						
Taxable	(3,034)	(2,097)	(937)	3,712	(1,854)	5,566
Tax-exempt	(315)	(86)	(229)	(1,232)	(1,848)	616
Loans (2)	58,089	26,325	31,764	76,709	25,020	51,689
Total interest income	57,213	27,000	30,213	84,171	21,711	62,460
Interest-bearing liabilities:						
Deposits:						
Demand deposits, interest-bearing	20,060	8,392	11,668	34,230	107	34,123
Savings deposits	71	12	59	169	(1)	170
Time deposits	9,494	1,828	7,666	24,082	2,970	21,112
Total interest-bearing deposits	29,625	10,232	19,393	58,481	3,076	55,405
Securities sold under agreements to repurchase	(117)	(117)	—	4,770	228	4,542
FHLB advances	(8,106)	(8,015)	(91)	10,595	5,509	5,086
Federal funds purchased	(9)	(5)	(4)	1	(7)	8
Subordinated debt	258	(14)	272	251	251	—
Junior subordinated debentures	297	251	46	991	82	909
Total borrowings	(7,677)	(7,900)	223	16,608	6,063	10,545
Total interest expense	21,948	2,332	19,616	75,089	9,139	65,950
Net interest income	\$ 35,265	\$ 24,668	\$ 10,597	\$ 9,082	\$ 12,572	\$ (3,490)

- (1) Changes attributable to the combined impact of volume and rate have been allocated proportionately to the change due to volume and the change due to rate.
(2) Nonaccrual loans have been included in the average balances. Balances are net of unaccreted discount related to loans acquired.

Net interest income on a tax-effected basis increased \$35.3 million or 17.9% in 2024 compared to an increase of \$9.1 million or 4.8% in 2023. Net interest income on a tax-effected basis increased primarily due to the growth in average earnings assets including loans and interest-bearing deposits. The tax-effected net interest margin increased primarily due to higher interest-bearing liability costs in 2023 being more than offset by the repricing of earning assets.

In 2024, average earning assets increased by \$446.6 million, or 7.0%, and average interest-bearing liabilities increased by \$268.8 million or 5.3%. These increases were primarily due to assets and liabilities acquired from Blackhawk Bank being present for the entire calendar year. Changes in average balances are shown below:

- Average interest-bearing cash deposits held by the Company increased \$62.9 million or 76.1% in 2024 compared to 2023. In 2023, average interest-bearing cash deposits held by the Company increased \$26.1 million or 46.2% compared to 2022.
- Average federal funds sold decreased \$8.0 million or 96.4% in 2024 compared to 2023. In 2023, average federal funds sold increased \$2.5 million or 43.8% compared to 2022.
- Average certificates of deposit investments increased \$1.2 million or 67.6% in 2024 compared to 2023. In 2023, average certificates of deposit investments increased \$0.1 million or 3.8% compared to 2022.
- Average loans increased by \$478.6 million or 9.4% in 2024 compared to 2023. In 2023, average loans increased by \$561.4 million or 12.4% compared to 2022.
- Average securities decreased by \$88.1 million or 7.1% in 2024 compared to 2023. In 2023, average securities decreased by \$141.0 million or 10.2% compared to 2022.
- Average interest-bearing deposits increased by \$492.3 million or 11.6% in 2024 compared to 2023. In 2023, average deposits increased by \$323.3 million or 8.2% compared to 2022.

- Average securities sold under agreements to repurchase decreased by \$3.5 million or 1.60% in 2024 compared to 2023. In 2023, average securities sold under agreements to repurchase increased by \$23.1 million or 11.4% compared to 2022.
- Average borrowings and other debt decreased by \$219.9 million or 37.7% in 2024 compared to 2023. In 2023, average borrowings and other debt increased by \$193.0 million or 49.4% compared to 2022.
- Net interest margin increased to 3.34% compared to 3.05% in 2023 and 3.13% in 2022. Asset yields increased by 52 basis points in 2024, and interest-bearing liabilities increased by 31 basis points.

Provision for Credit Losses

The provision for credit losses in 2024 was \$5.6 million compared to \$6.1 million in 2023 and \$4.8 million in 2022. Nonperforming loans increased to \$29.8 million at December 31, 2024 from \$20.1 million at December 31, 2023 and \$19.2 million at December 31, 2022. The decrease in provision expense in 2024 was primarily due to the required provision in 2023 tied to the Blackhawk Bank acquisition. The increase in provision expense in 2023 was primarily related to the acquisition of Blackhawk Bank. Net charge-offs were \$4.1 million during 2024, \$0.3 million during 2023 and \$1.2 million during 2022. For information on credit loss experience and nonperforming loans, see "Nonperforming Loans and Nonperforming Other Assets" and "Loan Quality and Allowance for Credit Losses" herein.

Other Income

An important source of the Company's revenue is derived from other income. The following table sets forth the major components of other income for the last three years (in thousands):

				Change From Prior Year			
	2024	2023	2022	2024		2023	
				\$	%	\$	%
Wealth management revenues	\$ 22,818	\$ 20,793	\$ 22,492	\$ 2,025	9.7%	\$ (1,699)	-7.6%
Insurance commissions	28,552	24,814	21,622	3,738	15.1%	3,192	14.8%
Service charges	12,362	10,881	9,112	1,481	13.6%	1,769	19.4%
Securities gains (losses), net	(433)	3,383	33	(3,816)	-112.8%	3,350	10151.5%
Mortgage banking, net	3,957	2,282	1,190	1,675	73.4%	1,092	91.8%
ATM / debit card revenue	16,807	14,347	12,422	2,460	17.1%	1,925	15.5%
Bank owned life insurance	4,728	4,957	3,559	(229)	-4.6%	1,398	39.3%
Other income	7,495	5,329	4,252	2,166	40.6%	1,077	25.3%
Total other income	<u>\$ 96,286</u>	<u>\$ 86,786</u>	<u>\$ 74,682</u>	<u>\$ 9,500</u>	<u>10.9%</u>	<u>\$ 12,104</u>	<u>16.2%</u>

Total non-interest income increased to \$96.3 million in 2024 compared to \$86.8 million in 2023 and \$74.7 million in 2022. The primary reasons for the more significant year-to-year changes in other income components are as follows:

- Wealth management revenues increased in 2024 primarily due to growth in net brokerage fees and trust management fees. The decrease in 2023 was primarily due to lower commodity prices and higher interest rates resulting in less farm management income. Total assets under management were \$6.4 billion at December 31, 2024 compared to \$6.1 billion at December 31, 2023 and \$5.3 billion at December 31, 2022.
- Insurance commissions increased in 2024 primarily due the acquisition of MRIG and PGIB Insurance being present the entire calendar year. The increase in 2023 was primarily due to higher commission and contingency income and the acquisition of PGIB Insurance.
- Fees from service charges increased in 2024 primarily due to Blackhawk Bank being present the entire calendar year. The increase in 2023 was primarily due to the acquisition of Blackhawk Bank.
- Net securities losses in 2024 were \$433,000 compared to gains of \$3.4 million in 2023 and \$33,000 in 2022. The loss in 2024 was due to balance sheet restructuring. The gain in 2023 were primarily due to securities sold soon after the close of the acquisition of Blackhawk Bank.
- The increase in mortgage banking income during 2024 was primarily due to Blackhawk Bank being present the entire calendar year. Loans sold balances were as follows:
 - \$125.5 million (representing 821 loans) in 2024
 - \$57.5 million (representing 413 loans) in 2023
 - \$62.3 million (representing 422 loans) in 2022

First Mid Bank generally releases the servicing rights on loans sold into the secondary market.

- Revenue from ATMs and debit cards increased in 2024 primarily due to Blackhawk Bank being present the entire calendar year and in 2023 primarily due to the acquisition of Blackhawk Bank.
- Bank owned life insurance decreased during 2024 due to the lower interest rates during part of the year. The increase in 2023 was due to the addition of Blackhawk Bank and higher interest rates.

- Other income increased during 2024 primarily due to Blackhawk Bank being present the entire calendar year. Other income increased during 2023 primarily due to the acquisition of Blackhawk Bank.

Other Expense

The major categories of other expense include salaries and employee benefits, occupancy and equipment expenses and other operating expenses associated with day-to-day operations. The following table sets forth the major components of other expense for the last three years (dollars in thousands):

	Change From Prior Year						
				2024		2023	
	2024	2023	2022	\$	%	\$	%
Salaries and employee benefits	\$ 124,134	\$ 104,962	\$ 98,594	\$ 19,172	18.3%	\$ 6,368	6.5%
Net occupancy and equipment expense	30,407	26,946	24,257	3,461	12.8%	2,689	11.1%
Net other real estate owned expense	411	1,862	330	(1,451)	-77.9%	1,532	464.2%
FDIC insurance expense	3,463	3,339	1,805	124	3.7%	1,534	85.0%
Amortization of other intangible assets	13,556	9,127	6,290	4,429	48.5%	2,837	45.1%
Stationery and supplies	1,885	1,346	1,295	539	40.0%	51	3.9%
Legal and professional	12,944	7,379	6,996	5,565	75.4%	383	5.5%
Marketing and donations	3,418	3,005	2,999	413	13.7%	6	0.2%
ATM / debit card expense	6,384	5,322	4,300	1,062	20.0%	1,022	23.8%
Other expense	18,381	22,452	15,995	(4,071)	-18.1%	6,457	40.4%
Total other expense	\$ 214,983	\$ 185,740	\$ 162,861	\$ 29,243	15.7%	\$ 22,879	14.0%

Total non-interest expense increased to \$215.0 million in 2024 from \$185.7 million in 2023 and \$162.9 million in 2022. The primary reasons for the more significant year-to-year changes in other expense components are as follows:

- Salaries and employee benefits, the largest component of other expense, increased in 2024 was due to former Blackhawk Bank employees being present the entire calendar year, increase in the bonus accrual, incentive compensation, share based compensation, merit increases and applicable payroll taxes. The increase in 2023 was primarily due to the acquisition of Blackhawk Bank, an increase in incentive compensation and commission, increases for merit raises and applicable payroll taxes, and an increase in employee group insurance expense, partially offset by a decline in bonus accrual expense. There were 1,198 full-time equivalent employees at December 31, 2024, compared to 1,187 at December 31, 2023, and 1,043 at December 31, 2022.
- Occupancy and equipment expense increased primarily due to additional properties added in the acquisition of Blackhawk Bank being present the entire calendar year. The increase in 2023 was primarily due to increases in depreciation, equipment and other property related expenses from the acquisition of Blackhawk Bank.
- Net other real estate owned expense decreased in 2024 primarily due to the large expenses occurring in 2023. The increase in 2023 was primarily due to properties sold or written down during the period.
- FDIC insurance expense increased in 2024 due to the Blackhawk Bank assets being present the entire calendar year. The increase in FDIC insurance expense in 2023 was due to the acquisition of Blackhawk Bank and an increase in the assessment rate.
- Amortization of other intangibles increased during 2024 primarily due to additional core deposit intangibles added from the acquisitions of Blackhawk Bank being present the entire calendar year. The increase in 2023 was due to the additional core deposit intangibles added with the acquisition of Blackhawk Bank.
- Legal and professional expense primarily increased due to nonrecurring expenses associated with technology investment upgrades. The increase in 2023 was due to normal inflationary increases.
- ATM and debit card expenses increased during 2024 primarily due to an increase in electronic transactions following the acquisition of Blackhawk Bank being present the entire calendar year. The increase in 2023 was primarily due to an increase in electronic transactions following the acquisition of Blackhawk Bank.
- Other operating expenses decreased in 2024 primarily due to the majority of acquisition costs associated with Blackhawk Bank occurring in 2023. The increase during 2023 was primarily due to the acquisition of Blackhawk Bank and nonrecurring costs associated with the closing and integration.

Income Taxes

Income tax expense amounted to \$25.5 million in 2024 compared to \$19.5 million in 2023, and \$18.3 million in 2022. Effective tax rates were 24.5% for 2024, 22.0% for 2023, and 20.1% for 2022. The Company files U.S. federal and state of Florida, Illinois, Indiana, Missouri, and Wisconsin income tax returns.

Analysis of Consolidated Balance Sheets

Securities

The Company's overall investment objectives are to insulate the investment portfolio from undue credit risk, maintain adequate liquidity, insulate capital against changes in market value and control excessive changes in earnings while optimizing investment performance. The types and maturities of securities purchased are primarily based on the Company's current and projected liquidity and interest rate sensitivity positions. The following table sets forth the amortized cost of the available-for-sale and held-to-maturity securities for the last three years (dollars in thousands):

	December 31,					
	2024		2023		2022	
	Amortized Cost	Weighted Average Yield	Amortized Cost	Weighted Average Yield	Amortized Cost	Weighted Average Yield
U.S. Treasury securities and obligations of U.S. government corporations and agencies	\$ 212,513	1.28%	\$ 237,875	1.28%	\$ 252,934	1.28%
Obligations of states and political subdivisions	324,046	2.28%	337,835	2.31%	347,409	2.31%
Mortgage-backed securities: GSE residential	653,760	1.88%	714,216	1.91%	744,636	1.69%
Other securities	69,396	4.27%	76,081	3.65%	90,347	3.41%
Total securities	<u>\$ 1,259,715</u>	<u>2.01%</u>	<u>\$ 1,366,007</u>	<u>2.00%</u>	<u>\$ 1,435,326</u>	<u>1.87%</u>

At December 31, 2024, the amortized cost of the Company's investment portfolio decreased by \$106.3 million from December 31, 2023 primarily due to sales of securities partially offset by purchases designed to raise the rate of return of the portfolio, calls, maturities and paydowns. The decrease in 2023 was primarily due to the amortization of the portfolio and securities sold after the acquisition of Blackhawk Bank. When purchasing investment securities, the Company considers its overall liquidity and interest rate risk profile, as well as the adequacy of expected returns relative to the risks assumed.

The table below presents the credit ratings as of December 31, 2024 for certain investment securities (in thousands):

	Amortized Cost	Estimated Fair Value	Average Credit Rating of Fair Value at December 31, 2024 (1)					Not Rated
			AAA	AA +/-	A +/-	BBB +/-	< BBB -	
Available-for-sale:								
U.S. Treasury securities and obligations of U.S. government corporations and agencies	\$ 212,513	\$ 191,358	\$ 26,558	\$ 162,668	\$ —	\$ —	\$ —	\$ 2,132
Obligations of state and political subdivisions	324,046	267,740	35,569	188,105	42,445	—	—	1,621
Mortgage-backed securities (2)	653,760	539,742	—	—	—	—	—	539,742
Other securities	67,117	64,452	—	7,919	16,440	6,807	—	33,286
Total available-for-sale	<u>\$ 1,257,436</u>	<u>\$ 1,063,292</u>	<u>\$ 62,127</u>	<u>\$ 358,692</u>	<u>\$ 58,885</u>	<u>\$ 6,807</u>	<u>\$ —</u>	<u>\$ 576,781</u>
Held-to-maturity:								
Other securities	<u>\$ 2,279</u>	<u>\$ 2,279</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 2,279</u>
Equity securities:								
Federal Agricultural Mtg Corp	85	505						505
Midwest Independent BankersBank	150	215						215
Equalized Community Development Fund	3,719	3,719						3,719
Total Equity	<u>\$ 3,954</u>	<u>\$ 4,439</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 4,439</u>

(1) Credit ratings reflect the lowest current rating assigned by a nationally recognized credit rating agency.

(2) Mortgage-backed securities include mortgage-backed securities (MBS) and collateralized mortgage obligation (CMO) issues from the following government sponsored enterprises: FHLMC, FNMA, GNMA and FHLB. While MBS and CMOs are no longer explicitly rated by credit rating agencies, the industry recognizes that they are backed by agencies which have an implied government guarantee.

Loans

The loan portfolio (net of unearned interest) is the largest category of the Company's earning assets. The following table summarizes the composition of the loan portfolio, including loans held for sale, for the last five years (dollars in thousands):

	2024	Outstanding Loans	2023	2022	2021	2020
Construction and land development	\$ 236,093	4.2%	\$ 205,077	\$ 144,264	\$ 145,118	\$ 122,479
Agricultural real estate	390,760	6.9%	391,132	410,327	279,272	254,341
1-4 family residential properties	496,597	8.8%	542,469	440,180	400,313	325,762
Multifamily residential properties	332,644	5.9%	319,129	294,346	298,942	189,632
Commercial real estate	2,417,585	42.6%	2,384,704	2,030,011	1,666,198	1,174,300
Loans secured by real estate	3,873,679	68.4%	3,842,511	3,319,128	2,789,843	2,066,514
Agricultural loans	239,671	4.2%	196,272	166,838	151,484	137,352
Commercial and industrial loans	1,335,920	23.6%	1,266,159	1,082,960	832,008	738,313
Consumer loans	53,960	1.0%	91,014	97,775	78,442	78,002
All other loans	169,232	2.8%	184,609	159,511	143,746	118,238
Total loans	\$ 5,672,462	100.0%	\$ 5,580,565	\$ 4,826,212	\$ 3,995,523	\$ 3,138,419

Loan balances increased by \$91.9 million or 1.6% from December 31, 2023 to December 31, 2024. Loan balances increased by \$754.4 million or 15.6% from December 31, 2022 to December 31, 2023 of which approximately \$730.2 million of gross loans acquired, after purchase accounting adjustments, from Blackhawk Bank. The balances of loans sold into the secondary market were \$125.3 million in 2024 compared to \$62.2 million in 2023. The balance of real estate loans held for sale, included in the balances shown above, amounted to \$6.6 million and \$5.0 million as of December 31, 2024 and 2023, respectively.

Commercial and commercial real estate loans generally involve higher credit risks than residential real estate and consumer loans. Because payments on loans secured by commercial real estate or equipment are often dependent upon the successful operation and management of the underlying assets, repayment of such loans may be influenced to a great extent by conditions in the market or the economy. The Company does not have any sub-prime mortgages or credit card loans outstanding which are also generally considered to be higher credit risk.

First Mid Bank does not have a concentration, as defined by the regulatory agencies, in construction and land development loans or commercial real estate loans as a percentage of total risk-based capital for the periods shown above. At December 31, 2024 and 2023, First Mid Bank did have industry loan concentrations in excess of 25% of total risk-based capital in the following industries (dollars in thousands):

	December 31, 2024		December 31, 2023	
	Principal balance	% Outstanding Loans	Principal balance	% Outstanding Loans
Other grain farming	\$ 507,555	8.95%	\$ 472,456	8.47%
Lessors of non-residential buildings	1,049,372	18.50%	1,086,152	19.46%
Lessors of residential buildings and dwellings	557,285	9.82%	541,858	9.71%
Hotels and motels	—	—%	215,386	3.86%

The Company had no further industry loan concentrations in excess of 25% of total risk-based capital.

The following table presents the balance of loans outstanding as of December 31, 2024, by contractual maturities (in thousands):

	Maturity (1)			
	One year or less(2)	Over 1 through 5 years	Over 5 years	Total
Construction and land development	\$ 42,893	\$ 82,013	\$ 111,187	\$ 236,093
Agricultural real estate	43,924	126,467	220,369	390,760
1-4 family residential properties	23,580	99,123	373,894	496,597
Multifamily residential properties	29,279	236,761	66,604	332,644
Commercial real estate	236,112	1,453,703	727,770	2,417,585
Loans secured by real estate	375,788	1,998,067	1,499,824	3,873,679
Agricultural loans	174,251	63,629	1,791	239,671
Commercial and industrial loans	426,201	665,726	243,993	1,335,920
Consumer loans	3,092	49,709	1,159	53,960
All other loans	27,159	19,025	123,048	169,232
Total loans	\$ 1,006,491	\$ 2,796,156	\$ 1,869,815	\$ 5,672,462

(1) Based upon remaining contractual maturity.

(2) Includes demand loans, past due loans and overdrafts.

As of December 31, 2024, loans with maturities over one year consisted of approximately \$2.7 billion in fixed rate loans and approximately \$1.9 billion in variable rate loans. The loan maturities noted above are based on the contractual provisions of the individual loans. The Company has no general policy regarding renewals and borrower requests, which are handled on a case-by-case basis.

Nonperforming Loans and Nonperforming Other Assets

Nonperforming loans include: (a) loans accounted for on a nonaccrual basis; (b) accruing loans contractually past due ninety days or more as to interest or principal payments; and (c) loans not included in (a) and (b) above which are defined as "modified". Repossessed assets include primarily repossessed real estate and automobiles.

The Company's policy is to discontinue the accrual of interest income on any loan for which principal or interest is ninety days past due. The accrual of interest is discontinued earlier when, in the opinion of management, there is reasonable doubt as to the timely collection of interest or principal. Once interest accruals are discontinued, accrued but uncollected interest is charged against current year income. Subsequent receipts on non-accrual loans are recorded as a reduction of principal, and interest income is recorded only after principal recovery is reasonably assured. Nonaccrual loans are returned to accrual status when, in the opinion of management, the financial position of the borrower indicates there is no longer any reasonable doubt as to the timely collection of interest or principal.

Restructured loans are loans on which, due to deterioration in the borrower's financial condition, the original terms have been modified in favor of the borrower or either principal or interest has been forgiven. Repossessed assets represent property acquired as the result of borrower defaults on loans. These assets are recorded at estimated fair value, less estimated selling costs, at the time of foreclosure or repossession. Write-downs occurring at foreclosure are charged against the allowance for credit losses. On an ongoing basis, properties are appraised as required by market indications and applicable regulations. Write-downs for subsequent declines in value are recorded in non-interest expense in other real estate owned along with other expenses related to maintaining the properties.

The following table presents information concerning the aggregate amount of nonperforming loans and repossessed assets (in thousands):

	December 31,				
	2024	2023	2022	2021	2020
Nonaccrual loans	\$ 28,775	\$ 18,832	\$ 15,956	\$ 18,105	\$ 23,750
Modified loans which are performing in accordance with revised terms	1,060	1,296	3,214	3,931	4,373
Total nonperforming loans	29,835	20,128	19,170	22,036	28,123
Repossessed assets	2,195	1,164	4,369	5,019	2,493
Total nonperforming loans and repossessed assets	\$ 32,030	\$ 21,292	\$ 23,539	\$ 27,055	\$ 30,616
Nonperforming loans to loans, before allowance for credit losses	0.53%	0.36%	0.40%	0.55%	0.90%
Nonperforming loans and repossessed assets to loans, before allowance for credit losses	0.56%	0.38%	0.49%	0.68%	0.98%

The \$9.9 million increase in nonaccrual loans during 2024 resulted from the net of \$18.8 million of loans put on nonaccrual status, offset by \$4.7 million of loans transferred to other real estate owned, \$3.3 million of loans charged off and \$0.8 million of loans becoming current or paid-off.

The following table summarizes the composition of nonaccrual loans (dollars in thousands):

	December 31, 2024		December 31, 2023	
	Balance	% of Total	Balance	% of Total
Construction and land development	\$ 6	—%	\$ —	—%
Agricultural real estate	2,213	7.7%	1,146	6.1%
1-4 family residential properties	4,937	17.2%	4,940	26.2%
Multifamily residential properties	—	—%	—	—%
Commercial real estate	7,716	26.8%	10,237	54.3%
Loans secured by real estate	14,872	51.7%	16,323	86.6%
Agricultural loans	11,521	40.0%	—	—%
Commercial and industrial loans	2,071	7.2%	1,931	10.3%
Consumer loans	311	1.1%	578	3.1%
Total loans	\$ 28,775	100.0%	\$ 18,832	100.0%

Interest income that would have been reported if nonaccrual and restructured loans had been performing totaled \$1.4 million, \$412,000 and \$103,000 for the years ended December 31, 2024, 2023, and 2022, respectively.

The \$1.6 million increase in repossessed assets during 2024 resulted from the net of \$5.3 million of additional assets repossessed, \$3.7 million of repossessed assets sold, \$47,000 of writedowns on existing assets, and no deferred fair value marks were recognized. The following table summarizes the composition of repossessed assets (dollars in thousands):

	December 31, 2024		December 31, 2023	
	Balance	% of Total	Balance	% of Total
Construction and land development	\$ 1,084	39.8%	\$ 1,130	97.1%
1-4 family residential properties	568	20.9%	33	2.8%
Commercial real estate	527	19.4%	0	—
Total real estate	2,179	80.1%	1,163	99.9%
Consumer loans	543	19.9%	1	0.1%
Total repossessed collateral	\$ 2,722	100.0%	\$ 1,164	100.0%

Repossessed assets sold during 2024 resulted in net gains of \$1.3 million related to real estate asset sales and \$57,000 of net gains related to other assets sales. The Company also recognized no deferred gains, recorded \$47,000 of write downs on one real estate properties owned, and recorded no change in fair market value discount.

Loan Quality and Allowance for Credit Losses

The allowance for credit losses represents management's estimate of the reserve necessary to adequately account for probable losses existing in the current portfolio. The provision for credit losses is the charge against current earnings that is determined by management as the amount needed to maintain an adequate allowance for credit losses. In determining the adequacy of the allowance for credit losses, and therefore the provision to be charged to current earnings, management relies predominantly on a disciplined credit review and approval process that extends to the full range of the Company's credit exposure. The review process is directed by overall lending policy and is intended to identify, at the earliest possible stage, borrowers who might be facing financial difficulty. Once identified, the magnitude of exposure to individual borrowers is quantified in the form of specific allocations of the allowance for credit losses. Management considers collateral values and guarantees in the determination of such specific allocations. Additional factors considered by management in evaluating the overall adequacy of the allowance include historical net credit losses, the level and composition of nonaccrual, past due and renegotiated loans, trends in volumes and terms of loans, effects of changes in risk selection and underwriting standards or lending practices, lending staff changes, concentrations of credit, industry conditions and the current economic conditions in the region where the Company operates.

Management reviews economic factors including the potential for reduced cash flow for commercial operating loans from reduction in sales or increased operating costs, decreased occupancy rates for commercial buildings, reduced levels of home sales for commercial land developments, the uncertainty regarding grain prices, increased operating costs for farmers, and increased levels of unemployment and bankruptcy impacting consumers' ability to pay. Each of these economic uncertainties was taken into consideration in developing the level of the reserve. Management considers the allowance for credit losses a critical accounting policy.

Management recognizes there are risk factors that are inherent in the Company's loan portfolio. All financial institutions face risk factors in their loan portfolios because risk exposure is a function of the business. The Company's operations (and therefore its loans) are concentrated in east central Illinois, an area where agriculture is the dominant industry. Accordingly, lending and other business relationships with agriculture-based businesses are critical to the Company's success. At December 31, 2024, the Company's loan portfolio included \$630.6 million of loans to borrowers whose businesses are directly related to agriculture. Of this amount, \$507.6 million was concentrated in other grain farming. Total loans to borrowers whose businesses are directly related to agriculture increased \$42.1 million from \$588.5 million at December 31, 2023 while loans concentrated in other grain farming increased \$35.1 million from \$472.5 million at December 31, 2023. While the Company adheres to sound underwriting practices, including collateralization of loans, any extended period of low commodity prices, drought conditions, significantly reduced yields on crops and/or reduced levels of government assistance to the agricultural industry could result in an increase in the level of problem agriculture loans and potentially result in credit losses within the agricultural portfolio. The Company also has \$1.0 billion of loans to lessors of non-residential buildings and \$557.3 million of loans to lessors of residential buildings and dwellings.

The structure of the Company's loan approval process is based on progressively larger lending authorities granted to individual loan officers, loan committees, and ultimately the Board of Directors. Outstanding balances to one borrower or affiliated borrowers are limited by federal regulation; however, limits well below the regulatory thresholds are generally observed. Most of the Company's loans are to businesses located in the geographic market areas served by the Company's branch bank system. Additionally, a significant portion of the collateral securing the loans in the portfolio is located within the Company's primary geographic footprint. In general, the Company adheres to loan underwriting standards consistent with industry guidelines for all loan segments.

The Company minimizes credit risk by adhering to sound underwriting and credit review policies. Management and the Board of Directors of the Company review these policies at least annually. Senior management is actively involved in business development efforts and the maintenance and monitoring of credit underwriting and approval. The loan review system and controls are designed to identify, monitor, and address asset quality problems in an accurate and timely manner. On a quarterly basis, the Board of Directors and management review the status of problem loans and determine a best estimate of the allowance. In addition to internal policies and controls, regulatory authorities periodically review asset quality and the overall adequacy of the allowance for credit losses.

Analysis of the allowance for credit losses for the past five years and of changes in the allowance for these periods is summarized as follows (dollars in thousands):

	2024	2023	2022	2021	2020
Average loans outstanding, net of unearned income	\$ 5,558,527	\$ 5,079,949	\$ 4,518,566	\$ 3,778,142	\$ 3,003,488
Adjustment for adoption of ASU 2016-13	—	—	—	—	1,672
Allowance-beginning of period	68,675	59,093	54,655	41,910	28,583
Initial allowance on loans purchased with credit deterioration	—	3,791	863	2,074	—
Charge-offs:					
Construction and land development	—	14	2	205	13
1-4 family residential properties	195	87	191	371	393
Commercial real estate	451	25	414	535	830
Agricultural loans	2,410	408	93	—	—
Commercial and industrial loans	688	529	870	3,118	1,991
Consumer loans	2,004	1,568	1,380	1,405	617
Total charge-offs	5,748	2,631	2,950	5,634	3,844
Recoveries:					
Construction and land development	5	—	100	—	—
1-4 family residential properties	339	216	359	211	299
Commercial real estate	184	805	385	60	169
Agricultural loans	75	38	54	1	—
Commercial and industrial loans	330	576	208	139	179
Consumer loans	687	683	613	743	421
Total recoveries	1,620	2,318	1,719	1,154	1,068
Net charge-offs	4,128	313	1,231	4,480	2,776
Provision for credit losses	5,635	6,104	4,806	15,151	16,103
Allowance-end of period	\$ 70,182	\$ 68,675	\$ 59,093	\$ 54,655	\$ 41,910
Ratio of annualized net charge-offs to average loans	0.07%	0.01%	0.03%	0.12%	0.09%
Ratio of allowance for credit losses to loans outstanding (less unearned interest at end of period)	1.24%	1.23%	1.22%	1.37%	1.34%
Ratio of allowance for credit losses to nonperforming loans	235.2%	341.2%	308.3%	248.0%	149.0%

The ratio of the allowance for credit losses to nonperforming loans was 235.2% as of December 31, 2024 compared to 341.2% as of December 31, 2023. The decrease in this ratio is primarily due to a increase in nonperforming loans. Management believes that the overall estimate of the allowance for credit losses appropriately accounts for probable losses attributable to current exposures.

During 2024, the Company had net charge-offs of \$4.1 million compared to \$313,000 in 2023. During 2024, there were significant charge-offs of two commercial real estate loans to 2 borrowers of \$451,000, one agricultural operating loan to one borrower of \$2.1 million, and a significant charge-off of one commercial operating loan to one borrower of \$466,000. During 2023, there were significant charge-offs of one agricultural operating loan to one borrower of \$181,000 and a significant charge-off of one commercial operating loan to one borrower of \$353,000.

At December 31, 2024, the allowance for credit losses amounted to \$70.2 million or 1.24% of total loans. At December 31, 2023, the allowance for credit losses amounted to \$68.7 million or 1.23% of total loans. The allowance is allocated to the individual loan categories by a specific allocation for all classified loans plus a percentage of loans not classified based on historical losses and other factors.

The allowance for credit losses, in management's judgment, was allocated as follows to cover probable credit losses (dollars in thousands):

	December 31, 2024		December 31, 2023		December 31, 2022	
	Allowance for credit losses	% of loans to total loans	Allowance for credit losses	% of loans to total loans	Allowance for credit losses	% of loans to total loans
Construction and land development	\$ 3,275	4.2%	\$ 2,918	3.7%	\$ 2,250	3.0%
Agriculture real estate	1,361	6.9%	1,366	7.0%	1,433	8.5%
1-4 family residential	3,579	8.8%	4,220	9.7%	3,742	9.1%
Commercial real estate	32,669	48.5%	31,758	48.5%	28,157	48.2%
Agricultural loans	1,957	4.2%	705	3.5%	585	3.5%
Commercial and industrial	25,602	26.5%	25,450	26.0%	20,808	25.7%
Consumer	1,739	0.9%	2,258	1.6%	2,118	2.0%
Allowance at end of year	<u>\$ 70,182</u>	<u>100.0%</u>	<u>\$ 68,675</u>	<u>100.0%</u>	<u>\$ 59,093</u>	<u>100.0%</u>

	December 31, 2021		December 31, 2020	
	Allowance for credit losses	% of loans to total loans	Allowance for credit losses	% of loans to total loans
Construction and land development	\$ 1,743	3.6%	\$ 1,666	3.9%
Agriculture real estate	1,257	7.0%	1,084	8.1%
1-4 family residential	2,330	10.0%	2,322	10.4%
Commercial real estate	26,246	49.2%	19,660	43.4%
Agricultural loans	983	3.8%	1,526	4.4%
Commercial and industrial	19,241	24.4%	13,485	27.3%
Consumer	2,855	2.0%	2,167	2.5%
Allowance at end of year	<u>\$ 54,655</u>	<u>100.0%</u>	<u>\$ 41,910</u>	<u>100.0%</u>

Deposits

Funding of the Company's earning assets is substantially provided by a combination of consumer, commercial and public fund deposits. The Company continues to focus its strategies and emphasis on retail core deposits, the major component of funding sources. The following table sets forth the average deposits and weighted average rates for the years ended December 31, 2024, 2023, and 2022 (dollars in thousands):

	2024		2023		2022	
	Average Balance	Weighted Average Rate	Average Balance	Weighted Average Rate	Average Balance	Weighted Average Rate
Demand deposits:						
Non-interest-bearing	\$ 1,407,537	—%	\$ 1,312,023	—%	\$ 1,356,912	—%
Interest-bearing	3,040,397	2.24%	2,618,452	1.83%	2,598,480	0.53%
Savings	675,622	0.12%	663,760	0.11%	666,334	0.09%
Time deposits	1,019,629	3.74%	961,162	2.98%	655,240	0.69%
Total average deposits	<u>\$ 6,143,185</u>	<u>1.74%</u>	<u>\$ 5,555,397</u>	<u>1.40%</u>	<u>\$ 5,276,966</u>	<u>0.36%</u>

The following table sets forth the high and low month-end balances for the years ended December 31, 2024, 2023, and 2022 (in thousands):

	2024	2023	2022
High month-end balances of total deposits	\$ 6,242,937	\$ 6,346,324	\$ 5,487,305
Low month-end balances of total deposits	6,057,095	5,030,778	4,904,973

In 2024, the average balance of deposits increased by \$587.8 million from 2023. The increase in 2024 was primarily due to deposits added in the acquisition of Blackhawk Bank being present the entire calendar year. The increase in 2023 was primarily due to the acquisition of Blackhawk Bank, partially offset by higher rates driving outflows.

Balances of time deposits of \$100,000 or more include time deposits maintained for public fund entities and consumer time deposits. The following table sets forth the maturity of time deposits of \$100,000 or more (in thousands):

	December 31,		
	2024	2023	2022
3 months or less	\$ 237,309	\$ 183,619	\$ 80,856
Over 3 through 6 months	206,586	231,187	31,771
Over 6 through 12 months	121,154	170,641	127,405
Over 12 months	72,818	117,657	183,597
Total	<u>\$ 637,867</u>	<u>\$ 703,104</u>	<u>\$ 423,629</u>

The balance of time deposits of \$100,000 or more decreased \$65.2 million from December 31, 2023 to December 31, 2024. The decrease was primarily due to intentional efforts to lower funding costs by reducing non-relationship time deposits. The balance of time deposits of \$100,000 or more increased \$279.5 million from December 31, 2022 to December 31, 2023. The increase in 2023 was primarily due to time deposits acquired from Blackhawk Bank.

In 2024 the Company maintained account relationships with various public entities throughout its market areas. These public entities had total balances of \$261.2 million and \$381.3 million in various checking accounts and time deposits as of December 31, 2024 and 2023, respectively. These balances are subject to change depending upon the cash flow needs of the public entity.

Repurchase Agreements and Other Borrowings

Securities sold under agreements to repurchase are short-term obligations of First Mid Bank. These obligations are collateralized with certain government securities that are direct obligations of the United States or one of its agencies. These retail repurchase agreements are a cash management service to its corporate customers. Other borrowings consist of Federal Home Loan Bank ("FHLB") advances, federal funds purchased, loans (short-term or long-term debt) that the Company has outstanding, subordinated debt and junior subordinated debentures.

Information relating to securities sold under agreements to repurchase and other borrowings as December 31, 2024, 2023, and 2022 is presented below (dollars in thousands):

	2024	2023	2022
Securities sold under agreements to repurchase	\$ 204,122	\$ 213,721	\$ 221,414
Federal Home Loan Bank advances:			
FHLB-overnight	90,000	—	65,000
Fixed term – due in one year or less	7,435	60,000	110,040
Fixed term – due after one year	145,085	203,787	290,031
Subordinated debt	87,472	106,755	94,553
Junior subordinated debentures	24,280	24,058	19,364
Total	<u>\$ 558,394</u>	<u>\$ 608,321</u>	<u>\$ 800,402</u>
Average interest rate at end of period	3.30%	4.41%	2.52%
Maximum outstanding at any month-end:			
Securities sold under agreements to repurchase	\$ 282,285	\$ 231,650	\$ 257,061
Federal funds purchased	—	—	10,000
Federal Home Loan Bank advances:			
FHLB-overnight	90,000	150,000	310,000
Fixed term – due in one year or less	65,000	105,024	160,048
Fixed term – due after one year	223,744	415,005	290,031
Subordinated debt	106,934	106,755	94,553
Junior subordinated debentures	24,280	24,058	19,364
Averages for the period (YTD):			
Securities sold under agreements to repurchase	\$ 221,789	\$ 225,307	\$ 202,242
Federal funds purchased	—	192	481
Federal Home Loan Bank advances:			
FHLB-overnight	560	55,104	100,084
Fixed term – due in one year or less	45,587	95,669	94,247
Fixed term – due after one year	193,802	311,424	82,070
Subordinated debt	99,313	99,638	94,471
Junior subordinated debentures	24,168	21,337	19,275
Debt:			
Loans due in one year or less	—	—	14
Total	<u>\$ 585,219</u>	<u>\$ 808,671</u>	<u>\$ 592,884</u>
Average interest rate during the period	3.71%	2.16%	2.16%

Securities sold under agreements to repurchase decreased \$9.6 million during 2024 primarily due to the seasonal demands in balances and change in cash flow needs of various customers. FHLB advances represent borrowings by the First Mid Bank to economically fund loan demand. At December 31, 2024, FHLB advances totaled \$242.4 million with a weighted-average interest rate of 3.97% and maturities from March 2025 to December 2029. At December 31, 2023, FHLB advances totaled \$263.6 million with a weighted-average interest rate of 3.58% and maturities from May 2024 to December 2029.

The Company is party to a revolving credit agreement with The Northern Trust Company in the amount of \$15 million. The balance on this line of credit was \$0 as of December 31, 2024. This loan was renewed on April 5, 2024 for one year as a revolving credit agreement with a maximum available balance of \$15 million. The interest rate is floating at 2.25% over the federal funds rate. The Company and its subsidiary banks were in compliance with the existing covenants at December 31, 2024 and 2023.

On October 6, 2020, the Company issued and sold \$96.0 million in aggregate principal amount of its 3.95% Fixed-to-Floating Rate Subordinated Notes due 2030 (the "Notes"). The Notes were issued pursuant to the Indenture, dated as of October 6, 2020 (the "Base Indenture"), between the Company and U.S. Bank National Association, as trustee (the "Trustee"), as supplemented by the First Supplemental Indenture, dated as of October 6, 2020 (the "Supplemental Indenture"), between the Company and the Trustee. The Base Indenture, as amended and supplemented by the Supplemental Indenture, governs the terms of the Notes and provides that the Notes are unsecured, subordinated debt obligations of the Company and will mature on October 15, 2030. From and including the date of issuance to, but excluding October 15, 2025, the Notes will bear interest at an initial rate of 3.95% per annum. From and including October 15, 2025 to, but excluding the maturity date or earlier redemption, the Notes will bear interest at a floating rate equal to three-month Term SOFR plus a spread of 383 basis points, or such other rate as determined pursuant to the Supplemental Indenture, provided that in no event shall the applicable floating interest rate be less than zero per annum. On June 7, 2024, August 27, 2024, and September 6, 2024, the Company repurchased in open market transactions and subsequently cancelled \$4.0 million, \$15.0 million, and \$1.0 million respectively, of the outstanding Notes. As a result, as of December 31, 2024, \$76 million in aggregate principal amount of the Notes remain issued and outstanding.

The Company may, beginning with the interest payment date of October 15, 2025, and on any interest payment date thereafter, redeem the Notes, in whole or in part, at a redemption price equal to 100% of the principal amount of the Notes to be redeemed plus accrued and unpaid interest to but excluding the date of redemption. The Company may also redeem the Notes at any time, including prior to October 15, 2025, at the Company's option, in whole but not in part, if: (i) a change or prospective

change in law occurs that could prevent the Company from deducting interest payable on the Notes for U.S. federal income tax purposes; (ii) a subsequent event occurs that could preclude the Notes from being recognized as Tier 2 capital for regulatory capital purposes; or (iii) the Company is required to register as an investment company under the Investment Company Act of 1940, as amended; in each case, at a redemption price equal to 100% of the principal amount of the Notes plus any accrued and unpaid interest to but excluding the redemption date.

On August 15, 2023, the Company assumed, as part of the Blackhawk Bancorp, Inc. acquisition, \$7.5 million principal amount of 3.5% Fixed-to-Floating Rate Subordinated Notes due 2031 ("Blackhawk Subordinated Debt I"). Blackhawk Subordinated Debt I was issued pursuant to Indenture between the Company and UMB Bank, as trustee. This Indenture governs the terms of the Blackhawk Subordinated Debt I and provides that such notes are unsecured, subordinated debt obligations of the Company and will mature on May 14, 2031. From and including the date of issuance to, but excluding May 14, 2026, the notes will bear interest at an initial rate of 3.5% per annum. From and including May 14, 2026 to, but excluding the maturity date, the notes will bear interest at a floating rate equal to three-month Term SOFR plus a spread of 285 basis points.

On August 15, 2023, the Company assumed, as part of the Blackhawk Bancorp, Inc. acquisition, \$7.5 million principal amount of 3.875% Fixed-to-Floating Rate Subordinated Notes due 2036 ("Blackhawk Subordinated Debt II"). Blackhawk Subordinated Debt II was issued pursuant to Indenture between the Company and UMB Bank, as trustee. This Indenture governs the terms of the Blackhawk Subordinated Debt II and provides that such notes are unsecured, subordinated debt obligations of the Company and will mature on May 14, 2036. From and including the date of issuance to, but excluding May 14, 2031, the notes will bear interest at an initial rate of 3.875% per annum. From and including May 14, 2031 to, but excluding the maturity date, the notes will bear interest at a floating rate equal to three-month Term SOFR plus a spread of 255 basis points.

On April 26, 2006, the Company completed the issuance and sale of \$10 million of fixed/floating rate trust preferred securities through First Mid-Illinois Statutory Trust II ("Trust II"), a statutory business trust and wholly owned unconsolidated subsidiary of the Company, as part of a pooled offering. The Company established Trust II for the purpose of issuing the trust preferred securities. The \$10.0 million in proceeds from the trust preferred issuance and an additional \$310,000 for the Company's investment in common equity of Trust II, a total of \$10.3 million, was invested in junior subordinated debentures of the Company. The underlying junior subordinated debentures issued by the Company to Trust II mature in 2036, bore interest at a fixed rate of 6.98% paid quarterly until June 15, 2011 and then converted to floating rate (LIBOR plus 160 basis points) after June 15, 2011 (6.81% and 7.25% at December 31, 2024 and 2023, respectively). The net proceeds to the Company were used for general corporate purposes, including the Company's acquisition of Mansfield Bancorp, Inc. in 2006.

On September 8, 2016, the Company assumed the trust preferred securities of Clover Leaf Statutory Trust I ("CLST I"), a statutory business trust that was a wholly owned unconsolidated subsidiary of First Clover Financial. The \$4.0 million of trust preferred securities and an additional \$124,000 additional investment in common equity of CLST I, is invested in junior subordinated debentures issued to CLST I. The subordinated debentures mature in 2025, bear interest at three-month LIBOR plus 185 basis points (7.06% and 7.50% at December 31, 2024 and 2023, respectively) and resets quarterly.

On May 1, 2018, the Company assumed the trust preferred securities of FBTC Statutory Trust I ("FBTCST I"), a statutory business trust that was a wholly owned unconsolidated subsidiary of First BancTrust Corporation. The \$6.0 million of trust preferred securities and an additional \$186,000 additional investment in common equity of FBTCST I is invested in junior subordinated debentures issued to FBTCST I. The subordinated debentures mature in 2035, bear interest at three-month LIBOR plus 170 basis points (6.91% and 7.35% at December 31, 2024 and 2023, respectively) and resets quarterly.

On August 15, 2023, the Company assumed the trust preferred securities of Blackhawk Statutory Trust I ("BHST I"), a statutory business trust that was a wholly owned unconsolidated subsidiary of Blackhawk Bancorp, Inc. The \$1.0 million of trust preferred securities and an additional \$31,000 investment in common equity of BHST I is invested in junior subordinated debentures issued to BHST I. The subordinated debentures mature in 2032, bear interest at three-month LIBOR plus 325 basis points (8.17% and 8.87% at December 31, 2024 and 2023, respectively) and resets quarterly.

On August 15, 2023, the Company assumed the trust preferred securities of Blackhawk Statutory Trust II ("BHST II"), a statutory business trust that was a wholly owned unconsolidated subsidiary of Blackhawk Bancorp, Inc. The \$4.0 million of trust preferred securities and an additional \$124,000 investment in common equity of BHST II is invested in junior subordinated debentures issued to BHST II. The subordinated debentures mature in 2035, bear interest at three-month LIBOR plus 205 basis points (7.25% and 7.69% at December 31, 2024 and 2023, respectively) and resets quarterly.

The trust preferred securities issued by Trust II, CLST I, FBTCST I, BHST I, and BHST II are included as Tier 1 capital of the Company for regulatory capital purposes. On March 1, 2005, the Federal Reserve Board adopted a final rule that allows the continued limited inclusion of trust preferred securities in the calculation of Tier 1 capital for regulatory purposes. The final rule provided a five-year transition period, ending September 30, 2010, for application of the revised quantitative limits. On March 17, 2009, the Federal Reserve Board adopted an additional final rule that delayed the effective date of the new limits on inclusion of trust preferred securities in the calculation of Tier 1 capital until March 31, 2012. The application of the revised quantitative limits did not and is not expected to have a significant impact on its calculation of Tier 1 capital for regulatory purposes or its classification as well-capitalized. The Dodd-Frank Act, signed into law July 21, 2010, removes trust preferred securities as a permitted component of a holding company's Tier 1 capital after a three-year phase-in period beginning January 1, 2013 for larger holding companies. For holding companies with less than \$15 billion in consolidated assets, existing issues of trust preferred securities are grandfathered and not subject to this new restriction. New issuances of trust preferred securities, however, would not count as Tier 1 regulatory capital.

In addition to requirements of the Dodd-Frank Act discussed above, the act also required the federal banking agencies to adopt rules that prohibit banks and their affiliates from engaging in proprietary trading and investing in and sponsoring certain unregistered investment companies (defined as hedge funds and private equity funds). This rule is generally referred to as the “Volcker Rule.” On December 10, 2013, the federal banking agencies issued final rules to implement the prohibitions required by the Volcker Rule. Following the publication of the final rule, and in reaction to concerns in the banking industry regarding the adverse impact the final rule’s treatment of certain collateralized debt instruments has on community banks, the federal banking agencies approved a final rule to permit banking entities to retain interests in certain collateralized debt obligations backed primarily by trust preferred securities. Under the final rule, the agencies permit the retention of an interest in or sponsorship of covered funds by banking entities under \$15 billion in assets if (1) the collateralized debt obligation was established and issued prior to May 19, 2010, (2) the banking entity reasonably believes that the offering proceeds received by the collateralized debt obligation were invested primarily in qualifying trust preferred collateral, and (3) the banking entity’s interests in the collateralized debt obligation was acquired on or prior to December 10, 2013. Although the Volcker Rule impacts many large banking entities, the Company does not currently anticipate that the Volcker Rule will have a material effect on the operations of the Company or First Mid Bank.

Interest Rate Sensitivity

The Company seeks to maximize its net interest margin while maintaining an acceptable level of interest rate risk. Interest rate risk can be defined as the amount of forecasted net interest income that may be gained or lost due to changes in the interest rate environment, a variable over which management has no control. Interest rate risk, or sensitivity, arises when the maturity or repricing characteristics of interest-bearing assets differ significantly from the maturity or repricing characteristics of interest-bearing liabilities. The Company monitors its interest rate sensitivity position to maintain a balance between rate sensitive assets and rate sensitive liabilities. This balance serves to limit the adverse effects of changes in interest rates. The Company’s asset liability management committee (ALCO) oversees the interest rate sensitivity position and directs the overall allocation of funds.

In the banking industry, a traditional way to measure potential net interest income exposure to changes in interest rates is through a technique known as “static GAP” analysis which measures the cumulative differences between the amounts of assets and liabilities maturing or repricing at various intervals. The Company has also assumed prepayments of loan assets in amounts consistent with market expectations. By comparing the volumes of interest-bearing assets and liabilities that have contractual maturities, repricing points, and prepayments at various times in the future, management can gain insight into the amount of interest rate risk embedded in the balance sheet.

The following table sets forth the Company’s interest rate repricing GAP for selected maturity periods at December 31, 2024 (dollars in thousands):

	Rate Sensitive Within						
	1 year	1-3 years	3-5 years	Thereafter	Total	Fair Value	
Interest-earning assets:							
Federal funds sold and other interest-bearing deposits	\$ 29,104	\$ —	\$ —	\$ —	\$ 29,104	\$ 29,104	
Certificates of deposit investments	2,660	840	—	—	3,500	3,500	
Taxable investment securities	128,018	173,533	259,390	444,170	1,005,111	1,005,111	
Nontaxable investment securities	4,239	12,767	10,597	37,296	64,899	64,899	
Loans	2,657,979	2,017,211	662,031	335,241	5,672,462	5,314,756	
Total	<u>\$ 2,822,000</u>	<u>\$ 2,204,351</u>	<u>\$ 932,018</u>	<u>\$ 816,707</u>	<u>\$ 6,775,076</u>	<u>\$ 6,417,370</u>	
Interest-bearing liabilities:							
Savings and NOW accounts	\$ 174,789	\$ —	\$ —	\$ 2,369,372	\$ 2,544,161	\$ 2,544,161	
Money market accounts	1,196,537	—	—	—	1,196,537	1,196,537	
Other time deposits	872,773	94,538	19,333	599	987,243	987,243	
Short-term borrowings/debt	294,122	—	—	—	294,122	294,122	
Long-term borrowings/debt	56,715	157,662	45,000	4,895	264,272	257,598	
Total	<u>\$ 2,594,936</u>	<u>\$ 252,200</u>	<u>\$ 64,333</u>	<u>\$ 2,374,866</u>	<u>\$ 5,286,335</u>	<u>\$ 5,279,661</u>	
Rate sensitive assets – rate sensitive liabilities	\$ 227,064	\$ 1,952,151	\$ 867,685	\$ (1,558,159)	\$ 1,488,741		
Cumulative GAP	\$ 227,064	\$ 2,179,214	\$ 3,046,900	\$ 1,488,741			
Cumulative amounts as % of total rate sensitive assets	3.4%	28.8%	12.8%	(23.0)%			
Cumulative ratio	3.4%	32.2%	45.0%	22.0%			

The static GAP analysis shows that at December 31, 2024, the Company was liability sensitive, on a cumulative basis, through the twelve-month time horizon. This indicates that future increases in interest rates could have an adverse effect on net interest income. There are several ways the Company measures and manages the exposure to interest rate sensitivity, including static GAP analysis. The Company’s ALCO also uses other financial models to project interest income under various rate scenarios and prepayment/extension assumptions consistent with First Mid Bank’s historical experience and with known industry trends. ALCO meets at least monthly to review the Company’s exposure to interest rate changes as indicated by the various techniques and to make necessary changes in the composition terms and/or rates of the assets and liabilities.

Capital Resources

At December 31, 2024, the Company's stockholders' equity had increased approximately \$53.2 million, or 6.7%, to \$846.4 million from \$793.2 million as of December 31, 2023. During 2024, net income contributed \$78.9 million to equity before the payment of dividends to stockholders of \$22.4 million. The change in market value of available-for-sale investment securities decreased stockholders' equity by \$6.0 million, net of tax.

Stock Plans

Deferred Compensation Plan. The Company follows the provisions of the Emerging Issues Task Force Issue No. 97-14, "Accounting for Deferred Compensation Arrangements Where Amounts Earned Are Held in a Rabbi Trust and Invested" ("EITF 97-14"), which was codified into ASC 710-10, for purposes of the First Mid Bancshares, Inc. Amended and Restated Deferred Compensation Plan ("DCP"). At December 31, 2024, the Company classified the cost basis of its common stock issued and held in trust in connection with the DCP of approximately \$5.9 million as treasury stock. The Company also classified the cost basis of its related deferred compensation obligation of approximately \$5.9 million as an equity instrument (deferred compensation).

The DCP was effective as of June 1984. The purpose of the DCP is to enable directors, advisory directors, and key employees the opportunity to defer a portion of the fees and cash compensation paid by the Company as a means of maximizing the effectiveness and flexibility of compensation arrangements. The Company invests all participants' deferrals in shares of common stock. Dividends paid on the shares are credited to participants' DCP accounts and invested in additional shares. Beginning in 2023, shares for the DCP were purchased on the open market instead of being issued by the Company. The Company issued, pursuant to DCP:

- 0 common shares during 2024
- 0 common shares during 2023, and
- 8,378 common shares during 2022

First Retirement and Savings Plan. The First Retirement Savings Plan ("401(k) plan") was effective beginning in 1985. Employees are eligible to participate in the 401(k) plan after three months of service with the Company.

Stock Incentive Plan. At the Annual Meeting of Stockholders held April 26, 2017, the stockholders approved the 2017 Stock Incentive Plan ("SI Plan"). The SI Plan was implemented to succeed the Company's 2007 Stock Incentive Plan, which had a ten-year term. The SI Plan is intended to provide a means whereby directors, employees, consultants and advisors of the Company and its Subsidiaries may sustain a sense of proprietorship and personal involvement in the continued development and financial success of the Company and its Subsidiaries, thereby advancing the interests of the Company and its stockholders. Accordingly, directors and selected employees, consultants and advisors may be provided the opportunity to acquire shares of Common Stock of the Company on the terms and conditions established in the SI Plan.

A maximum of 550,000 shares of common stock may be issued under the SI Plan. During 2024, 2023, and 2022, the Company awarded 80,332 and 45,986, and 63,150 shares as stock and stock unit awards, respectively. This SI Plan is more fully described in Note 13 - Stock Incentive Plan.

Stock Repurchase Program. Since August 5, 1998, the Board of Directors has approved repurchase programs pursuant to which the Company may repurchase a total of approximately \$76.7 million of the Company's common stock.

During 2024, the Company repurchased 15,978 shares (0.07% of common shares) at a total price of approximately \$659,000. During 2023, the Company repurchased 13,481 (0.06% of common shares) at a total price of approximately \$465,000. All of these shares were a result of shares withheld for taxes on vested employee stock incentives. As of December 31, 2024, approximately \$2.9 million remains available for purchase under the repurchase programs. Treasury stock is further affected by activity in the DCP.

Employee Stock Purchase Plan. At the Annual Meeting of Stockholders held April 25, 2018, the stockholders approved the First Mid Bancshares, Inc. Employee Stock Purchase Plan ("ESPP"). The ESPP provides eligible employees with the opportunity to purchase shares of common stock of the Company at a 15% discount through payroll deductions. The ESPP is intended to qualify as an employee stock purchase plan under Section 423 of the Internal Revenue Code. A maximum of 600,000 shares of common stock may be issued under the ESPP. As of December 31, 2024, 2023, and 2022, 32,936, 38,989, and 23,055 shares, respectively were issued pursuant to ESPP. As of December 31, 2024, there were 473,336 shares unassigned but available to be issued under the ESPP.

Capital Ratios

For 2024, the minimum regulatory ratios required for minimum capital adequacy purposes plus the capital buffer are 10.5% for the Total Risk-based capital ratio, 8.5% for the Tier 1 Risk-based capital ratio, 7.0% for the Common Equity Tier 1 capital ratio, and 4.0% for the Tier 1 Leverage ratio. The Company and First Mid Bank have capital ratios above the minimum regulatory capital requirements and, as of December 31, 2024, the Company and First Mid Bank had capital ratios above the levels required for categorization as well-capitalized under the capital adequacy guidelines established by the bank regulatory agencies. A tabulation of the Company and First Mid Bank's capital ratios as of December 31, 2024 follows:

	Total Risk-based Capital Ratio	Tier 1 Risk-based Capital Ratio	Common Equity Tier 1 Capital Ratio	Tier One Leverage Ratio (Capital to Average Assets)
First Mid Bancshares, Inc. (Consolidated)	15.37%	12.82%	12.42%	10.33%
First Mid Bank	14.51%	13.40%	13.40%	10.82%

Liquidity

Liquidity represents the ability of the Company and its subsidiaries to meet all present and future financial obligations arising in the daily operations of the business. Financial obligations consist of the need for funds to meet extensions of credit, deposit withdrawals and debt servicing. The Company's liquidity management focuses on the ability to obtain funds economically through assets that may be converted into cash at minimal costs or through other sources. The Company's other sources of cash include overnight federal fund lines, Federal Home Loan Bank advances, the ability to borrow at the Federal Reserve Bank of Chicago, and the Company's operating line of credit with The Northern Trust Company. Details for these sources include:

- First Mid Bank has \$130 million available in overnight federal fund lines, including \$30 million from First Horizon Bank, N.A., \$25 million from Zions Bank, \$20 million from U.S. Bank, N.A., \$20 million from BMO Bank, N.A., \$20 million from Bankers' Bank., and \$15 million from The Northern Trust Company. Availability of the funds is subject to First Mid Bank meeting minimum regulatory capital requirements for total capital to risk-weighted assets and Tier 1 capital to total average assets. As of December 31, 2024, First Mid Bank met these regulatory requirements.
- First Mid Bank can borrow from the Federal Home Loan Bank as a source of liquidity. Availability of the funds is subject to the pledging of collateral to the Federal Home Loan Bank collateral that can be pledged includes one-to-four family residential real estate loans and securities. At December 31, 2024, the excess collateral at the FHLB would support approximately \$1,633.4 million of additional advances for First Mid Bank.
- First Mid Bank is a member of the Federal Reserve System and can borrow funds provided that sufficient collateral is pledged.
- In addition, as of December 31, 2024, the Company had a revolving credit agreement in the amount of \$15 million with The Northern Trust Company with an outstanding balance of \$0 and \$15 million in available funds. This loan was renewed on April 5, 2024 for one year as a revolving credit agreement. The interest rate is floating at 2.25% over the federal funds rate. The loan is unsecured. The Company and its subsidiary banks were in compliance with the existing covenants at December 31, 2024 and 2023.

Management continues to monitor its expected liquidity requirements carefully, focusing primarily on cash flows from:

- lending activities, including loan commitments, letters of credit and mortgage prepayment assumptions;
- deposit activities, including seasonal demand of private and public funds;
- investing activities, including prepayments of mortgage-backed securities and call provisions on U.S. Treasury and government agency securities; and
- operating activities, including scheduled debt repayments and dividends to stockholders.

The following table summarizes significant contractual obligations and other commitments at December 31, 2024 (in thousands):

	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Time deposits	\$ 987,243	\$ 872,773	\$ 94,538	\$ 19,333	\$ 599
Debt	111,752	4,089	—	—	107,663
Other borrowings	446,642	301,642	75,000	70,000	—
Operating leases	15,962	3,110	5,634	3,714	3,504
Supplemental retirement	1,941	50	250	300	1,341
	<u>\$ 1,563,540</u>	<u>\$ 1,181,664</u>	<u>\$ 175,422</u>	<u>\$ 93,347</u>	<u>\$ 113,107</u>

For the year ended December 31, 2024, net cash of \$124.4 million was provided from operating activities, \$7.5 million was used in investing activities, and \$138.8 million was used in financing activities. In total cash and cash equivalents decreased by \$21.8 million from year-end 2023.

For the year ended December 31, 2023, net cash of \$72.4 million was provided from operating activities, \$474.4 million was provided from investing activities, and \$556.2 million was used in financing activities. In total cash and cash equivalents decreased by \$9.4 million from year-end 2022.

For the year ended December 31, 2022, net cash of \$65.8 million was provided from operating activities, \$178.7 million was used in investing activities, and \$96.7 million was provided by financing activities. In total cash and cash equivalents decreased by \$16.2 million from year-end 2021.

For the year ended December 31, 2024, the Company had \$10 million of floating rate trust preferred securities outstanding through Trust II, in September 2016, the Company acquired \$4 million of floating rate trust preferred securities from First Clover Leaf under Clover Leaf Statutory Trust I, on May 1, 2018, the Company acquired \$6 million of floating rate trust preferred securities from First BancTrust Corporation, and on August 15, 2023, the Company also acquired \$5.2 million of floating rate trust preferred securities from Blackhawk Bancorp, Inc. See Note 9 – "Repurchase Agreements and Other Borrowings" for a more detailed description.

Effects of Inflation

Unlike industrial companies, virtually all of the assets and liabilities of the Company are monetary in nature. As a result, interest rates have a more significant impact on the Company's performance than the effects of general levels of inflation. Interest rates do not necessarily move in the same direction or experience the same magnitude of changes as goods and services, since such prices are affected by inflation. In the current economic environment, liquidity and interest rate adjustments are features of the Company's assets and liabilities that are important to the maintenance of acceptable performance levels. The Company attempts to maintain a balance between monetary assets and monetary liabilities, over time, to offset these potential effects.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company's market risk arises primarily from interest rate risk inherent in its lending, investing and deposit taking activities, which are restricted to First Mid Bank. For a discussion of how management of the Company addresses and evaluates interest rate risk see also "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations – Interest Rate Sensitivity."

Based on the financial analysis performed as of December 31, 2024, which considers how the specific interest rate scenario would be expected to impact each interest-earning asset and each interest-bearing liability, the Company estimates that changes in the prime interest rate would impact First Mid Bank's performance, on a consolidated basis, as follows:

	Increase (Decrease) In		
December 31, 2024	Net Interest Income		Return On
	(\$000)	(%)	Average Equity
			2024=9.65%
Prime rate is 7.50%			
Prime rate increase of:			
200 basis points to 9.50%	\$ 4,891	2.36%	0.54%
100 basis points to 8.50%	4,304	2.08%	0.47%
Prime rate decrease of:			
100 basis points to 6.50%	(2,550)	(1.23)%	(0.28)%
200 basis points to 5.50%	(4,211)	(2.04)%	(0.47)%

The following table shows the same analysis for First Mid Bank performance as of December 31, 2023:

	Increase (Decrease) In		
December 31, 2023	Net Interest Income		Return On Average Equity
	(\$000)	(%)	2023=10.10%
Prime rate is 8.50%			
Prime rate increase of:			
200 basis points to 10.50%	\$ (4,473)	(2.32)%	(0.59)%
100 basis points to 9.50%	(1,640)	(0.85)%	(0.22)%
Prime rate decrease of:			
100 basis points to 7.50%	1,781	0.92%	0.23%
200 basis points to 6.50%	1,366	0.71%	0.18%

The Company's Board of Directors has adopted an interest rate risk policy that establishes maximum decreases in the percentage change in net interest income of 5% in a 100 basis point rate shift and 10% in a 200 basis point rate shift. No assurance can be given that the actual net interest income would increase or decrease by such amounts in response to a 100 or 200 basis point increase or decrease in the prime rate because it is also affected by many other factors. The results above are based on one-time "shock" moves and ramped rate increases and do not take into account any management response or mitigating action.

Interest rate sensitivity analysis is also used to measure the Company's interest risk by computing estimated changes in the Economic Value of Equity ("EVE") of the First Mid Bank under various interest rate shocks. EVE is determined by calculating the net present value of each asset and liability category by rate shock. The net differential between assets and liabilities is the EVE. EVE is an expression of the long-term interest rate risk in the balance sheet as a whole.

The following table presents the Company's projected change in EVE, on a consolidated basis, for the various rate shock levels at December 31, 2024 and 2023 (in thousands). All market risk sensitive instruments presented in the tables are held-to-maturity or available-for-sale. The Bank has no trading securities.

	Changes In		
	Interest Rates (basis points)	Economic Value of Equity	
		Amount of Change (\$000)	Percent of Change (%)
December 31, 2024	+200 bp	\$ (153,538)	(10.4)%
	+100 bp	(57,075)	(3.9)%
	-200 bp	37,317	2.5%
	-100 bp	39,216	2.6%
December 31, 2023	+200 bp	\$ (75,500)	(6.6)%
	+100 bp	(28,249)	(2.5)%
	-200 bp	11,597	1.0%
	-100 bp	21,499	1.9%

As indicated above, at December 31, 2024, in the event of a sudden and sustained increase in prevailing market interest rates, the EVE would be expected to decrease if rates increased 100 or 200 basis points. In the event of a sudden and sustained decrease in prevailing market interest rates, the Company's EVE would be expected to increase. At December 31, 2024, the estimated changes in EVE were inside the Company's policy guidelines that normally allow for a change in capital of +/-10% from the base case scenario under a 100 basis point shock and within the guidelines of +/- 20% from the base case scenario under a 200 basis point shock. The general level of interest rates are at historically low levels and the bank is monitoring its position and the likelihood of further rate changes.

Computation of prospective effects of hypothetical interest rate changes are based on numerous assumptions, including relative levels of market interest rates, loan prepayments and declines in deposit balances, and should not be relied upon as indicative of actual results. Further, the computations do not contemplate any actions the Company may undertake in response to changes in interest rates.

Certain shortcomings are inherent in the method of analysis presented in the computation of EVE. Actual values may differ from those projections set forth in the table, should market conditions vary from assumptions used in the preparation of the table. Certain assets, such as adjustable-rate loans, have features that restrict changes in interest rates on a short-term basis and over the life of the asset. In addition, the proportion of adjustable-rate loans in First Mid Bank's portfolio change in future periods as market rates change. Further, in the event of a change in interest rates, prepayment and early withdrawal levels would likely deviate significantly from those assumed in the table. Finally, the ability of many borrowers to repay their adjustable-rate debt may decrease in the event of an interest rate increase.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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Consolidated Balance Sheets
December 31, 2024 and 2023

(In thousands, except share data)	2024	2023
Assets		
Cash and due from banks:		
Non-interest bearing	\$ 92,112	\$ 122,871
Interest bearing	29,029	11,211
Federal funds sold	75	8,982
Cash and cash equivalents	<u>121,216</u>	<u>143,064</u>
Certificates of deposit investments	3,500	1,470
Investment securities:		
Available-for-sale, at fair value (amortized cost of \$1,257,436 and \$1,363,721 at December 31, 2024 and 2023, respectively)	1,063,292	1,171,572
Held-to-maturity, at amortized cost (estimated fair value of \$2,279 and \$2,286 at December 31, 2024 and 2023, respectively)	2,279	2,286
Equity securities, at fair value	4,439	4,074
Loans held for sale, at fair value	6,614	4,980
Loans	5,665,848	5,575,585
Less allowance for credit losses	<u>(70,182)</u>	<u>(68,675)</u>
Net loans	5,595,666	5,506,910
Interest receivable	38,639	35,082
Other real estate owned, net	2,179	1,163
Premises and equipment, net	100,234	101,396
Goodwill, net	203,391	196,461
Intangible assets, net	58,515	67,770
Bank owned life insurance	170,854	166,125
Right of use asset	13,861	14,306
Deferred tax asset, net	59,586	70,067
Other assets	75,469	100,068
Total assets	<u><u>\$ 7,519,734</u></u>	<u><u>\$ 7,586,794</u></u>
Liabilities and stockholders' equity		
Deposits:		
Non-interest bearing	\$ 1,329,155	\$ 1,398,234
Interest bearing	<u>4,727,941</u>	<u>4,725,425</u>
Total deposits	6,057,096	6,123,659
Repurchase agreements with customers	204,122	213,721
Interest payable	5,280	5,437
FHLB borrowings	242,520	263,787
Junior subordinated debentures, net	24,280	24,058
Subordinated debt, net	87,472	106,755
Lease liability	14,190	14,615
Other liabilities	<u>38,383</u>	<u>41,558</u>
Total liabilities	<u>6,673,343</u>	<u>6,793,590</u>
Stockholders' equity:		
Common stock, \$4 par value; authorized 30,000,000 shares; issued 24,564,356 and 24,479,708 shares in 2024 and 2023, respectively; outstanding 23,895,807 and 23,827,137 shares in 2024 and 2023, respectively	100,258	99,919
Additional paid-in capital	512,810	509,314
Retained earnings	395,189	338,662
Deferred compensation	2,756	2,629
Accumulated other comprehensive loss	(142,383)	(136,427)
Treasury stock at cost, 668,549 and 652,571 shares in 2024 and 2023, respectively	<u>(22,239)</u>	<u>(20,893)</u>
Total stockholders' equity	<u>846,391</u>	<u>793,204</u>
Total liabilities and stockholders' equity	<u><u>\$ 7,519,734</u></u>	<u><u>\$ 7,586,794</u></u>

See accompanying notes to consolidated financial statements.

Consolidated Statements of Income
For the years ended December 31, 2024, 2023, and 2022

(In thousands, except per share data)	2024	2023	2022
Interest income:			
Interest and fees on loans	\$ 320,446	\$ 262,423	\$ 185,869
Interest on investment securities			
Taxable	21,273	24,949	20,595
Exempt from federal income tax	7,563	7,170	8,785
Interest on certificates of deposit investments	144	98	37
Interest on federal funds sold	53	419	113
Interest on deposits with other financial institutions	7,900	5,107	492
Total interest income	357,379	300,166	215,891
Interest expense:			
Interest on deposits	106,919	77,294	18,813
Interest on securities sold under repurchase agreements with customers	6,448	6,565	1,795
Interest on FHLB borrowings	8,673	16,779	6,184
Interest on other borrowings	1	10	9
Interest on junior subordinated debentures	2,156	1,859	868
Interest on subordinated debt	4,454	4,196	3,945
Total interest expense	128,651	106,703	31,614
Net interest income	228,728	193,463	184,277
Provision for credit losses	5,635	6,104	4,806
Net interest income after provision for credit losses	223,093	187,359	179,471
Other income:			
Wealth management revenues	22,818	20,793	22,492
Insurance commissions	28,552	24,814	21,622
Service charges	12,362	10,881	9,112
Securities gains (losses), net	(433)	3,383	33
Mortgage banking revenue, net	3,957	2,282	1,190
ATM / debit card revenue	16,807	14,347	12,422
Bank owned life insurance	4,728	4,957	3,559
Other income	7,495	5,329	4,252
Total other income	96,286	86,786	74,682
Other expense:			
Salaries and employee benefits	124,134	104,962	98,594
Net occupancy and equipment expense	30,407	26,946	24,257
Net other real estate owned expense	411	1,862	330
FDIC insurance expense	3,463	3,339	1,805
Amortization of intangible assets	13,556	9,127	6,290
Stationery and supplies	1,885	1,346	1,295
Legal and professional	12,944	7,379	6,996
ATM / debit card expense	6,384	5,322	4,300
Marketing and donations	3,418	3,005	2,999
Other expense	18,381	22,452	15,995
Total other expense	214,983	185,740	162,861
Income before income taxes	104,396	88,405	91,292
Income taxes	25,498	19,470	18,340
Net income	\$ 78,898	\$ 68,935	\$ 72,952
Per share data:			
Basic net income per common share	\$ 3.31	\$ 3.17	\$ 3.62
Diluted net income per common share	3.30	3.15	3.60
Cash dividends declared per common share	0.94	0.92	0.90

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income (Loss)
For the years ended December 31, 2024, 2023, and 2022

(In thousands)	2024	2023	2022
Net income	\$ 78,898	\$ 68,935	\$ 72,952
Other comprehensive income (loss)			
Unrealized gains (losses) on available-for-sale securities, net of taxes of \$2,357, (\$7,140), and \$61,534 for the years ended December 31, 2024, 2023 and 2022, respectively	(6,270)	17,482	(150,653)
Less: reclassification adjustment for realized gains (losses) included in net income net of taxes of (\$119), \$981, and \$10 for the years ended December 31, 2024, 2023 and 2022, respectively	(314)	2,402	23
Other comprehensive income (loss), net of taxes	(5,956)	15,080	(150,676)
Comprehensive income (loss)	<u>\$ 72,942</u>	<u>\$ 84,015</u>	<u>\$ (77,724)</u>

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Stockholders' Equity
For the years ended December 31, 2024, 2023, and 2022
(In thousands, except share and per share data)

	Common Stock	Additional Paid-In- Capital	Retained Earnings	Deferred Compensation	Accumulated Other Comprehensive Loss	Treasury Stock	Total
December 31, 2023	\$ 99,919	\$ 509,314	\$ 338,662	\$ 2,629	\$ (136,427)	\$ (20,893)	\$ 793,204
Net income	—	—	78,898	—	—	—	78,898
Other comprehensive income (loss), net of tax	—	—	—	—	(5,956)	—	(5,956)
Dividends on common stock (\$.94 per share)	—	—	(22,371)	—	—	—	(22,371)
Issuance of 45,995 restricted common shares pursuant to the 2017 stock incentive plan, net of forfeitures	184	1,358	—	—	—	—	1,542
Issuance of 5,717 common shares pursuant to the 2017 stock incentive plan, net of forfeitures	23	169	—	—	—	—	192
Issuance of 32,936 common shares pursuant to employee stock purchase plan	132	730	—	—	—	—	862
Purchase of 15,978 treasury shares	—	—	—	—	—	(659)	(659)
Deferred compensation	—	—	—	(1,839)	—	(687)	(2,526)
Grant of restricted stock units pursuant to the 2017 stock incentive plan	—	1,634	—	—	—	—	1,634
Release of restricted stock units pursuant to the 2017 stock incentive plan	—	(617)	—	—	—	—	(617)
Vested restricted shares/units compensation expense	—	222	—	1,966	—	—	2,188
December 31, 2024	\$ 100,258	\$ 512,810	\$ 395,189	\$ 2,756	\$ (142,383)	\$ (22,239)	\$ 846,391

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Stockholders' Equity
For the years ended December 31, 2024, 2023, and 2022
(In thousands, except share and per share data)

	Common Stock	Additional Paid-In- Capital	Retained Earnings	Deferred Compensation	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total
December 31, 2022	\$ 86,366	\$ 427,001	\$ 289,284	\$ 2,064	\$ (151,507)	\$ (20,053)	\$ 633,155
Net income	—	—	68,935	—	—	—	68,935
Other comprehensive income (loss), net of tax	—	—	—	—	15,080	—	15,080
Dividends on common stock (\$.92 per share)	—	—	(19,557)	—	—	—	(19,557)
Issuance of 54,431 restricted common shares pursuant to the 2017 stock incentive plan, net of forfeitures	218	1,402	—	—	—	—	1,620
Issuance of 4,600 common shares pursuant to the 2017 stock incentive plan, net of forfeitures	18	109	—	—	—	—	127
Issuance of 38,989 common shares pursuant to employee stock purchase plan	156	721	—	—	—	—	877
Issuance of 3,290,222 common shares pursuant to acquisition of Blackhawk Bancorp, Inc., net proceeds	13,161	80,347	—	—	—	—	93,508
Purchase of 13,481 treasury shares	—	—	—	—	—	(465)	(465)
Deferred compensation	—	—	—	(765)	—	(375)	(1,140)
Grant of restricted stock units pursuant to the 2017 stock incentive plan	—	1,048	—	—	—	—	1,048
Release of restricted stock units pursuant to the 2017 stock incentive plan	—	(1,529)	—	—	—	—	(1,529)
Vested restricted shares/units compensation expense	—	215	—	1,330	—	—	1,545
December 31, 2023	\$ 99,919	\$ 509,314	\$ 338,662	\$ 2,629	\$ (136,427)	\$ (20,893)	\$ 793,204

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Stockholders' Equity
For the years ended December 31, 2024, 2023, and 2022
(In thousands, except share and per share data)

	Common Stock	Additional Paid-In- Capital	Retained Earnings	Deferred Compensation	Accumulated Other Comprehensive Income	Treasury Stock	Total
December 31, 2021	\$ 76,835	\$ 340,419	\$ 234,162	\$ 2,517	\$ (831)	\$ (19,208)	\$ 633,894
Net income	—	—	72,952	—	—	—	72,952
Other comprehensive income (loss), net of tax	—	—	—	—	(150,676)	—	(150,676)
Dividends on common stock (\$.90 per share)	—	—	(17,830)	—	—	—	(17,830)
Issuance of 8,378 common shares pursuant to the deferred compensation plan	34	297	—	—	—	—	331
Issuance of 54,067 restricted common shares pursuant to the 2017 stock incentive plan, net of forfeitures	216	2,013	—	—	—	—	2,229
Issuance of 4,950 common shares pursuant to the 2017 stock incentive plan, net of forfeitures	20	179	—	—	—	—	199
Issuance of 23,055 common shares pursuant to employee stock purchase plan	92	621	—	—	—	—	713
Issuance of 2,292,270 common shares pursuant to acquisition of Delta Bancshares, Co., net proceeds	9,169	83,003	—	—	—	—	92,172
Issuance costs pursuant to acquisition of Delta Bancshares Company	—	(29)	—	—	—	—	(29)
Purchase of 10,647 treasury shares	—	—	—	—	—	(340)	(340)
Deferred compensation	—	—	—	(2,037)	—	(505)	(2,542)
Grant of restricted stock units pursuant to the 2017 stock incentive plan	—	1529	—	—	—	—	1,529
Release of restricted stock units pursuant to the 2017 stock incentive plan	—	(1,216)	—	—	—	—	(1,216)
Vested restricted shares/units compensation expense	—	185	—	1,584	—	—	1,769
December 31, 2022	\$ 86,366	\$ 427,001	\$ 289,284	\$ 2,064	\$ (151,507)	\$ (20,053)	\$ 633,155

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows
For the years ended December 31, 2024, 2023, and 2022

(In thousands)	2024	2023	2022
Cash flows from operating activities:			
Net income	\$ 78,898	\$ 68,935	\$ 72,952
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for credit losses	5,635	6,104	4,806
Depreciation, amortization and accretion, net	20,778	14,904	15,060
Change in cash surrender value of bank owned life insurance	(4,728)	(3,981)	(3,559)
Gain on cash surrender value of bank owned life insurance	—	(976)	—
Stock-based compensation expense	2,360	1,656	1,802
Operating lease payments	(3,333)	(3,263)	(3,061)
Loss (gain) on investment securities, net	433	(3,383)	(33)
(Gain) loss on sale of other real property owned, net	(1,317)	4,080	97
Loss on write down of premises and equipment	1,243	131	—
Loss on sale of other assets	—	—	125
Gain on sale of loans held for sale, net	(3,596)	(1,200)	(1,159)
Gain on repayment of subordinated debentures	(493)	—	—
Deferred income taxes	590	16,739	(2,232)
Increase in accrued interest receivable	(3,557)	(2,696)	(6,717)
Increase in accrued interest payable	217	1,045	1,538
Origination of loans held for sale	(127,020)	(62,168)	(59,893)
Proceeds from sale of loans held for sale	128,982	58,726	63,462
Gain on equity securities	—	—	(1,145)
Decrease (increase) in other assets	33,524	(20,562)	(19,537)
(Decrease) Increase in other liabilities	(4,191)	(1,674)	3,318
Net cash provided by operating activities	124,425	72,417	65,824
Cash flows from investing activities:			
Proceeds from maturities of certificates of deposit investments	245	1,180	1,225
Purchase of certificates of deposit investments	(2,275)	(245)	(245)
Proceeds from sales of investment securities available-for-sale	32,338	343,610	36,257
Proceeds from maturities of investment securities available-for-sale	91,664	105,964	144,734
Proceeds from maturities of investment securities held-to-maturity	—	668	5,000
Purchase of investment securities available-for-sale	(20,109)	(1,462)	(12,754)
Purchase of held-to-maturity investment securities	(53)	—	—
Net increase in loans	(99,074)	(20,826)	(416,204)
Purchases of premises and equipment	(4,945)	(3,639)	(5,020)
Proceeds from sale of premises and equipment	7	—	—
Proceeds from sales of other real property owned	3,637	2,461	996
Proceeds from bank owned life insurance death benefit	—	2,048	—
Net cash (used in) provided by acquisition	(8,944)	44,621	67,323
Net cash (used in) provided by investing activities	(7,509)	474,380	(178,688)
Cash flows from financing activities:			
Net decrease in deposits	(66,563)	(328,314)	(259,862)
(Decrease) increase in repurchase agreements	(9,599)	(7,693)	39,623
Proceeds from FHLB advances	165,000	150,000	359,745
Repayment of FHLB advances	(186,171)	(351,141)	(25,856)
Repayment of subordinated debentures	(19,455)	—	—
Proceeds from issuance of common stock	1,054	1,004	1,244
Direct expenses related to capital transactions	—	—	(29)
Purchase of treasury stock	(659)	(465)	(340)
Dividends paid on common stock	(22,371)	(19,557)	(17,830)
Net cash (used in) provided by financing activities	(138,764)	(556,166)	96,695
Decrease in cash and cash equivalents	(21,848)	(9,369)	(16,169)
Cash and cash equivalents at beginning of period	143,064	152,433	168,602
Cash and cash equivalents at end of period	\$ 121,216	\$ 143,064	\$ 152,433

Consolidated Statements of Cash Flows (continued)
For the years ended December 31, 2024, 2023, and 2022

(In thousands)	2024	2023	2022
Supplemental disclosures of cash flow information			
Cash paid (received) during the period for:			
Interest	\$ 128,808	\$ 104,612	\$ 29,614
Income taxes, net of refunds	(1,524)	22,252	22,988
Supplemental disclosures of noncash investing and financing activities			
Loans transferred to other real estate owned	\$ 4,683	\$ 681	\$ 383
Initial recognition of right-of-use assets	2,729	1,399	715
Initial recognition of lease liabilities	2,729	1,399	715
Supplemental disclosure of purchase of capital stock			
Fair value of assets acquired	\$ 11,449	\$ 1,328,280	\$ 750,063
Consideration paid:			
Cash paid	9,000	10,172	15,150
Common stock issued	—	93,508	92,172
Total consideration paid	9,000	103,680	107,322
Fair value of liabilities assumed	<u>\$ 2,449</u>	<u>\$ 1,224,600</u>	<u>\$ 642,741</u>

See accompanying notes to consolidated financial statements.

First Mid Bancshares, Inc.

Notes to Consolidated Financial Statements

Note 1 – Basis of Accounting and Consolidation

The accompanying consolidated financial statements include the accounts of First Mid Bancshares, Inc. ("Company") and its wholly owned subsidiaries: First Mid Bank & Trust, N.A. ("First Mid Bank"), First Mid Wealth Management Company, First Mid Insurance Group, Inc. ("First Mid Insurance") and First Mid Captive, Inc. All significant intercompany balances and transactions have been eliminated in consolidation. The accounting and reporting policies of the Company conform to accounting principles generally accepted in the United States of America.

Acquisitions

Mid Rivers Insurance Group, Inc. During the quarter ended September 30, 2024, Mid Rivers Insurance Group, Inc. was acquired by the Company for a purchase price of \$10.1 million and instantly merged into First Mid Insurance Group.

Purdum, Gray, Ingledue, Beck, Inc. During the quarter ended June 30, 2024, Purdum, Gray, Ingledue, Beck, Inc. was acquired by the Company for a purchase price of \$10.2 million and instantly merged into First Mid Insurance Group.

Blackhawk Bancorp, Inc. On March 20, 2023, First Mid Bancshares, Inc. ("First Mid") and Eagle Sub LLC, a newly formed Wisconsin limited liability company and wholly-owned subsidiary of First Mid ("Merger Sub"), entered into an Agreement and Plan of Merger (the "Merger Agreement") with Blackhawk Bancorp, Inc., a Wisconsin corporation ("Blackhawk"), pursuant to which, among other things, First Mid agreed to acquire 100% of the issued and outstanding shares of Blackhawk pursuant to a business combination whereby Blackhawk merged with and into Merger Sub, whereupon the separate corporate existence of Blackhawk cease and Merger Sub continue as the surviving company and a wholly-owned subsidiary of First Mid (the "Merger").

Subject to the terms and conditions of the Merger Agreement, at the effective time of the Merger, each share of common stock, par value \$0.01 per share, of Blackhawk issued and outstanding immediately prior to the effective time of the Merger (other than shares held in treasury by Blackhawk and dissenting shares) were converted into and become the right to receive 1.15 shares of common stock, par value \$4.00 per share, of First Mid and cash in lieu of fractional shares, less any applicable taxes required to be withheld, and subject to certain potential adjustments. On an aggregate basis, the total consideration payable by First Mid at the closing of the Merger to Blackhawk's shareholders and equity award holders was 3,290,222 shares of First Mid common stock valued at \$93.5 million and \$2,000 of cash in lieu of fractional shares.

The Blackhawk Merger closed August 15, 2023 and Blackhawk Bank was merged into First Mid Bank on December 1, 2023.

Website

The Company maintains a website at www.firstmid.com. All periodic and current reports of the Company and amendments to these reports filed with the Securities and Exchange Commission ("SEC") can be accessed, free of charge, through this website as soon as reasonably practicable after these materials are filed with the SEC.

General Litigation

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

Summary of Significant Accounting Policies

Segment Reporting

The Company operates as a single segment entity for financial reporting purposes and has adopted ASU 2023-07 during the year ended December 31, 2024. The Chief Financial Officer, Matt Smith (CFO), serves as the Company's chief operating decision maker (CODM). The CODM allocates resources and assesses performance of the Company based on the consolidated performance, excluding all significant intercompany balances and transactions, of the Company and its wholly owned subsidiaries and does not significantly utilize disaggregated segment financial information for decision making and resource allocation. Management has reviewed the requirements of ASU 2023-07 and has determined that no additional segment disclosures are required. Specifically,

- the Company does not use the tracked performance on the disaggregated segment level for decision-making or resource allocation purposes,
- no significant segment-specific expenses or performance metrics are used internally for decision-making or resource allocation purposes, and
- the level of financial consolidation presented in these financial statements aligns with the CODM's internal reporting and decision-making process

Based on this assessment the Company's financial statement disclosures fully comply with ASC 2023-07, and no additional qualitative segment disclosures are necessary.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires the Company to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. The Company uses estimates and employs the judgments of management in determining the amount of its allowance for credit losses and income tax accruals and deferrals, in its fair value measurements of investment securities, and in the evaluation of impairment of loans, goodwill, investment securities, and premises and equipment. As with any estimate, actual results could differ from these estimates. Material estimates that are particularly susceptible to significant change relate to the determination of the allowance for credit losses. In connection with the determination of the allowance for credit losses, management obtains independent appraisals for significant properties.

Fair Value Measurements

The fair value of a financial instrument is defined as the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The Company estimates the fair value of a financial instrument using a variety of valuation methods. Where financial instruments are actively traded and have quoted market prices, quoted market prices are used for fair value. When the financial instruments are not actively traded, other observable market inputs, such as quoted prices of securities with similar characteristics, may be used, if available, to determine fair value. When observable market prices do not exist, the Company estimates fair value. The Company's valuation methods consider factors such as liquidity and concentration concerns. Other factors such as model assumptions, market dislocations, and unexpected correlations can affect estimates of fair value. Imprecision in estimating these factors can impact the amount of revenue or loss recorded.

At the end of each quarter, the Company assesses the valuation hierarchy for each asset or liability measured. From time to time, assets or liabilities may be transferred within hierarchy levels due to changes in availability of observable market inputs to measure fair value at the measurement date. Transfers into or out of hierarchy levels are based upon the fair value at the beginning of the reporting period. A more detailed description of the fair values measured at each level of the fair value hierarchy can be found in Note 11 – "Disclosures of Fair Values of Financial Instruments."

Cash and Cash Equivalents

For purposes of reporting cash flows, cash equivalents include non-interest bearing and interest-bearing cash and due from banks and federal funds sold. Generally, federal funds are sold for one-day periods.

Certificates of Deposit Investments

Certificates of deposit investments have original maturities of three to five years and are carried at cost.

Investment Securities

The Company classifies its investments in debt securities as either held-to-maturity or available-for-sale in accordance with ASC 320. Securities classified as held-to-maturity are recorded at cost or amortized cost. Available-for-sale securities are carried at fair value. Due to the subjective nature of the valuation process, it is possible that the actual fair values of these investments could differ from the estimated amounts, thereby affecting the financial position, results of operations and cash flows of the Company. If the estimated value of investments is less than the cost or amortized cost, the Company evaluates whether an event or change in circumstances has occurred that may have a significant adverse effect on the fair value of the investment. If such an event or change has occurred and the Company determines that the impairment is other-than-temporary, a further determination is made as to the portion of impairment that is related to credit loss. The impairment of the investment that is related to the credit loss is expensed in the period in which the event or change occurred. The remainder of the impairment is recorded in other comprehensive income (loss).

Loans

Loans are stated at the principal amount outstanding net of unearned discounts, unearned income, and the allowance for credit losses. Unearned income includes deferred loan origination fees reduced by loan origination costs and is amortized to interest income over the life of the related loan using methods that approximate the effective interest rate method. Interest on substantially all loans is credited to income based on the principal amount outstanding.

The Company's policy is to discontinue the accrual of interest income on any loan that becomes ninety days past due as to principal or interest or earlier when, in the opinion of management there is reasonable doubt as to the timely collection of principal or interest. Nonaccrual loans are returned to accrual status when, in the opinion of management, the financial position of the borrower indicates there is no longer any reasonable doubt as to the timely collectability of interest or principal.

Loans expected to be sold are classified as held for sale in the consolidated financial statements and are recorded at the lower of aggregate cost or fair value, taking into consideration future commitments to sell the loans.

Allowance for Credit Losses

The Company believes the allowance for credit losses is the critical accounting policy that requires the most significant judgments and assumptions used in the preparation of its consolidated financial statements. An estimate of potential losses inherent in the loan portfolio is determined and an allowance for those losses is established by considering factors including historical loss rates, expected cash flows, and estimated collateral values. In assessing these factors, the Company uses organizational history and experience with credit decisions and related outcomes. The allowance for credit losses represents the best estimate of losses inherent in the existing loan portfolio. The allowance for credit losses is increased by the provision for credit losses charged to expense and reduced by loans charged off, net of recoveries. The Company evaluates the allowance for credit losses at least quarterly. If the underlying assumptions later prove to be inaccurate based on subsequent loss evaluations, the allowance for credit losses is adjusted.

The Company individually evaluates certain loans for impairment. A specific allowance is assigned to a loan when expected cash flows or collateral do not justify the carrying amount of the loan. The methodology used to assign an allowance to a non-individually evaluated loan is more subjective. Generally, allowance for credit losses is measured on a collective (pool) basis for loans with similar risk characteristics. Historical credit loss experience provides the basis for the estimate of expected credit losses. For each pool, a historical loss rate is computed based on the average remaining contractual life of the pool. Adjustments to historical loss rates are made using qualitative factors relevant to each pool including merger and acquisition activity, economic conditions, changes in policies, procedures and underwriting, and concentrations. In addition, a twenty-four month forecast, using reasonable and supportable future conditions, is prepared that is used to estimate expected changes to existing and historical conditions in the current period. Because the economic and business climate in any given industry or market, and its impact on any given borrower, can change rapidly, the risk profile of the loan portfolio is continually assessed and adjusted when appropriate. Notwithstanding these procedures, there still exists the possibility that the assessment could prove to be significantly incorrect and that an immediate adjustment to the allowance for credit losses would be required.

Premises and Equipment

Premises and equipment are stated at cost less accumulated depreciation and amortization. Depreciation and amortization are charged to expense and determined principally by the straight-line method over the estimated useful lives of the assets. The estimated useful lives for each major depreciable classification of premises and equipment are as follows:

Buildings and improvements	20 years to 40 years
Leasehold improvements	5 years to 15 years
Furniture and equipment	3 years to 7 years

Goodwill and Intangible Assets

The Company has goodwill from business combinations, identifiable intangible assets assigned to core deposit relationships and customer lists acquired, and intangible assets arising from the rights to service mortgage loans for others.

Identifiable intangible assets generally arise from branches acquired that the Company accounted for as purchases. Such assets consist of the excess of the purchase price over the fair value of net assets acquired, with specific amounts assigned to core deposit relationships and customer lists primarily related to the insurance agency and Wealth Management Company. Intangible assets are amortized by the straight-line method over various periods up to fifteen years. Management reviews intangible assets for possible impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

In accordance with the provisions of SFAS No. 142, "Goodwill and Other Intangible Assets," codified into ASC 350, the Company performed its annual testing of goodwill for impairment as of September 30, 2024 and determined that, as of that date, goodwill was not impaired. The goodwill of a reporting unit is tested for impairment between annual tests if an event occurs or circumstances change that would more-likely-than-not reduce the fair value of a reporting unit below its carrying amount. Management also concluded that the remaining amounts and amortization periods were appropriate for all intangible assets.

Other Real Estate Owned

Other real estate owned acquired through loan foreclosure is initially recorded at fair value less costs to sell when acquired, establishing a new cost basis. The adjustment at the time of foreclosure is recorded through the allowance for credit losses. Due to the subjective nature of establishing the fair value when the asset is acquired, the actual fair value of the other real estate owned or foreclosed asset could differ from the original estimate. If it is determined that fair value temporarily declines subsequent to foreclosure, a valuation allowance is recorded through noninterest expense. Operating costs associated with the assets after acquisition are also recorded as noninterest expense. Gains and losses on the disposition of other real estate owned and foreclosed assets are netted and posted to other noninterest expense.

Bank Owned Life Insurance

First Mid Bank has purchased life insurance policies on certain senior management. Bank owned life insurance is recorded at the amount that can be realized under the insurance contract at the balance sheet date, which is the cash surrender value adjusted for other charges or other amounts that are probable at settlement.

Federal Home Loan Bank Stock

Federal Home Loan Bank stock is a required investment for institutions that are members of the Federal Home Loan Bank system. The required investment in the common stock is based on a predetermined formula and carried at cost.

Income Taxes

The Company and its subsidiaries file consolidated federal and state income tax returns with each organization computing its taxes on a separate company basis. Amounts provided for income tax expense are based on income reported for financial statement purposes rather than amounts currently payable under tax laws.

Deferred tax assets and liabilities are recognized for future tax consequences attributable to the temporary differences existing between the financial statement carrying amounts of assets and liabilities and their respective tax basis, as well as operating loss and tax credit carry forwards. To the extent that current available evidence about the future raises doubt about the realization of a deferred tax asset, a valuation allowance is established. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized as an increase or decrease in income tax expense in the period in which such change is enacted.

Additionally, the Company reviews its uncertain tax positions annually under FASB Interpretation No. 48 (FIN No. 48), "Accounting for Uncertainty in Income Taxes," codified within ASC 740. An uncertain tax position is recognized as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax

examination, with a tax examination being presumed to occur. The amount actually recognized is the largest amount of tax benefit that is greater than 50% likely to be recognized on examination. For tax positions not meeting the "more likely than not" test, no tax benefit is recorded. A significant amount of judgment is applied to determine both whether the tax position meets the "more likely than not" test as well as to determine the largest amount of tax benefit that is greater than 50% likely to be recognized. Differences between the position taken by management and that of taxing authorities could result in a reduction of a tax benefit or increase to tax liability, which could adversely affect future income tax expense.

Captive Insurance Company

First Mid Captive, Inc. ("the Captive"), a wholly owned subsidiary of the Company which was formed and began operations in December 2019, is a Nevada-based captive insurance company. The Captive insures against certain risks unique to the operations of the Company and its subsidiaries for which insurance may not be currently available or economically feasible in today's insurance marketplace. The Captive pools resources with several other similar insurance company subsidiaries of financial institutions to spread a limited amount of risk among themselves. The Captive is subject to regulations of the State of Nevada and undergoes periodic examinations by the Nevada Division of Insurance. It has elected to be taxed under Section 831(b) of the Internal Revenue Code. Pursuant to Section 831(b), if gross premiums do not exceed \$2,800,000, then the Captive is taxable solely on its investment income. The Captive is included in the Company's consolidated financial statements and its federal income return.

Wealth Management Assets

Assets held in fiduciary or agency capacities by First Mid Wealth Management Company are not included in the consolidated balance sheets since such items are not assets of the Company or its subsidiaries. Fees from trust activities are recorded on a cash basis over the period in which the service is provided. Fees are a function of the market value of assets managed and administered, the volume of transactions, and fees for other services rendered, as set forth in the underlying client agreement with the First Mid Wealth Management Company. This revenue recognition involves the use of estimates and assumptions, including components that are calculated based on asset valuations and transaction volumes. Any out-of-pocket expenses or services not typically covered by the fee schedule for trust activities are charged directly to the trust account on a gross basis as trust revenue is incurred. First Mid Wealth Management Company managed assets totaling \$6.4 billion and \$6.1 billion at December 31, 2024 and 2023, respectively.

Treasury Stock

Treasury stock is stated at cost. Cost is determined by the first-in, first-out method.

Stock Incentive Awards

At the Annual Meeting of Stockholders held April 26, 2017, the stockholders approved the 2017 Stock Incentive Plan ("SI Plan"). The SI Plan was implemented to succeed the Company's 2007 Stock Incentive Plan, which had a ten-year term. The SI Plan is intended to provide a means whereby directors, employees, consultants and advisors of the Company and its Subsidiaries may sustain a sense of proprietorship and personal involvement in the continued development and financial success of the Company and its Subsidiaries, thereby advancing the interests of the Company and its stockholders. Accordingly, directors and selected employees, consultants and advisors may be provided the opportunity to acquire shares of Common Stock of the Company on the terms and conditions established in the SI Plan.

A maximum of 550,000 shares of common stock may be issued under the SI Plan. The Company awarded 80,332, 45,986 and 63,150 shares during 2024, 2023, and 2022, respectively as stock and stock unit awards.

Employee Stock Purchase Plan

At the Annual Meeting of Stockholders held April 25, 2018, the stockholders approved the First Mid Bancshares, Inc. Employee Stock Purchase Plan ("ESPP"). The ESPP is intended to promote the interests of the Company by providing eligible employees with the opportunity to purchase shares of common stock of the Company at a 15% discount through payroll deductions. The ESPP is also intended to qualify as an employee stock purchase plan under Section 423 of the Internal Revenue Code. A maximum of 600,000 shares of common stock may be issued under the ESPP. As of December 31, 2024, 2023, and 2022, 32,936, 38,989 and 23,055 shares, respectively were issued pursuant to the ESPP. As of December 31, 2024, there were 473,336 shares unassigned but available to be issued under the ESPP.

Leases

Effective January 1, 2019, the Company adopted ASU 2016-02, Leases (Topic 842). As of December 31, 2024 substantially all the Company's leases are operating leases for real estate property for bank branches, ATM locations, and office space. For leases in effect January 1, 2019 and for leases commencing thereafter, the Company recognizes a lease liability and a right-of-use asset, based on the present value of lease payments over the lease term. The discount rate used in determining present value was the Company's incremental borrowing rate which is the FHLB fixed advance rate based on the remaining lease term as of January 1, 2019, or the commencement date for leases subsequently entered into.

Revenue Recognition

Accounting Standards Codification 606, *Revenue from Contracts with Customers* ("ASC 606"), establishes a revenue recognition model for reporting information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts to provide goods or services to customers. Most of the Company's revenue-generating transactions are not subject to ASC 606, including revenue generated from financial instruments, such as loans and investment securities, and revenue related to mortgage servicing activities, which are subject to other accounting standards. A description of the revenue-generating activities that are within the scope of ASC 606, and included in other income in the Company's condensed consolidated statements of income are as follows:

Trust revenues. The Company generates fee income from providing fiduciary services through its trust department. Fees are billed in arrears based upon the preceding period account balance. Revenue from the farm management department is recorded when service is complete, for example when crops are sold. This revenue is included in wealth management revenues on the consolidated statement of income.

Brokerage commissions. The primary brokerage revenue is recorded at the beginning of each quarter through billing to customers based on the account asset size on the last day of the previous quarter. If a withdrawal of funds takes place, a prorated refund may occur; this is reflected within the same quarter as the original billing occurred. All performance obligations are met within the same quarter that the revenue is recorded. This revenue is included in wealth management revenues on the consolidated statement of income.

Insurance commissions. The Company's insurance agency subsidiary, First Mid Insurance, receives commissions on premiums of new and renewed business policies. First Mid Insurance records commission revenue on direct bill policies as the cash is received. For agency bill policies, First Mid Insurance retains its commission portion of the customer premium payment and remits the balance to the carrier. In both cases, the entire performance obligation is held by the carriers.

Service charges on deposits. The Company generates revenue from fees charged for deposit account maintenance, overdrafts, wire transfers, and check fees. The revenue related to deposit fees is recognized at the time the performance obligation is satisfied.

ATM/debit card revenue. The Company generates revenue through service charges on the use of its ATM machines and interchange income from the use of Company issued credit and debit cards. The revenue is recognized at the time the service is used and the performance obligation is satisfied.

Other income. Treasury management fees and lock box fees are received and recorded after the service performance obligation is completed. Merchant bank card fees are received from various vendors; however, the performance obligation is with the vendors. The Company records gains on the sale of loans and the sale of OREO properties after the transactions are complete and transfer of ownership has occurred.

As each of the Company's facilities are located in markets with similar economies, no disaggregation of revenue is necessary.

Accumulated Other Comprehensive Loss

The components of accumulated other comprehensive loss included in stockholders' equity as of December 31, 2024 and 2023 are as follows (in thousands):

	Unrealized Gain (Loss) on Securities
December 31, 2024	
Net unrealized losses on securities available-for-sale	\$ (194,144)
Tax benefit	51,761
Balance at December 31, 2024	<u>\$ (142,383)</u>
December 31, 2023	
Net unrealized losses on securities available-for-sale	\$ (192,149)
Tax benefit	55,722
Balance at December 31, 2023	<u>\$ (136,427)</u>

Amounts reclassified from accumulated other comprehensive loss and the affected line items in the statements of income during the years ended December 31, 2024, 2023, and 2022, were as follows (in thousands):

	Amounts Reclassified from Other Comprehensive Income			Affected Line Item in the Statements of Income
	2024	2023	2022	
Realized gains (losses) on available-for-sale securities	\$ (433)	\$ 3,383	\$ 33	Securities gains, net (total reclassified amount before tax)
Income tax benefit (expense)	119	(981)	(10)	Tax expense
Total reclassifications out of accumulated other comprehensive income	<u>\$ (314)</u>	<u>\$ 2,402</u>	<u>\$ 23</u>	Net reclassified amount

See "Note 4 – Investment Securities" for more detailed information regarding unrealized losses on available-for-sale securities.

New Accounting Pronouncements

In December 2023, the Financial Accounting Standards Board issued ASU No. 2023-09, Income Tax (Topic 740): Improvements to Income Tax Disclosures. The amendments expand the disclosure requirements of income taxes, primarily related to the income tax rate reconciliation and income taxes paid with the intention to enhance transparency and decision usefulness of income tax disclosures. The amendments are effective for fiscal years beginning after December 15, 2024. Early adoption is permitted. The adoption of this accounting pronouncement will have no impact on the Financial Statements aside from additional disclosures presented in the Notes to Consolidated Financial Statements.

In November 2023, the Financial Accounting Standards Board issued ASU No. 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures. The amendments in this update require annual and interim disclosures on significant segment expenses that are regularly provided to the chief operating decision maker and require annual and interim disclosures on "other segment items" that comprise the difference between segment revenue less segment expense compared to the reported measure of segment profit or loss. In addition, the amendments will require all annual disclosures that are currently required to be reported on an interim basis and requires disclosure of the title and position of the chief operating decision maker and how that position uses the information to assess segment performance and the allocation of resources. ASU 2023-07 also requires entities that have a single reportable segment, such as the Company, to provide all disclosures required in this update and the existing segment disclosures in Topic 280. The amendments in this update are effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024.

Note 2 -- Earnings Per Share

Basic net income per common share available to common stockholders is calculated as net income less preferred stock dividends divided by the weighted average number of common shares outstanding. Diluted net income per common share available to common stockholders is computed using the weighted average number of common shares outstanding, increased by the assumed conversion of the Company's convertible preferred stock and the Company's stock options and restricted stock awarded, unless anti-dilutive.

The components of basic and diluted net income per common share available to common stockholders for the years ended December 31, 2024, 2023, and 2022 were as follows:

	2024	2023	2022
Basic net income per common share available to common stockholders:			
Net income available to common stockholders	\$ 78,898,000	\$ 68,935,000	\$ 72,952,000
Weighted average common shares outstanding	23,800,523	21,780,217	20,169,077
Basic earnings per common share	\$ 3.31	\$ 3.17	\$ 3.62
Diluted net income per common share available to common stockholders:			
Net income available to common stockholders	\$ 78,898,000	\$ 68,935,000	\$ 72,952,000
Weighted average common shares outstanding	23,800,523	21,780,217	20,169,077
Dilutive potential common shares:			
Restricted stock awarded	95,158	88,571	74,558
Dilutive potential common shares	95,158	88,571	74,558
Diluted weighted average common shares outstanding	23,895,681	21,868,788	20,243,635
Diluted earnings per common share	\$ 3.30	\$ 3.15	\$ 3.60

There were no shares not considered in computing diluted earnings per share for the years ended December 31, 2024, 2023, and 2022.

Note 3 -- Cash and Due from Banks

At December 31, 2024, the Company's cash accounts exceeded federal insurance limits by \$1.1 million. There have been no losses on these accounts.

Note 4 -- Investment Securities

The amortized cost, gross unrealized gains and losses and estimated fair values for available-for-sale and held-to-maturity securities by major security type at December 31, 2024 and 2023 were as follows (in thousands):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Fair Value
December 31, 2024				
Available-for-sale:				
U.S. Treasury securities and obligations of U.S. government corporations and agencies	\$ 212,513	\$ 3	\$ (21,158)	\$ 191,358
Obligations of states and political subdivisions	324,046	135	(56,441)	267,740
Mortgage-backed securities: GSE residential	653,760	552	(114,570)	539,742
Other securities	67,117	—	(2,665)	64,452
Total available-for-sale	<u>\$ 1,257,436</u>	<u>\$ 690</u>	<u>\$ (194,834)</u>	<u>\$ 1,063,292</u>
Held-to-maturity:				
Other securities	\$ 2,279	\$ —	\$ —	\$ 2,279
Total held-to-maturity	<u>\$ 2,279</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 2,279</u>
December 31, 2023				
Available-for-sale:				
U.S. Treasury securities and obligations of U.S. government corporations and agencies	\$ 237,875	\$ —	\$ (26,219)	\$ 211,656
Obligations of states and political subdivisions	337,835	152	(49,371)	288,616
Mortgage-backed securities: GSE residential	714,216	1,158	(113,074)	602,300
Other securities	73,795	—	(4,795)	69,000
Total available-for-sale	<u>\$ 1,363,721</u>	<u>\$ 1,310</u>	<u>\$ (193,459)</u>	<u>\$ 1,171,572</u>
Held-to-maturity:				
Other securities	\$ 2,286	\$ —	\$ —	\$ 2,286
Total held-to-maturity	<u>\$ 2,286</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 2,286</u>

The Company also had \$4.4 million and \$4.1 million of equity securities, at fair value, as of December 31, 2024 and 2023, respectively. All the Company's held-to-maturity securities are government agency-backed securities for which the risk of loss is minimal. As such, as of December 31, 2024, the Company did not record an allowance for credit losses on its held-to-maturity securities.

Proceeds from sales of available-for-sale investment securities, realized gains and losses and income tax expense were as follows during the years ended December 31, 2024, 2023, and 2022 (in thousands):

	2024	2023	2022
Proceeds from sales	\$ 32,338	\$ 343,610	\$ 36,257
Gross gains	46	4,381	202
Gross losses	(479)	(998)	(169)
Income tax expense	119	(981)	(10)

The following table indicates the expected maturities of investment securities classified as available-for-sale presented at fair value, and held-to-maturity presented at amortized cost at December 31, 2024 and the weighted average yield for each range of maturities (dollars in thousands):

	One year or less	After 1 through 5 years	After 5 through 10 years	After ten years	Total
Available-for-sale:					
U.S. Treasury securities and obligations of U.S. government corporations and agencies	\$ 178,548	\$ 12,810	\$ —	\$ —	\$ 191,358
Obligations of state and political subdivisions	26,780	114,045	117,825	9,090	267,740
Mortgage-backed securities: GSE residential	3,065	5,299	33,506	497,872	539,742
Other securities	51,001	12,641	810	—	64,452
Total available-for-sale	<u>\$ 259,394</u>	<u>\$ 144,795</u>	<u>\$ 152,141</u>	<u>\$ 506,962</u>	<u>\$ 1,063,292</u>
Weighted average yield	2.08%	2.38%	2.26%	1.81%	2.01%
Full tax equivalent yield	2.24%	2.88%	2.70%	1.83%	2.19%
Held-to-maturity:					
Other securities	\$ —	\$ —	\$ —	\$ 2,279	\$ 2,279
Total held-to-maturity	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 2,279</u>	<u>\$ 2,279</u>
Weighted average yield	—%	—%	—%	—%	—%
Full tax equivalent yield	—%	—%	—%	—%	—%

The weighted average yields are calculated on the basis of the amortized cost and effective yields weighted for the scheduled maturity of each security. Tax equivalent yields have been calculated using a 21% tax rate. With the exception of obligations of the U.S. Treasury and other U.S. government agencies and corporations, there were no investment securities of any single issuer, the book value of which exceeded 10% of stockholders' equity at December 31, 2024. Investment securities carried at approximately \$633 million and \$831 million at December 31, 2024 and 2023, respectively, were pledged to secure public deposits and repurchase agreements and for other purposes as permitted or required by law.

The following table presents the aging of gross unrealized losses and fair value by investment category as of December 31, 2024 and 2023 (in thousands):

	Less than 12 months		12 months or more		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
December 31, 2024						
Available-for-sale:						
U.S. Treasury securities and obligations of U.S. government corporations and agencies	\$ 1,340	\$ —	\$ 189,327	\$ (21,158)	\$ 190,667	\$ (21,158)
Obligations of states and political subdivisions	20,349	(1,248)	241,502	(55,193)	261,851	(56,441)
Mortgage-backed securities: GSE residential	1,135	(18)	511,746	(114,552)	512,881	(114,570)
Other securities	—	—	58,702	(2,665)	58,702	(2,665)
Total	<u>\$ 22,824</u>	<u>\$ (1,266)</u>	<u>\$ 1,001,277</u>	<u>\$ (193,568)</u>	<u>\$ 1,024,101</u>	<u>\$ (194,834)</u>
December 31, 2023						
Available-for-sale:						
U.S. Treasury securities and obligations of U.S. government corporations and agencies	\$ 1,288	\$ (4)	\$ 210,069	\$ (26,215)	\$ 211,357	\$ (26,219)
Obligations of states and political subdivisions	22,281	(333)	241,630	(49,038)	263,911	(49,371)
Mortgage-backed securities: GSE residential	5,818	(67)	566,197	(113,007)	572,015	(113,074)
Other securities	5,311	(439)	57,939	(4,356)	63,250	(4,795)
Total	<u>\$ 34,698</u>	<u>\$ (843)</u>	<u>\$ 1,075,835</u>	<u>\$ (192,616)</u>	<u>\$ 1,110,533</u>	<u>\$ (193,459)</u>

U.S. Treasury Securities and Obligations of U.S. Government Corporations and Agencies. At December 31, 2024, there were twenty-nine available-for-sale U.S. Treasury securities and obligations of U.S. government corporations and agencies with a fair value of \$189.3 million and unrealized losses of \$21.2 million in a continuous unrealized loss position for twelve months or more. At December 31, 2023, there were thirty-six available-for-sale securities with a fair value of \$210.1 million and unrealized losses of \$26.2 million in a continuous unrealized loss position for twelve months or more. There were no held-to-maturity U.S. Treasury securities and obligations of U.S. government corporations and agencies in a continuous unrealized loss position for twelve months or more at December 31, 2024 or 2023.

Obligations of states and political subdivisions. At December 31, 2024 there were two hundred forty-seven obligations of states and political subdivisions with fair value of \$241.5 million and unrealized losses of \$55.2 million in a continuous unrealized loss position for twelve months or more. At December 31, 2023, there were two hundred thirty-seven obligations of states and political subdivisions with fair value of \$241.6 million and unrealized losses of \$49.0 million in a continuous unrealized loss position for twelve months or more.

Mortgage-backed Securities: GSE Residential. At December 31, 2024 there were two hundred forty-one mortgage-backed securities with a fair value of \$511.7 million and unrealized losses of \$114.6 million in a continuous unrealized loss position for twelve months or more. At December 31, 2023, there were two hundred sixty-three mortgage-backed security with a fair value of \$566.2 million and unrealized losses of \$113.0 million in a continuous unrealized loss position for twelve months or more.

Other securities. At December 31, 2024 there were forty other securities with fair value of \$58.7 million and unrealized losses of \$2.7 million in a continuous unrealized loss position for twelve months or more. At December 31, 2023 there were forty-three other securities with fair value of \$57.9 million and unrealized losses of \$4.4 million in a continuous unrealized loss position for twelve months or more.

Maturities of investment securities were as follows at December 31, 2024 (in thousands):

	Amortized Cost	Estimated Fair Value
Available-for-sale:		
Due in one year or less	\$ 279,995	\$ 256,329
Due after one-five years	165,880	139,496
Due after five-ten years	146,600	118,635
Due after ten years	11,201	9,090
	603,676	523,550
Mortgage-backed securities: GSE residential	653,760	539,742
Total available-for-sale	<u>\$ 1,257,436</u>	<u>\$ 1,063,292</u>
Held-to-maturity:		
Due after ten years	2,279	2,279
Total held-to-maturity	<u>\$ 2,279</u>	<u>\$ 2,279</u>

Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

Note 5 -- Loans and Allowance for Credit Losses

Loans are stated at the principal amount outstanding net of unearned discounts, unearned income, and allowance for credit losses. Unearned income includes deferred loan origination fees reduced by loan origination costs and is amortized to interest income over the life of the related loan using methods that approximated the effective interest rate method. Interest on substantially all loans is credited to income based on the principal amount outstanding. A summary of loans at December 31, 2024 and 2023 follows (in thousands):

	2024	2023
Construction and land development	\$ 236,258	\$ 207,033
Agricultural real estate	391,436	392,265
1-4 family residential properties	502,243	549,843
Multifamily residential properties	334,032	321,537
Commercial real estate	2,442,627	2,416,294
Loans secured by real estate	3,906,596	3,886,972
Agricultural loans	239,138	196,202
Commercial and industrial loans	1,340,865	1,273,637
Consumer loans	54,481	92,142
All other loans	169,232	184,609
Gross loans	5,710,312	5,633,562
Less: Loans held for sale	6,614	4,980
	5,703,698	5,628,582
Less:		
Net deferred loan fees, premiums and discounts	37,850	52,997
Allowance for credit losses	70,182	68,675
Net loans	<u>\$ 5,595,666</u>	<u>\$ 5,506,910</u>

Net loans increased \$88.8 million as of December 31, 2024 compared to December 31, 2023. Loans expected to be sold are classified as held for sale in the consolidated financial statements and are recorded at the lower of aggregate cost or fair value, taking into consideration future commitments to sell the loans. These loans are primarily for 1-4 family residential properties. Accrued interest on loans, which is excluded from the amortized cost of the balances above, totaled \$33.7 million and \$29.9 million at December 31, 2024 and 2023, respectively.

The structure of the Company's loan approval process is based on progressively larger lending authorities granted to individual loan officers, loan committees, and ultimately the board of directors. Outstanding balances to one borrower or affiliated borrowers are limited by federal regulation; however, limits well below the regulatory thresholds are generally observed. The vast majority of the Company's loans are to businesses located in the geographic market areas served by the Company's branch bank system. Additionally, a significant portion of the collateral securing the loans in the portfolio is located within the Company's primary geographic footprint.

In general, the Company adheres to loan underwriting standards consistent with industry guidelines for all loan segments. The Company's lending can be summarized into the following primary areas:

Commercial Real Estate Loans. Commercial real estate loans are generally comprised of loans to small business entities to purchase or expand structures in which the business operations are housed, loans to owners of real estate who lease space to non-related commercial entities, loans for construction and land development, loans to hotel operators, and loans to owners of multi-family residential structures, such as apartment buildings. Commercial real estate loans are underwritten based on historical and projected cash flows of the borrower and secondarily on the underlying real estate pledged as collateral on the debt. For the various types of commercial real estate loans, minimum criteria have been established within the Company's loan policy regarding debt service coverage while maximum limits on loan-to-value and amortization periods have been defined. Maximum loan-to-value ratios range from 65% to 80% depending upon the type of real estate collateral, while the desired minimum debt coverage ratio is 1.20x.

Amortization periods for commercial real estate loans are generally limited to twenty years. The Company's commercial real estate portfolio is well below the thresholds that would designate a concentration in commercial real estate lending, as established by the federal banking regulators.

The following table represents the gross commercial real estate loans by property type as of December 31, 2024 (in thousands):

	December 31, 2024
Commercial real estate	
Owner occupied	\$ 782,231
Non owner occupied	
Shopping centers and malls	244,000
Industrial and warehouse	218,175
Hotels and motels	206,425
Skilled nursing facility	172,834
Office	145,006
Assisted living facility	119,416
Retail	110,850
Medical office	88,532
Other property types	355,158
Total commercial real estate	\$ 2,442,627

Commercial and Industrial Loans. Commercial and industrial loans are primarily comprised of working capital loans used to purchase inventory and fund accounts receivable that are secured by business assets other than real estate. These loans are generally written for one year or less. Also, equipment financing is provided to businesses with these loans generally limited to 80% of the value of the collateral and amortization periods limited to seven years. Commercial loans are often accompanied by a personal guaranty of the principal owners of a business. Like commercial real estate loans, the underlying cash flow of the business is the primary consideration in the underwriting process. The financial condition of commercial borrowers is monitored at least annually with the type of financial information required determined by the size of the relationship. Measures employed by the Company for businesses with higher risk profiles include the use of government-assisted lending programs through the Small Business Administration and U.S. Department of Agriculture.

Agricultural and Agricultural Real Estate Loans. Agricultural loans are generally comprised of seasonal operating lines to cash grain farmers to plant and harvest corn and soybeans and term loans to fund the purchase of equipment. Agricultural real estate loans are primarily comprised of loans for the purchase of farmland. Specific underwriting standards have been established for agricultural-related loans including the establishment of projections for each operating year based on industry developed estimates of farm input costs and expected commodity yields and prices. Operating lines are typically written for one year and secured by the crop. Loan-to-value ratios on loans secured by farmland generally do not exceed 65% and have amortization periods limited to twenty-five years. Federal government-assistance lending programs through the Farm Service Agency are used to mitigate the level of credit risk when deemed appropriate.

Residential Real Estate Loans. Residential real estate loans generally include loans for the purchase or refinance of residential real estate properties consisting of one-to-four units and home equity loans and lines of credit. The Company sells the vast majority of its long-term fixed rate residential real estate loans to secondary market investors. The Company also releases the servicing of these loans upon sale. The Company retains all residential real estate loans with balloon payment features. Balloon periods are limited to five years. Residential real estate loans are typically underwritten to conform to industry standards including criteria for maximum debt-to-income and loan-to-value ratios as well as minimum credit scores. Loans secured by first liens on residential real estate held in the portfolio typically do not exceed 80% of the value of the collateral and have amortization periods of twenty-five years or less. The Company does not originate subprime mortgage loans.

Consumer Loans. Consumer loans are primarily comprised of loans to individuals for personal and household purposes such as the purchase of an automobile or other living expenses. Minimum underwriting criteria have been established that consider credit score, debt-to-income ratio, employment history, and collateral coverage. Typically, consumer loans are set up on monthly payments with amortization periods based on the type and age of the collateral.

Other Loans. Other loans consist primarily of loans to municipalities to support community projects such as infrastructure improvements or equipment purchases. Underwriting guidelines for these loans are consistent with those established for commercial loans with the additional repayment source of the taxing authority of the municipality.

Allowance for Credit Losses

The allowance for credit losses represents the Company's best estimate of the reserve necessary to adequately account for probable losses expected over the remaining contractual life of the assets. The provision for credit losses is the charge against current earnings that is determined by the Company as the amount needed to maintain an adequate allowance for credit losses. In determining the adequacy of the allowance for credit losses, and therefore the provision to be charged to current earnings, the Company relies predominantly on a disciplined credit review and approval process that extends to the full range of the Company's credit exposure. The review process is directed by the overall lending policy and is intended to identify, at the earliest possible stage, borrowers who might be facing financial difficulty. Factors considered by the Company in evaluating the overall adequacy of the allowance include historical net credit losses, the level and composition of nonaccrual, past due and modified loans, trends in volumes and terms of loans, effects of changes in risk selection and underwriting standards or lending practices, lending staff changes, concentrations of credit, industry conditions and the current economic conditions in the region where the Company operates. The Company estimates the appropriate level of allowance for credit losses by evaluating large, impaired loans separately from non-impaired loans.

Individually Evaluated loans

The Company individually evaluates certain loans for impairment. In general, these loans have been internally identified via the Company's loan grading system as credits requiring management's attention due to underlying problems in the borrower's business or collateral concerns. This evaluation considers expected future cash flows, the value of collateral and other factors that may impact the borrower's ability to make payments when due. For loans greater than \$250,000, impairment is individually measured each quarter using one of three alternatives: (1) the present value of expected future cash flows discounted at the loan's effective interest rate; (2) the loan's observable market price, if available; or (3) the fair value of the collateral less costs to sell for collateral dependent loans and loans for which foreclosure is deemed to be probable. A specific allowance is assigned when expected cash flows or collateral are less than the carrying amount of the loan. The carrying value of the loan reflects reductions from prior charge-offs.

Non-Individually evaluated loans

Non-individually evaluated loans comprise the vast majority of the Company's total loan portfolio and include loans in accrual status and those credits not identified as modified loans. A small portion of these loans are considered "criticized" due to the risk rating assigned reflecting elevated credit risk due to characteristics, such as a strained cash flow position, associated with the individual borrowers. Criticized loans are those assigned risk ratings of Special Mention, Substandard, or Doubtful.

Beginning January 1, 2020, the allowance for credit losses was estimated using the current expected credit loss model ("CECL"). The Company uses the Loss Rate method to estimate the historical loss rate for all non-individually evaluated loans. Under this method, the allowance for credit losses is measured on a collective (pool) basis for loans with similar risk characteristics. Historical credit loss experience provides the basis for the estimate of expected credit losses. For each pool, a historical loss rate is computed based on the average remaining contractual life of the pool. Adjustments to historical loss rates are made using qualitative factors relevant to each pool including merger and acquisition activity, economic conditions, changes in policies, procedures and underwriting, and concentrations. In addition, a twenty-four month forecast, using reasonable and supportable future conditions, is prepared that is used to estimate expected changes to existing and historical conditions in the current period.

Within each pool, risk elements are evaluated that have specific impacts to the borrowers within the pool. These, along with the general risks and events, and the specific lending policies and procedures by loan type described above, are analyzed to estimate the qualitative factors used to adjust the historical loss rates. During the current period, the following assumptions and factors were considered when determining the historical loss rate and any potential adjustments by loan pool.

During 2024, the following assumptions and factors were considered.

Construction and Land Development Loans. Historical losses in this segment remain very low. While inflationary pressures have caused some risk in this segment, most projects are associated with financially strong borrowers. The qualitative factors for this segment increased by a minor, or 10%, amount on a net basis for the year. This increase was primarily due to the level of balances versus the internal concentration threshold.

Agricultural Real Estate Loans. Historical losses in the segment remain very low. Farmland values have increased over an extended period of time and remained stable over the last year. The loan to values in this segment are very low. There was no change to the qualitative factors for this segment.

Residential Real Estate Non Owner Occupied Loans. The loan segment has remained stable throughout the last several years. Both adversely classified and past dues have been consistent. There was no change to the qualitative factors for this segment.

Residential Real Estate Owner Occupied Loans. The loan segment has remained stable throughout the last several years. However, an increase in past dues at year end resulted in a significant, or 15% increase to the qualitative factors for this segment.

HELOC Loans. These loans are a small segment to overall loan balances. During the year, past dues increased to a level that resulted in a significant, or 15%, increase to the qualitative factors for this segment.

Commercial Real Estate Owner Occupied Loans. This segment has remained stable, reflecting less uncertainty to recessionary risks that were high in prior years with the rapid movement in interest rates, inflationary pressures, and recovery from the pandemic. Given the reduction to recessionary risk, the Company lowered its qualitative factor for this segment by a moderate, or 10%, level.

Commercial Real Estate Non Owner Occupied Loans. This segment includes the Company's largest balances. While qualitative factors had been increased in past periods for the economic uncertainty in the macro conditions, the Company still viewed this area as slightly higher risk given the continuous repricing of maturing loans to much higher market rates. On a net basis, the Company increased the qualitative factor at a minor, 5% level, for the year.

Agricultural Loans. Losses in this segment are very low. However, commodity prices have remained depressed for an extended period and have resulted in stressed balance sheets and cash flows for some farmers. The Company added to the qualitative factor multiple times throughout the year with an increase totaling 25%.

Commercial and Industrial Loans. This segment includes the largest balance of allowance for credit losses. The qualitative factors for this segment were reduced by a moderate, or 10%, level in the year. Most of the repricing for higher rates in this loan segment has already occurred and prior years increases for higher risk were no longer necessary.

Consumer Loans. This segment is a small portion of the Company's loan portfolio. While historical net charge-offs have been immaterial in this segment, there was an increase in past dues that resulted in the need for a significant, or 15%, increase to the qualitative factor to reflect the higher risk.

Acquired Loans. Prior to January 1, 2020 loans acquired with evidence of credit deterioration since origination and for which it was probable that all contractually required payments would not be collected were considered purchased credit impaired at the time of acquisition. Purchase credit-impaired ("PCI") loans were accounted for under ASC 310-30, *Receivables--Loans and Debt Securities Acquired with Deteriorated Credit Quality* ("ASC 310-30"), and were initially measured at fair value, which included the estimated future credit losses expected to be incurred over the life of the loan. Accordingly, an allowance for credit losses related to these loans was not carried over and recorded at the acquisition date. The cash flows expected to be collected were estimated using current key assumptions, such as default rates, value of underlying collateral, severity and prepayment speeds.

Subsequent to January 1, 2020, loans acquired in a business combination that have experienced more-than-insignificant deterioration in credit quality since origination are considered purchased credit deteriorated ("PCD") loans. At the acquisition date, an estimate of expected credit losses is made for groups of PCD loans with similar risk characteristics and individual PCD loans without similar risk characteristics. This initial allowance for credit losses is allocated to individual PCD loans and added to the purchase price or acquisition date fair values to establish the initial amortized cost basis of the PCD loans. As the initial allowance for credit losses is added to the purchase price, there is no credit loss expense recognized upon acquisition of a PCD loan. Any difference between the unpaid principal balance of PCD loans and the amortized cost basis is considered to relate to noncredit factors and results in a discount or premium. Discounts and premiums are recognized through interest income on a level-yield method over the life of the loans.

For acquired loans not deemed purchased credit deteriorated at acquisition, the differences between the initial fair value and the unpaid principal balance are recognized as interest income on a level-yield basis over the lives of the related loans. At the acquisition date, an initial allowance for expected credit losses is estimated and recorded as credit loss expense. The subsequent measurement of expected credit losses for all acquired loans is the same as the subsequent measurement of expected credit losses for originated loans.

The following tables present the balance in the allowance for credit losses and the recorded investment in loans based on portfolio segment and impairment method as of December 31, 2024, 2023, and 2022 (in thousands):

	Construction and Land Development	Agricultural Real Estate	1-4 Family Residential Properties	Commercial Real Estate	Agricultural Loans	Commercial and Industrial	Consumer Loans	Total
Twelve months ended December 31, 2024								
Beginning Balance	\$ 2,918	\$ 1,366	\$ 4,220	\$ 31,758	\$ 705	\$ 25,450	\$ 2,258	\$ 68,675
Initial allowance on loans purchased with credit deterioration	—	—	—	—	—	—	—	—
Provision for credit loss expense	352	(5)	(785)	1,178	3,587	510	798	5,635
Loans charged off	—	—	195	451	2,410	688	2,004	5,748
Recoveries collected	5	—	339	184	75	330	687	1,620
Ending balance	<u>\$ 3,275</u>	<u>\$ 1,361</u>	<u>\$ 3,579</u>	<u>\$ 32,669</u>	<u>\$ 1,957</u>	<u>\$ 25,602</u>	<u>\$ 1,739</u>	<u>\$ 70,182</u>
Twelve months ended December 31, 2023								
Beginning Balance	\$ 2,250	\$ 1,433	\$ 3,742	\$ 28,157	\$ 585	\$ 20,808	\$ 2,118	\$ 59,093
Initial allowance on loans purchased with credit deterioration	308	—	124	1,066	—	2,273	20	3,791
Provision for credit loss expense	374	(67)	225	1,755	490	2,322	1,005	6,104
Loans charged off	14	—	87	25	408	529	1,568	2,631
Recoveries collected	—	—	216	805	38	576	683	2,318
Ending balance	<u>\$ 2,918</u>	<u>\$ 1,366</u>	<u>\$ 4,220</u>	<u>\$ 31,758</u>	<u>\$ 705</u>	<u>\$ 25,450</u>	<u>\$ 2,258</u>	<u>\$ 68,675</u>
Twelve months ended December 31, 2022								
Beginning Balance	\$ 1,743	\$ 1,257	\$ 2,330	\$ 26,246	\$ 983	\$ 19,241	\$ 2,855	\$ 54,655
Initial allowance on loans purchased with credit deterioration	272	—	3	478	—	94	16	863
Provision for credit loss expense	137	176	1,241	1,462	(359)	2,135	14	4,806
Loans charged off	2	—	191	414	93	870	1,380	2,950
Recoveries collected	100	—	359	385	54	208	613	1,719
Ending balance	<u>\$ 2,250</u>	<u>\$ 1,433</u>	<u>\$ 3,742</u>	<u>\$ 28,157</u>	<u>\$ 585</u>	<u>\$ 20,808</u>	<u>\$ 2,118</u>	<u>\$ 59,093</u>

Consistent with regulatory guidance, charge-offs on all loan segments are taken when specific loans, or portions thereof, are considered uncollectible. The Company's policy is to promptly charge these loans off in the period the uncollectible loss is reasonably determined. For all loan portfolio segments except 1-4 family residential properties and consumer, the Company promptly charges-off loans, or portions thereof, when available information confirms that specific loans are uncollectible based on information that includes, but is not limited to, (1) the deteriorating financial condition of the borrower, (2) declining collateral values, and/or (3) legal action, including bankruptcy, that impairs the borrower's ability to adequately meet its obligations. For impaired loans that are considered solely collateral dependent, a partial charge-off is recorded when a loss has been confirmed by an updated appraisal or other appropriate valuation of the collateral.

The Company charges-off 1-4 family residential and consumer loans, or portions thereof, when the Company reasonably determines the amount of the loss. The Company adheres to time frames established by applicable regulatory guidance which provides for the charge-down of 1-4 family first and junior lien mortgages to the net realizable value less costs to sell when the loan is 180 days past due, charge-off of unsecured open-end loans when the loan is 180 days past due, and charge down to the net realizable value when other secured loans are 120 days past due. Loans at these respective delinquency thresholds for which the Company can clearly document that the loan is both well-secured and in the process of collection, such that collection will occur regardless of delinquency status, need not be charged off.

The following table presents the amortized cost basis of collateral-dependent loans by class of loans that were individually evaluated to determine expected credit losses, and the related allowance for credit losses, as of December 31, 2024 (in thousands):

	Collateral				Allowance for Credit Losses
	Real Estate	Business Assets	Other	Total	
Construction and land development	\$ —	\$ —	\$ —	\$ —	\$ —
Agricultural real estate	1,107	—	—	1,107	—
1-4 family residential properties	360	—	—	360	—
Multifamily residential properties	895	—	—	895	—
Commercial real estate	4,430	—	—	4,430	196
Loans secured by real estate	6,792	—	—	6,792	196
Agricultural loans	600	9,526	—	10,126	788
Commercial and industrial loans	57	1,234	—	1,291	260
Consumer loans	—	—	—	—	—
All other loans	—	—	—	—	—
Total loans	<u>\$ 7,449</u>	<u>\$ 10,760</u>	<u>\$ —</u>	<u>\$ 18,209</u>	<u>\$ 1,244</u>

Credit Quality

The Company categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt such as: current financial information, historical payment experience, collateral support, credit documentation, public information, and current economic trends, among other factors. The Company analyzes loans individually by classifying the loans as to credit risk. This analysis is performed on a continuous basis. The Company uses the following definitions for risk ratings, which are commensurate with a loan considered "criticized":

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

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

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

Loans not meeting the criteria above that are analyzed individually as part of the above described process are considered pass rated loans. The following tables present the credit risk profile of the Company's loan portfolio based on rating category and payment activity as of December 31, 2024 and 2023 (in thousands):

	Term Loans by Origination Year						Revolving	
Risk rating	2024	2023	2022	2021	2020	Prior	Loans	Total
December 31, 2024								
Construction and land development loans								
Pass	\$ 82,696	\$ 101,715	\$ 14,390	\$ 15,817	\$ 4,735	\$ 16,342	\$ —	\$ 235,695
Special mention	—	—	—	—	—	382	—	382
Substandard	—	—	6	—	—	10	—	16
Total	\$ 82,696	\$ 101,715	\$ 14,396	\$ 15,817	\$ 4,735	\$ 16,734	\$ —	\$ 236,093
Current period gross writeoffs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Agricultural real estate loans								
Pass	\$ 25,824	\$ 17,292	\$ 159,433	\$ 55,083	\$ 48,700	\$ 73,592	\$ —	\$ 379,924
Special mention	—	192	107	986	1,755	5,630	—	8,670
Substandard	—	141	966	—	—	1,059	—	2,166
Total	\$ 25,824	\$ 17,625	\$ 160,506	\$ 56,069	\$ 50,455	\$ 80,281	\$ —	\$ 390,760
Current period gross writeoffs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
1-4 family residential property loans								
Pass	\$ 46,350	\$ 36,454	\$ 74,580	\$ 75,325	\$ 61,936	\$ 110,348	\$ 79,714	\$ 484,707
Special mention	175	—	204	326	—	577	59	1,341
Substandard	174	672	916	737	557	6,875	618	10,549
Total	\$ 46,699	\$ 37,126	\$ 75,700	\$ 76,388	\$ 62,493	\$ 117,800	\$ 80,391	\$ 496,597
Current period gross writeoffs	\$ —	\$ 46	\$ 13	\$ 33	\$ —	\$ 103	\$ —	\$ 195
Commercial real estate loans								
Pass	\$ 216,297	\$ 213,704	\$ 680,665	\$ 535,056	\$ 289,855	\$ 774,516	\$ —	\$ 2,710,093
Special mention	659	13,732	4,090	2,053	713	10,462	—	31,709
Substandard	—	49	3,844	467	—	4,067	—	8,427
Total	\$ 216,956	\$ 227,485	\$ 688,599	\$ 537,576	\$ 290,568	\$ 789,045	\$ —	\$ 2,750,229
Current period gross writeoffs	\$ —	\$ —	\$ 151	\$ —	\$ —	\$ 300	\$ —	\$ 451
Agricultural loans								
Pass	\$ 175,402	\$ 24,024	\$ 13,147	\$ 9,162	\$ 1,585	\$ 2,306	\$ —	\$ 225,626
Special mention	617	2,208	976	100	—	—	—	3,901
Substandard	843	7,092	2,209	—	—	—	—	10,144
Total	\$ 176,862	\$ 33,324	\$ 16,332	\$ 9,262	\$ 1,585	\$ 2,306	\$ —	\$ 239,671
Current period gross writeoffs	\$ —	\$ 2,213	\$ 100	\$ 52	\$ —	\$ 45	\$ —	\$ 2,410
Commercial and industrial loans								
Pass	\$ 307,785	\$ 228,411	\$ 278,845	\$ 183,042	\$ 131,005	\$ 360,610	\$ —	\$ 1,489,698
Special mention	54	1,149	1,277	748	1,020	7,583	—	11,831
Substandard	65	1,410	789	446	98	815	—	3,623
Total	\$ 307,904	\$ 230,970	\$ 280,911	\$ 184,236	\$ 132,123	\$ 369,008	\$ —	\$ 1,505,152
Current period gross writeoffs	\$ 10	\$ 47	\$ 207	\$ 378	\$ 10	\$ 36	\$ —	\$ 688
Consumer loans								
Pass	\$ 5,098	\$ 5,138	\$ 24,430	\$ 11,810	\$ 4,494	\$ 2,385	\$ —	\$ 53,355
Special mention	—	—	14	—	—	—	—	14
Substandard	12	21	259	216	54	29	—	591
Total	\$ 5,110	\$ 5,159	\$ 24,703	\$ 12,026	\$ 4,548	\$ 2,414	\$ —	\$ 53,960
Current period gross writeoffs	\$ 98	\$ 63	\$ 154	\$ 139	\$ 59	\$ 1,491	\$ —	\$ 2,004
Total loans								
Pass	\$ 859,452	\$ 626,738	\$ 1,245,490	\$ 885,295	\$ 542,310	\$ 1,340,099	\$ 79,714	\$ 5,579,098
Special mention	1,505	17,281	6,668	4,213	3,488	24,634	59	57,848
Substandard	1,094	9,385	8,989	1,866	709	12,855	618	35,516
Total	\$ 862,051	\$ 653,404	\$ 1,261,147	\$ 891,374	\$ 546,507	\$ 1,377,588	\$ 80,391	\$ 5,672,462
Current period gross writeoffs	\$ 108	\$ 2,369	\$ 625	\$ 602	\$ 69	\$ 1,975	\$ —	\$ 5,748

	Term Loans by Origination Year						Revolving	
Risk rating	2023	2022	2021	2020	2019	Prior	Loans	Total
December 31, 2023								
Construction and land development loans								
Pass	\$ 68,086	\$ 74,065	\$ 27,392	\$ 5,188	\$ 10,795	\$ 19,115	\$ —	\$ 204,641
Special mention	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	436	—	436
Total	\$ 68,086	\$ 74,065	\$ 27,392	\$ 5,188	\$ 10,795	\$ 19,551	\$ —	\$ 205,077
Current period gross writeoffs	\$ —	\$ —	\$ —	\$ —	\$ 14	\$ —	\$ —	\$ 14
Agricultural real estate loans								
Pass	\$ 19,231	\$ 164,812	\$ 57,815	\$ 53,249	\$ 19,419	\$ 71,189	\$ —	\$ 385,715
Special mention	206	—	627	—	1,170	1,868	—	3,871
Substandard	—	—	371	—	—	1,175	—	1,546
Total	\$ 19,437	\$ 164,812	\$ 58,813	\$ 53,249	\$ 20,589	\$ 74,232	\$ —	\$ 391,132
Current period gross writeoffs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
1-4 family residential property loans								
Pass	\$ 66,119	\$ 96,995	\$ 79,085	\$ 73,073	\$ 26,854	\$ 105,257	\$ 75,700	\$ 523,083
Special mention	—	967	3,184	—	—	3,804	10	7,965
Substandard	152	759	460	396	288	8,865	501	11,421
Total	\$ 66,271	\$ 98,721	\$ 82,729	\$ 73,469	\$ 27,142	\$ 117,926	\$ 76,211	\$ 542,469
Current period gross writeoffs	\$ 10	\$ —	\$ —	\$ —	\$ 14	\$ 63	\$ —	\$ 87
Commercial real estate loans								
Pass	\$ 185,628	\$ 680,099	\$ 548,733	\$ 317,075	\$ 239,323	\$ 701,464	\$ —	\$ 2,672,322
Special mention	3,666	2,706	1,317	2,159	1,563	7,778	—	19,189
Substandard	—	3,899	520	20	775	7,108	—	12,322
Total	\$ 189,294	\$ 686,704	\$ 550,570	\$ 319,254	\$ 241,661	\$ 716,350	\$ —	\$ 2,703,833
Current period gross writeoffs	\$ —	\$ —	\$ —	\$ —	\$ 25	\$ —	\$ —	\$ 25
Agricultural loans								
Pass	\$ 147,993	\$ 27,895	\$ 10,044	\$ 2,549	\$ 1,883	\$ 5,854	\$ —	\$ 196,218
Special mention	6	10	—	—	38	—	—	54
Substandard	—	—	—	—	—	—	—	—
Total	\$ 147,999	\$ 27,905	\$ 10,044	\$ 2,549	\$ 1,921	\$ 5,854	\$ —	\$ 196,272
Current period gross writeoffs	\$ —	\$ 276	\$ —	\$ —	\$ —	\$ 132	\$ —	\$ 408
Commercial and industrial loans								
Pass	\$ 290,304	\$ 306,794	\$ 232,198	\$ 154,499	\$ 73,906	\$ 347,957	\$ —	\$ 1,405,658
Special mention	1,047	1,857	9,982	562	597	28,900	—	42,945
Substandard	—	537	791	58	29	750	—	2,165
Total	\$ 291,351	\$ 309,188	\$ 242,971	\$ 155,119	\$ 74,532	\$ 377,607	\$ —	\$ 1,450,768
Current period gross writeoffs	\$ —	\$ 353	\$ —	\$ 49	\$ 20	\$ 107	\$ —	\$ 529
Consumer loans								
Pass	\$ 9,547	\$ 40,225	\$ 21,264	\$ 10,387	\$ 4,475	\$ 4,035	\$ —	\$ 89,933
Special mention	—	26	—	—	—	—	—	26
Substandard	86	405	325	139	59	41	—	1,055
Total	\$ 9,633	\$ 40,656	\$ 21,589	\$ 10,526	\$ 4,534	\$ 4,076	\$ —	\$ 91,014
Current period gross writeoffs	\$ —	\$ 132	\$ 208	\$ 2	\$ 20	\$ 1,206	\$ —	\$ 1,568
Total loans								
Pass	\$ 786,908	\$ 1,390,885	\$ 976,531	\$ 616,020	\$ 376,655	\$ 1,254,871	\$ 75,700	\$ 5,477,570
Special mention	4,925	5,566	15,110	2,721	3,368	42,350	10	74,050
Substandard	238	5,600	2,467	613	1,151	18,375	501	28,945
Total	\$ 792,071	\$ 1,402,051	\$ 994,108	\$ 619,354	\$ 381,174	\$ 1,315,596	\$ 76,211	\$ 5,580,565
Current period gross writeoffs	\$ 10	\$ 761	\$ 208	\$ 51	\$ 93	\$ 1,508	\$ —	\$ 2,631

The following table presents the Company's loan portfolio aging analysis at December 31, 2024 and 2023 (in thousands):

	30-59 days Past Due	60-89 days Past Due	90 Days or More Past Due	Total Past Due	Current	Total Loans Receivable	Total Loans > 90 days and Accruing
December 31, 2024							
Construction and land development	\$ 6	\$ —	\$ —	\$ 6	\$ 236,087	\$ 236,093	\$ —
Agricultural real estate	—	—	533	533	390,227	390,760	—
1-4 family residential properties	2,209	931	2,089	5,229	491,368	496,597	—
Multifamily residential properties	—	—	472	472	332,172	332,644	—
Commercial real estate	595	553	344	1,492	2,416,093	2,417,585	—
Loans secured by real estate	2,810	1,484	3,438	7,732	3,865,947	3,873,679	—
Agricultural loans	550	—	1,289	1,839	237,832	239,671	—
Commercial and industrial loans	337	89	463	889	1,335,031	1,335,920	—
Consumer loans	442	48	111	601	53,359	53,960	—
All other loans	—	—	—	—	169,232	169,232	—
Total loans	<u>\$ 4,139</u>	<u>\$ 1,621</u>	<u>\$ 5,301</u>	<u>\$ 11,061</u>	<u>\$ 5,661,401</u>	<u>\$ 5,672,462</u>	<u>\$ —</u>
Percent of total loans				0.19%			
December 31, 2023							
Construction and land development	\$ —	\$ 585	\$ —	\$ 585	\$ 204,492	\$ 205,077	\$ —
Agricultural real estate	—	—	—	—	391,132	391,132	—
1-4 family residential properties	2,957	486	727	4,170	538,299	542,469	—
Multifamily residential properties	150	—	—	150	318,979	319,129	—
Commercial real estate	819	45	940	1,804	2,382,900	2,384,704	—
Loans secured by real estate	3,926	1,116	1,667	6,709	3,835,802	3,842,511	—
Agricultural loans	—	—	—	—	196,272	196,272	—
Commercial and industrial loans	367	70	858	1,295	1,264,864	1,266,159	—
Consumer loans	979	157	252	1,388	89,626	91,014	—
All other loans	—	—	—	—	184,609	184,609	—
Total loans	<u>\$ 5,272</u>	<u>\$ 1,343</u>	<u>\$ 2,777</u>	<u>\$ 9,392</u>	<u>\$ 5,571,173</u>	<u>\$ 5,580,565</u>	<u>\$ —</u>
Percent of total loans				0.17%			

Individually Evaluated Loans

Within all loan portfolio segments, loans are considered impaired when, based on current information and events, it is probable the Company will be unable to collect all amounts due from the borrower in accordance with the contractual terms of the loan. The entire balance of a loan is considered delinquent if the minimum payment contractually required to be made is not received by the specified due date. Impaired loans, excluding certain modified, are placed on nonaccrual status. Impaired loans include nonaccrual loans and loans modified in restructuring where concessions have been granted to borrowers experiencing financial difficulties. These concessions could include a reduction in the interest rate on the loan, payment extensions, forgiveness of principal, forbearance or other actions intended to maximize collection. It is the Company's policy to have any restructured loans which are on nonaccrual status prior to being modified remain on nonaccrual status until, in the opinion of management, the financial position of the borrower indicates there is no longer any reasonable doubt as to the timely collection of interest or principal. If the restructured loan is on accrual status prior to being modified, the loan is reviewed to determine if the modified loan should remain on accrual status.

The Company's policy is to discontinue the accrual of interest income on all loans for which principal or interest is ninety days past due. The accrual of interest is discontinued earlier when, in the opinion of management, there is reasonable doubt as to the timely collection of interest or principal. Once interest accruals are discontinued, accrued but uncollected interest is charged against current year income. Subsequent receipts on non-accrual loans are recorded as a reduction of principal, and interest income is recorded only after principal recovery is reasonably assured. Interest on loans determined to be modified is recognized on an accrual basis in accordance with the restructured terms if the loan is in compliance with the modified terms. Nonaccrual loans are returned to accrual status when, in the opinion of management, the financial position of the borrower indicates there is no longer any reasonable doubt as to the timely collection of interest or principal. The Company requires a period of satisfactory performance of not less than six months before returning a nonaccrual loan to accrual status.

The amount of interest income recognized by the Company within the periods stated above was due to loans modified in restructuring that remain on accrual status.

Nonaccrual Loans

The following table presents the Company's recorded balance of nonaccrual loans at December 31, 2024 and December 31, 2023 (in thousands). This table excludes performing purchased credit deteriorated loans and performing loans modified.

	2024		2023	
	Nonaccrual with no Allowance for Credit Loss	Nonaccrual	Nonaccrual with no Allowance for Credit Loss	Nonaccrual
Construction and land development	\$ 6	\$ 6	\$ —	\$ —
Agricultural real estate	2,213	2,213	1,146	1,146
1-4 family residential properties	4,196	4,937	4,679	4,940
Multifamily residential properties	—	—	—	—
Commercial real estate	4,901	7,716	10,237	10,237
Loans secured by real estate	11,316	14,872	16,062	16,323
Agricultural loans	1,371	11,521	—	—
Commercial and industrial loans	1,320	2,071	1,931	1,931
Consumer loans	311	311	578	578
Total loans	<u>\$ 14,318</u>	<u>\$ 28,775</u>	<u>\$ 18,571</u>	<u>\$ 18,832</u>

The aggregate principal balances of nonaccrual, past due ninety days or more loans were \$28.8 million and \$18.8 million at December 31, 2024 and 2023, respectively. Interest income that would have been recorded under the original terms of such nonaccrual loans totaled \$1.4 million, \$412,000 and \$103,000 in 2024, 2023, and 2022, respectively.

Subsequent to adoption of ASU 2016-13 on January 1, 2020, loans acquired in a business combination that have experienced more-than-insignificant deterioration in credit quality since origination are considered PCD loans. At the acquisition date, an estimate of expected credit losses is made for groups of PCD loans with similar risk characteristics and individual PCD loans without similar risk characteristics. This initial allowance for credit losses is allocated to individual PCD loans and added to the purchase price or acquisition date fair values to establish the initial amortized cost basis of the PCD loans. As the initial allowance for credit losses is added to the purchase price, there is no credit loss expense recognized upon acquisition of a PCD loan. Any difference between the unpaid principal balance of PCD loans and the amortized cost basis is considered to relate to noncredit factors and results in a discount or premium. Discounts and premiums are recognized through interest income on a level-yield method over the life of the loans. All loans considered to be PCI prior to January 1, 2020 were converted to PCD on that date.

Loan Modification Disclosures Pursuant to ASU 2022-02

The following table shows the amortized cost of loans at December 31, 2024 and 2023 that were both experiencing financial difficulty and modified segregated by portfolio segment and type of modification. The percentage of the amortized cost of loans that were modified to borrowers in financial distress as compared to outstanding loans is also presented below.

	Principal Forgiveness	Payment Delay Investment	Term Extension Modifications	Interest Rate Reduction	Total Class of Financing Receivable
December 31, 2024					
Agricultural real estate	\$ —	\$ 309	\$ —	\$ —	0.01%
1-4 family residential properties	—	45	758	—	0.01%
Commercial real estate	—	847	188	472	0.03%
Loans secured by real estate	—	1,201	946	472	0.05%
Commercial and industrial loans	—	136	92	—	—%
Consumer loans	—	2	8	—	—%
Total	<u>\$ —</u>	<u>\$ 1,339</u>	<u>\$ 1,046</u>	<u>\$ 472</u>	<u>0.05%</u>
December 31, 2023					
Agricultural real estate	\$ —	\$ 331	\$ —	\$ —	0.01%
1-4 family residential properties	—	55	807	—	0.02%
Commercial real estate	—	744	131	562	0.03%
Loans secured by real estate	—	1,130	938	562	0.05%
Commercial and industrial loans	—	199	178	—	0%
Consumer loans	—	6	38	—	—%
Total	<u>\$ —</u>	<u>\$ 1,335</u>	<u>\$ 1,154</u>	<u>\$ 562</u>	<u>0.05%</u>

The Company closely monitors the performance of loans that have been modified to borrowers experiencing financial difficulty to understand the effectiveness of its modification efforts. The following table shows the performance of such loans that have been modified in the last twelve months ended December 31, 2024.

	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	Total Past Due
December 31, 2024				
Commercial real estate	\$ —	\$ —	\$ 472	\$ 472
Loans secured by real estate	—	—	472	472
Total loans	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 472</u>	<u>\$ 472</u>

The following table shows the financial effect of loan modifications during the current quarter to borrowers experiencing financial difficulty for the three months ended December 31, 2024.

	Weighted Average Interest Rate Reduction	Weighted Average Term Extension (in months)
Commercial and industrial loans	—%	—
Consumer loans	—%	—
Commercial real estate	—%	—

A loan is considered to be in payment default once it is 90 days past due under the modified terms. There were no loans modified during the prior twelve months that experienced defaults for twelve months ended December 31, 2024.

At December 31, 2024 and 2023, the balance of real estate owned include \$2.2 million and \$1.2 million respectively of foreclosed real estate properties recorded as a result of obtaining physical possession of the property. At December 31, 2024 and 2023, the recorded investment of consumer mortgage loans secured by residential real estate properties for which formal foreclosure proceeds were in process was \$2.8 million and \$399,000.

Purchased Credit Deteriorated (PCD) Loans

During 2023, the Company acquired loans from Blackhawk Bank, for which there was, at acquisition, evidence of more than insignificant deterioration of credit quality since origination. The carrying amount of those loans is as follows (in thousands):

	Blackhawk Acquisition
Purchase price of purchase credit deteriorated loans at acquisition	\$ 115,250
Allowance for credit losses at acquisition	(3,791)
Non-credit discount/(premium) at acquisition	(5,476)
Fair value of purchased credit deteriorated loans at acquisition	<u>\$ 105,983</u>

Note 6 -- Premises and Equipment, Net

Premises and equipment at December 31, 2024 and 2023 consisted of (in thousands):

	2024	2023
Land	\$ 35,355	\$ 35,732
Buildings and improvements	71,814	72,082
Furniture and equipment	23,387	27,518
Leasehold improvements	5,054	4,829
Construction in progress	1,553	2,751
Subtotal	137,163	142,912
Accumulated depreciation and amortization	36,929	41,516
Total	<u>\$ 100,234</u>	<u>\$ 101,396</u>

Depreciation and amortization expense was \$4.9 million, \$5.0 million, and \$4.9 million for the years ended December 31, 2024, 2023, and 2022, respectively.

Note 7 -- Goodwill and Intangible Assets

The Company has goodwill from business combinations, intangible assets from branch acquisitions, identifiable intangible assets assigned to core deposit relationships and customer lists of business lines acquired. The following table presents gross carrying amount and accumulated amortization by major intangible asset class as of December 31, 2024 and 2023 (in thousands):

	2024		2023	
	Gross Carrying Value	Accumulated Amortization	Gross Carrying Value	Accumulated Amortization
Goodwill	\$ 207,151	\$ 3,760	\$ 200,221	\$ 3,760
Intangibles from branch acquisition	3,015	3,015	3,015	3,015
Core deposit intangibles	79,945	44,736	79,945	34,966
Customer list intangibles	30,857	13,180	26,552	10,620
	<u>\$ 320,968</u>	<u>\$ 64,691</u>	<u>\$ 309,733</u>	<u>\$ 52,361</u>

During the quarter ended September 30, 2024, goodwill of \$6.9 million was recorded for the acquisition of the stock of Mid Rivers Insurance Group, Inc., in connection with its insurance business. First Mid Insurance was assigned all this goodwill.

The following provides a reconciliation of the purchase price paid for Mid Rivers Insurance Group, Inc. and the amount of goodwill recorded (in thousands):

Unallocated purchase price		\$ 10,059
Less purchase accounting adjustments:		
Insurance Company intangible	\$ 4,305	
Other liabilities	(1,176)	
		<u>3,129</u>
Resulting goodwill from acquisition		<u>\$ 6,930</u>

Goodwill of \$50.1 million was recorded for the acquisition and merger of Blackhawk Bankcorp, Inc. during the third quarter of 2023. All this goodwill was assigned to the banking unit of the Company. The goodwill will not be deductible for tax purposes.

The following table provides a reconciliation of the purchase price paid for the acquisition of Blackhawk and the amount of goodwill recorded (in thousands):

Unallocated purchase price		\$ 26,955
Less purchase accounting adjustments:		
Fair value of securities	\$ (25,521)	
Fair value of loans, net	(43,477)	
Fair value of premises and equipment	(3,856)	
Fair value of time deposits	2,311	
Fair value of subordinated and jr subordinated debentures	3,707	
Increase in core deposit intangible	33,731	
Increase in mortgage servicing rights	3,344	
Other assets	6,619	
		<u>(23,142)</u>
Resulting goodwill from acquisition		<u>\$ 50,097</u>

During the quarter ended June 30, 2023, goodwill of \$6.0 million was recorded for the acquisition of the stock of Purdum, Gray, Ingledue, Beck, Inc., in connection with its insurance business. First Mid Insurance was assigned all this goodwill.

The following provides a reconciliation of the purchase price paid for Purdum, Gray, Ingledue, Beck, Inc. and the amount of goodwill recorded (in thousands):

Unallocated purchase price		\$ 10,145
Less purchase accounting adjustments:		
Insurance Company intangible	\$ 5,770	
Other liabilities	(1,576)	
		<u>4,194</u>
Resulting goodwill from acquisition		<u>\$ 5,951</u>

The unpaid principal balance of mortgage loans serviced for others was \$572.6 million and \$641.2 million at December 31, 2024 and 2023, respectively. The following table summarizes the activity pertaining to the mortgage servicing rights included in intangible assets as of December 31, 2024 and 2023 (in thousands):

	December 31, 2024	December 31, 2023
Beginning balance	\$ 6,859	\$ 331
Mortgage servicing rights acquired	—	7,070
Valuation recovery	7	(8)
Mortgage servicing rights amortized	(1,226)	(524)
I/O strip	(11)	(10)
Ending balance	<u>\$ 5,629</u>	<u>\$ 6,859</u>

Total amortization expense for the years ended December 31, 2024, 2023, and 2022 was as follows (in thousands):

	2024	2023	2022
Core deposit intangibles	\$ 9,770	\$ 6,534	\$ 4,347
Customer list intangibles	2,560	2,069	1,743
Mortgage servicing rights	1,226	524	200
	<u>\$ 13,556</u>	<u>\$ 9,127</u>	<u>\$ 6,290</u>

Estimated amortization expense for each of the five succeeding years is shown in the table below (in thousands):

For year ended 12/31/25	\$ 12,310
For year ended 12/31/26	10,594
For year ended 12/31/27	9,330
For year ended 12/31/28	8,116
For year ended 12/31/29	6,764

The weighted average amortization period for core deposit, customer lists and total intangibles was 3.20, 4.37 and 3.59 years respectively, at December 31, 2024.

Note 8 – Deposits

As of December 31, 2024 and 2023, deposits consisted of the following (in thousands):

	2024	2023
Demand deposits:		
Non-interest bearing	\$ 1,329,155	\$ 1,398,234
Interest-bearing	1,907,734	1,837,296
Savings	636,427	710,586
Money market	1,196,537	1,129,950
Time deposits	987,243	1,047,593
Total deposits	<u>\$ 6,057,096</u>	<u>\$ 6,123,659</u>

Total interest expense on deposits for the years ended December 31, 2024, 2023, and 2022 was as follows (in thousands):

	2024	2023	2022
Interest-bearing demand	\$ 33,697	\$ 21,347	\$ 4,315
Savings	810	739	570
Money market	34,302	26,592	9,394
Time deposits	38,110	28,616	4,534
Total	<u>\$ 106,919</u>	<u>\$ 77,294</u>	<u>\$ 18,813</u>

As of December 31, 2024, 2023, and 2022, the aggregate amount of time deposits in denominations of more than \$250,000 was as follows (in thousands):

	2024	2023	2022
Time deposit balances in denominations of more than \$250,000	\$ 341,432	\$ 282,028	\$ 138,056

The following table shows the amount of maturities for all time deposits as of December 31, 2024 (in thousands):

Less than 1 year	\$	872,773
1 year to 3 years		94,538
3 years to 5 years		19,333
Over 5 years		599
Total	\$	<u>987,243</u>

In 2024 the Company maintained account relationships with various public entities throughout its market areas. These public entities had total balances of approximately \$261.2 million and \$381.3 million in various checking accounts and time deposits as of December 31, 2024 and 2023, respectively. These balances are subject to change depending upon the cash flow needs of the public entity.

Note 9 -- Repurchase Agreements and Other Borrowings

As of December 31, 2024 and 2023 borrowings consisted of the following (in thousands):

	2024	2023
Securities sold under agreements to repurchase	\$ 204,122	\$ 213,721
Federal Home Loan Bank-overnight	90,000	—
Federal Home Loan Bank (FHLB) fixed-term advances	152,520	263,787
Subordinated debt	87,472	106,755
Junior subordinated debentures	24,280	24,058
Total	<u>\$ 558,394</u>	<u>\$ 608,321</u>

Aggregate annual maturities of FHLB advances and debt (excluding unamortized discounts and premiums) at December 31, 2024 are (in thousands):

	FHLB	Subordinated Debt	Jr. Subordinated Debentures
2025	\$ 97,435	\$ —	\$ 4,124
2026	25,000	—	—
2027	50,000	—	—
2028	25,000	—	—
2029	45,000	—	—
Thereafter	—	91,000	21,651
	<u>242,435</u>	<u>91,000</u>	<u>25,775</u>
Unamortized premium (discount)	85	(3,528)	(1,495)
	<u>\$ 242,520</u>	<u>\$ 87,472</u>	<u>\$ 24,280</u>

FHLB advances represent borrowings by First Mid Bank to fund loan demand. At December 31, 2024 the advances totaling \$242.4 million were as follows:

Advance	Term (in years)	Interest Rate	Maturity Date
\$90,000,000	overnight	4.46%	January 1, 2025
5,000,000	5.0	0.91%	March 10, 2025
2,435,064	10.0	2.64%	December 23, 2025
25,000,000	3.0	4.40%	June 15, 2026
25,000,000	3.0	4.37%	May 10, 2027
25,000,000	3.0	4.32%	May 17, 2027
25,000,000	5.0	3.82%	June 29, 2028
25,000,000	5.0	3.93%	June 27, 2029
5,000,000	10.0	1.15%	October 3, 2029
5,000,000	10.0	1.12%	October 3, 2029
10,000,000	10.0	1.39%	December 31, 2029

Securities sold under agreements to repurchase have overnight maturities and a weighted average rate of 2.28%.

(In thousands)	2024	2023	2022
Securities sold under agreements to repurchase:			
Maximum outstanding at any month-end	\$ 282,285	\$ 231,650	\$ 257,061
Average amount outstanding for the year	221,789	225,307	202,242

The right of setoff for a repurchase agreement resembles a secured borrowing, whereby the collateral pledged by the Company would be used to settle the fair value of the repurchase agreement should the Company be in default (e.g., declare bankruptcy), the Company could cancel the repurchase agreement (i.e., cease payment of principal and interest), and attempt collection on the amount of collateral value in excess of the repurchase agreement fair value. The collateral is held by a third-party financial institution in the counterparty's custodial account. The counterparty has the right to sell or repledge the investment securities. For government entity repurchase agreements, the collateral is held by the Company in a segregated custodial account under a tri-party agreement. The Company is required by the counterparty to maintain adequate collateral levels. In the event the collateral fair value falls below stipulated levels, the Company will pledge additional securities. The Company closely monitors collateral levels to ensure adequate levels are maintained, while mitigating the potential of over-collateralization in the event of counterparty default.

Repurchase agreements by class of collateral pledged are as follows (in thousands):

	December 31, 2024	December 31, 2023
US Treasury securities and obligations of U.S. government corporations and agencies	\$ 70,664	\$ 46,544
Mortgage-backed securities: GSE: residential	133,458	167,177
Total	<u>\$ 204,122</u>	<u>\$ 213,721</u>

At December 31, 2024, there was no outstanding loan balance on the revolving credit agreement with The Northern Trust Company. This loan was renewed on April 5, 2024 for one year as a revolving credit agreement with a maximum available balance of \$15 million. The interest rate is floating at 2.25% over the federal funds rate. The loan is secured by all the stock of First Mid Bank. Management believes that the Company and its subsidiary banks were in compliance with all the existing covenants at December 31, 2024 and 2023.

On October 6, 2020, the Company issued and sold \$96.0 million in aggregate principal amount of its 3.95% Fixed-to-Floating Rate Subordinated Notes due 2030 (the "Notes"). The Notes were issued pursuant to the Indenture, dated as of October 6, 2020 (the "Base Indenture"), between the Company and U.S. Bank National Association, as trustee (the "Trustee"), as supplemented by the First Supplemental Indenture, dated as of October 6, 2020 (the "Supplemental Indenture"), between the Company and the Trustee. The Base Indenture, as amended and supplemented by the Supplemental Indenture, governs the terms of the Notes and provides that the Notes are unsecured, subordinated debt obligations of the Company and will mature on October 15, 2030. From and including the date of issuance to, but excluding October 15, 2025, the Notes will bear interest at an initial rate of 3.95% per annum. From and including October 15, 2025 to, but excluding the maturity date or earlier redemption, the Notes will bear interest at a floating rate equal to three-month Term SOFR plus a spread of 383 basis points, or such other rate as determined pursuant to the Supplemental Indenture, provided that in no event shall the applicable floating interest rate be less than zero per annum. On June 7, 2024, August 27, 2024, and September 6, 2024, the Company repurchased in open market transactions and subsequently cancelled \$4.0 million, \$15.0 million, and \$1.0 million respectively, of the outstanding Notes. As a result, as of December 31, 2024, \$76 million in aggregate principal amount of the Notes remain issued and outstanding.

The Company may, beginning with the interest payment date of October 15, 2025, and on any interest payment date thereafter, redeem the Notes, in whole or in part, at a redemption price equal to 100% of the principal amount of the Notes to be redeemed plus accrued and unpaid interest to but excluding the date of redemption. The Company may also redeem the Notes at any time, including prior to October 15, 2025, at the Company's option, in whole but not in part, if: (i) a change or prospective change in law occurs that could prevent the Company from deducting interest payable on the Notes for U.S. federal income tax purposes; (ii) a subsequent event occurs that could preclude the Notes from being recognized as Tier 2 capital for regulatory capital purposes; or (iii) the Company is required to register as an investment company under the Investment Company Act of 1940, as amended; in each case, at a redemption price equal to 100% of the principal amount of the Notes plus any accrued and unpaid interest to but excluding the redemption date.

On August 15, 2023, the Company assumed subordinated notes from Blackhawk with an aggregate principal balance of \$15.0 million that were issued by Blackhawk in May of 2021. The first \$7.5 million of notes bear interest at a fixed rate of 3.50% through the first redemption date of May 2026, in which the rate becomes floating, calculated at three-month SOFR plus 2.85%, adjusted quarterly until maturity in May 2031 when the principal balance and any accrued and unpaid interest is due. The second \$7.5 million in notes bear interest at a fixed rate of 3.875% through the first redemption date of May 2031, in which the rate becomes floating, calculated at three-month SOFR plus 2.55%, adjusted quarterly until maturity in May 2036 when the principal balance and any accrued and unpaid interest is due. The Company may redeem the notes, in whole or in part, at a redemption price equal to 100% of the outstanding principal amount plus accrued and unpaid interest on any quarterly interest payment date after the first redemption date stated for each offering.

On April 26, 2006, the Company completed the issuance and sale of \$10 million of fixed/floating rate trust preferred securities through Trust II, a statutory business trust and wholly owned unconsolidated subsidiary of the Company, as part of a pooled offering. The Company established Trust II for the purpose of issuing the trust preferred securities. The \$10.0 million in proceeds from the trust preferred issuance and an additional \$310,000 for the Company's investment in common equity of Trust II, a total of \$10.3 million, was invested in junior subordinated debentures of the Company. The underlying junior subordinated debentures issued by the Company to Trust II mature in 2036, bore interest at a fixed rate of 6.98% paid quarterly until June 15, 2011 and then converted to floating rate (LIBOR plus 160 basis points) after June 15, 2011 (6.81% and 7.25% at December 31, 2024 and 2023). The net proceeds to the Company were used for general corporate purposes, including the Company's acquisition of Mansfield.

On September 8, 2016, the Company assumed the trust preferred securities of Clover Leaf Statutory Trust I ("CLST I"), a statutory business trust that was a wholly owned unconsolidated subsidiary of First Clover Financial. The \$4.0 million of trust preferred securities and an additional \$124,000 additional investment in common equity of CLST I, is invested in junior subordinated debentures issued to CLST I. The subordinated debentures mature in 2025, bear interest at three-month LIBOR plus 185 basis points (7.06% and 7.50% at December 31, 2024 and 2023, respectively) and resets quarterly.

On May 1, 2018, the Company assumed the trust preferred securities of FBTC Statutory Trust I ("FBTCST I"), a statutory business trust that was a wholly owned unconsolidated subsidiary of First BancTrust Corporation. The \$6.0 million of trust preferred securities and an additional \$186,000 additional investment in common equity of FBTCST I is invested in junior subordinated debentures issued to FBTCST I. The subordinated debentures mature in 2035, bear interest at three-month LIBOR plus 170 basis points (6.91% and 7.35% at December 31, 2024 and 2023, respectively) and resets quarterly.

On August 15, 2023, the Company assumed the trust preferred securities of Blackhawk Statutory Trust I ("BHST I"), a special purpose entity that was formed solely to hold the subordinated debentures and a wholly owned unconsolidated subsidiary of Blackhawk Bancorp, Inc. The initial \$7.2 million of subordinated debentures was capitalized by issuing \$7.0 million of preferred securities and \$217,000 of common ownership shares in December of 2002. Blackhawk purchased 100% of the common ownership shares and the preferred shares were issued to unrelated parties. In December 2007, Blackhawk redeemed \$6.2 million of the originally issued subordinated debentures and the terms are identical to the common and preferred securities. Distributions are paid quarterly. Cumulative cash distributions are calculated at three-month LIBOR plus 325 basis points (8.17% and 8.87% at December 31, 2024 and 2023, respectively) and resets quarterly. The Company may, at one or more times defer interest payment on the subordinated debentures for up to 20 consecutive quarters, but not beyond December 26, 2032. At the end of any deferral period, all accumulated and unpaid distributions will be paid. The subordinated debentures, if still outstanding, must be redeemed by December 26, 2032. The Company has the option to redeem the debentures on a quarterly basis at par plus any accrued and unpaid distribution to the date of redemptions.

On August 15, 2023, the Company assumed the trust preferred securities of Blackhawk Statutory Trust II ("BHST II"), a special purpose entity that was formed solely to hold the subordinated debentures and a wholly owned unconsolidated subsidiary of Blackhawk Bancorp, Inc. The initial \$4.1 million of subordinated debentures was capitalized by issuing \$4.0 million of preferred securities and \$124,000 of common ownership shares in March 2005. Blackhawk purchased 100% of the common ownership shares and the preferred shares were issued to unrelated parties. Distributions are paid quarterly. Cumulative cash distributions are calculated at three-month LIBOR plus 205 basis points (7.25% and 7.69% at December 31, 2024 and 2023, respectively) and resets quarterly. The Company may, at one or more times defer interest payment on the subordinated debentures for up to 20 consecutive quarters, but not beyond March 17, 2035. At the end of any deferral period, all accumulated and unpaid distributions will be paid. The subordinated debentures, if still outstanding, must be redeemed by March 17, 2035. The Company has the option to redeem the debentures on a quarterly basis at par plus any accrued and unpaid distribution to the date of redemptions.

The trust preferred securities issued by Trust II, CLST I, FBTCSTI, BHST I, and BHST II are included as Tier 1 capital of the Company for regulatory capital purposes. On March 1, 2005, the Federal Reserve Board adopted a final rule that allows the continued limited inclusion of trust preferred securities in the calculation of Tier 1 capital for regulatory purposes. The final rule provided a five-year transition period, ending September 30, 2010, for application of the revised quantitative limits. On March 17, 2009, the Federal Reserve Board adopted an additional final rule that delayed the effective date of the new limits on inclusion of trust preferred securities in the calculation of Tier 1 capital until March 31, 2012. The application of the revised quantitative limits did not and is not expected to have a significant impact on its calculation of Tier 1 capital for regulatory purposes or its classification as well-capitalized. The Dodd-Frank Act, signed into law July 21, 2010, removes trust preferred securities as a permitted component of a holding company's Tier 1 capital after a three-year phase-in period beginning January 1, 2013 for larger holding companies. For holding companies with less than \$15 billion in consolidated assets, existing issues of trust preferred securities are grandfathered and not subject to this new restriction. Similarly, the final rule implementing the Basel III reforms allows holding companies with less than \$15 billion in consolidated assets as of December 31, 2009 to continue to count toward Tier 1 capital any trust preferred securities issued before May 19, 2010. New issuances of trust preferred securities, however would not count as Tier 1 regulatory capital.

In addition to requirements of the Dodd-Frank Act discussed above, the act also required the federal banking agencies to adopt rules that prohibit banks and their affiliates from engaging in proprietary trading and investing in and sponsoring certain unregistered investment companies (defined as hedge funds and private equity funds). This rule is generally referred to as the "Volcker Rule." On December 10, 2013, the federal banking agencies issued final rules to implement the prohibitions required by the Volcker Rule. Following the publication of the final rule, and in reaction to concerns in the banking industry regarding the adverse impact the final rule's treatment of certain collateralized debt instruments has on community banks, the federal banking agencies approved an interim final rule to permit banking entities to retain interests in certain collateralized debt obligations backed primarily by trust preferred securities. Under the interim final rule, the agencies permit the retention of an interest in or sponsorship of covered funds by banking entities under \$15 billion in assets if (1) the collateralized debt obligation was established and issued prior to May 19, 2010, (2) the banking entity reasonably believes that the offering proceeds received by the collateralized debt obligation were invested primarily in qualifying trust preferred collateral, and (3) the banking entity's interests in the collateralized debt obligation was acquired on or prior to December 10, 2013. Although the Volcker Rule impacts many large banking entities, the Company does not currently anticipate that the Volcker Rule will have a material effect on the operations of the Company or First Mid Bank.

Note 10 -- Regulatory Capital

The Company is subject to various regulatory capital requirements administered by the federal banking agencies. Bank holding companies follow minimum regulatory requirements established by the Board of Governors of the Federal Reserve System ("Federal Reserve System"), and First Mid Bank follow similar minimum regulatory requirements established for national banks by the Office of the Comptroller of the Currency ("OCC"). Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary action by regulators that, if undertaken, could have a direct material effect on the Company's financial statements.

Quantitative measures established by each regulatory capital standards to ensure capital adequacy require the Company and its subsidiary bank to maintain a minimum capital amounts and ratios (set forth in the table below). Management believes that, as of December 31, 2024 and 2023, the Company and First Mid Bank all capital adequacy requirements.

As of December 31, 2024 and 2023, the most recent notification from the primary regulators categorized First Mid Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, minimum total risk-based capital, Tier 1 risk-based capital, Common Equity Tier 1 risk-based capital, and Tier 1 leverage ratios must be maintained as set forth in the table below. At December 31, 2024, there were no conditions or events since the most recent notification that management believes have changed this categorization.

(Dollars in thousands)	Actual		Required Minimum For Capital Adequacy Purposes with Capital Buffer		To Be Well-Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
December 31, 2024						
Total capital (to risk-weighted assets)						
Company	\$ 935,189	15.37%	\$ 639,015	>10.50%	N/A	N/A
First Mid Bank	880,621	14.51%	637,089	>10.50%	\$ 606,752	> 10.00%
Tier 1 capital (to risk-weighted assets)						
Company	780,096	12.82%	517,298	> 8.50%	N/A	N/A
First Mid Bank	813,000	13.40%	515,739	> 8.50%	485,401	> 8.00%
Common equity tier 1 capital (to risk-weighted assets)						
Company	755,816	12.42%	426,010	> 7.00%	N/A	N/A
First Mid Bank	813,000	13.40%	424,726	> 7.00%	394,389	> 6.50%
Tier 1 capital (to average assets)						
Company	780,096	10.33%	301,976	> 4.00%	N/A	N/A
First Mid Bank	813,000	10.82%	300,596	> 4.00%	375,745	> 5.00%

December 31, 2023

Total capital (to risk-weighted assets)						
Company	\$ 894,259	14.84%	\$ 632,724	>10.50%	N/A	N/A
First Mid Bank	854,235	14.22%	630,581	>10.50%	\$ 600,553	> 10.00%
Tier 1 capital (to risk-weighted assets)						
Company	724,186	12.02%	512,205	> 8.50%	N/A	N/A
First Mid Bank	790,917	13.17%	510,470	> 8.50%	480,443	> 8.00%
Common equity tier 1 capital (to risk-weighted assets)						
Company	700,128	11.62%	421,816	> 7.00%	N/A	N/A
First Mid Bank	790,917	13.17%	420,387	> 7.00%	390,360	> 6.50%
Tier 1 capital (to average assets)						
Company	724,186	9.33%	310,587	> 4.00%	N/A	N/A
First Mid Bank	790,917	10.23%	309,151	> 4.00%	386,439	> 5.00%

The Company's risk-weighted assets, capital and capital ratios for December 31, 2024 and 2023 were computed in accordance with Basel III capital rules which were effective January 1, 2015. Prior periods were computed following previous rules. See heading "Basel III" in the Overview section of this report for a more detailed description of Basel III rules. As of December 31, 2024 and 2023, the Company and First Mid Bank had capital ratios above the required minimums for regulatory capital adequacy, and First Mid Bank had capital ratios that qualified it for treatment as well-capitalized under the regulatory framework for prompt corrective action with respect to banks.

Note 11 -- Disclosures of Fair Values of Financial Instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1** Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.
- Level 2** Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or comparable assets or liabilities which use observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in active markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3** Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Following is a description of the inputs and valuation methodologies used for assets measured at fair value on a recurring basis and recognized in the accompanying balance sheets, as well as the general classification of such assets pursuant to the valuation hierarchy.

Available-for-Sale Securities. The fair value of available-for-sale securities is determined by various valuation methodologies. Where quoted market prices are available in an active market, securities are classified within Level 1. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sources market parameters, including but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

Equity Securities. The fair value of current equity securities is determined by obtaining quoted market prices in an active market and are classified within Level 1. In cases where quoted market prices are not available, fair values are estimated by using quoted prices of securities with similar characteristics and are classified in Level 2 of the valuation hierarchy.

Derivatives. The fair value of derivatives is based on models using observable market data as of the measurement date and are therefore classified in Level 2 of the valuation hierarchy.

The following table presents the Company's assets that are measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall as of December 31, 2024 and 2023 (in thousands):

		Fair Value Measurements Using:		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2024				
Available-for-sale securities:				
U.S. Treasury securities and obligations of U.S. government corporations and agencies	\$ 191,358	\$ —	\$ 191,358	\$ —
Obligations of states and political subdivisions	267,740	—	267,740	—
Mortgage-backed securities	539,742	—	539,742	—
Other securities	64,452	—	58,693	5,759
Total available-for-sale securities	1,063,292	—	1,057,533	5,759
Equity securities	4,439	4,439	—	—
Loans held for sale	6,614	—	6,614	—
Derivative assets: interest rate swaps	2,949	—	2,949	—
Total assets	\$ 1,077,294	\$ 4,439	\$ 1,067,096	\$ 5,759
Derivative liabilities: interest swaps	\$ 2,006	\$ —	\$ 2,006	\$ —
December 31, 2023				
Available-for-sale securities:				
U.S. Treasury securities and obligations of U.S. government corporations and agencies	\$ 211,656	\$ —	\$ 211,656	\$ —
Obligations of states and political subdivisions	288,616	—	288,616	—
Mortgage-backed securities	602,300	—	602,300	—
Other securities	69,000	—	62,837	6,163
Total available-for-sale securities	1,171,572	—	1,165,409	6,163
Equity securities	4,074	4,074	—	—
Loans held for sale	4,980	—	4,980	—
Derivative assets: interest rate swaps	3,166	—	3,166	—
Total assets	\$ 1,183,792	\$ 4,074	\$ 1,173,555	\$ 6,163
Derivative liabilities: interest swaps	\$ 2,217	\$ —	\$ 2,217	\$ —

The change in fair value of assets measured on a recurring basis using significant unobservable inputs (Level 3) for the years ended December 31, 2024 and 2023 is summarized as follows (in thousands):

	Total
December 31, 2024	
Beginning balance	\$ 6,163
Transfers into Level 3	3
Maturities	(407)
Ending balance	<u>\$ 5,759</u>
December 31, 2023	
Beginning balance	\$ 9,250
Transfers into Level 3	1,163
Transfers out of Level 3	(4,250)
Ending balance	<u>\$ 6,163</u>

Following is a description of the valuation methodologies used for assets measured at fair value on a nonrecurring basis and recognized in the accompanying balance sheets, as well as the general classification of such assets pursuant to the valuation hierarchy.

Collateral Dependent Loans

Loans for which it is probable that the Company will not collect all principal and interest due according to contractual terms are measured for impairment. Allowable methods for determining the amount of impairment and estimating fair value include using the fair value of the collateral for collateral dependent loans.

If the impaired loan is identified as collateral dependent, then the fair value method of measuring the amount of impairment is utilized. This method requires obtaining a current independent appraisal of the collateral and applying a discount factor to the value. Impaired loans that are collateral dependent are classified within Level 3 of the fair value hierarchy when impairment is determined using the fair value method.

Management establishes a specific allowance for loans that have an estimated fair value that is below the carrying value. The total carrying amount of loans for which a change in specific allowance has occurred as of December 31, 2024 was \$17.9 million and a fair value of \$16.6 million resulting in specific loss exposures of \$1.3 million. As of December 31, 2023, the total carrying amount of loans for which a change specific allowance has occurred was \$1.2 million. These loans had a fair value of \$1.0 million which resulted in specific loss exposures of \$200,000.

When there is little prospect of collecting principal or interest, loans, or portions of loans, may be charged-off to the allowance for credit losses. Losses are recognized in the period an obligation becomes uncollectible. The recognition of a loss does not mean that the loan has absolutely no recovery or salvage value, but rather that it is not practical or desirable to defer writing off the loan even though partial recovery may be affected in the future.

Foreclosed Assets Held For Sale

Other real estate owned acquired through loan foreclosure are initially recorded at fair value less costs to sell when acquired, establishing a new cost basis. The adjustment at the time of foreclosure is recorded through the allowance for credit losses. Due to the subjective nature of establishing the fair value when the asset is acquired, the actual fair value of the other real estate owned or foreclosed asset could differ from the original estimate. If it is determined that fair value declines subsequent to foreclosure, a valuation allowance is recorded through noninterest expense. Operating costs associated with the assets after acquisition are also recorded as noninterest expense. Gains and losses on the disposition of other real estate owned and foreclosed assets are netted and posted to other noninterest expense. The total carrying amount of other real estate owned as of December 31, 2024 was \$2.2 million. Other real estate owned included in the total carrying amount and measured at fair value on a nonrecurring basis during the year amounted to \$48,000. The total carrying amount of other real estate owned as of December 31, 2023 was \$1.2 million. Other real estate owned included in the total carrying amount and measured at fair value on a nonrecurring basis during the year amounted to \$24,000.

The following table presents the fair value measurement of assets measured at fair value on a nonrecurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2024 and 2023 (in thousands):

	Fair Value Measurements Using			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2024				
Collateral dependent loans	\$ 16,604	\$ —	\$ —	\$ 16,604
Foreclosed assets held for sale	48	—	—	48
December 31, 2023				
Collateral dependent loans	\$ 1,028	\$ —	\$ —	\$ 1,028
Foreclosed assets held for sale	24	—	—	24

Sensitivity of Significant Unobservable Inputs

The following table presents quantitative information about unobservable inputs used in Level 3 fair value measurements other than goodwill at December 31, 2024.

	Fair Value (in thousands)	Valuation Technique	Unobservable Inputs	Range (Weighted Average)
Collateral dependent loans	\$ 16,604	Third party valuations	Discount to reflect realizable value	0% - 40% (20%)
Foreclosed assets held for sale	48	Third party valuations	Discount to reflect realizable value less estimated selling costs	0% - 40% (35%)

The following table presents quantitative information about unobservable inputs used in Level 3 fair value measurements other than goodwill at December 31, 2023.

	Fair Value (in thousands)	Valuation Technique	Unobservable Inputs	Range (Weighted Average)
Collateral dependent loans	\$ 1,028	Third party valuations	Discount to reflect realizable value	0% - 40% (20%)
Foreclosed assets held for sale	24	Third party valuations	Discount to reflect realizable value less estimated selling costs	0% - 40% (35%)

The following tables present estimated fair values of the Company's financial instruments at December 31, 2024 and 2023 (in thousands):

	Carrying Amount	Fair Value	Level 1	Level 2	Level 3
December 31, 2024					
Financial assets					
Cash and due from banks	\$ 121,141	\$ 121,141	\$ 121,141	\$ —	\$ —
Federal funds sold	75	75	75	—	—
Certificates of deposit investments	3,500	3,500	—	3,500	—
Available-for-sale securities	1,063,292	1,063,292	—	1,057,533	5,759
Held-to-maturity securities	2,279	2,279	2,279	—	—
Equity securities	4,439	4,439	4,439	—	—
Loans held for sale	6,614	6,614	—	6,614	—
Loans net of allowance for credit losses	5,595,666	5,314,756	—	—	5,314,756
Interest receivable	38,639	38,639	—	38,639	—
Federal Reserve Bank stock	19,855	19,855	—	19,855	—
Federal Home Loan Bank stock	9,501	9,501	—	9,501	—
Financial liabilities					
Deposits	\$ 6,057,096	\$ 5,977,113	\$ —	\$ 5,069,853	\$ 907,260
Securities sold under agreements to repurchase	204,122	204,122	—	204,122	—
Interest payable	5,280	5,280	—	5,280	—
Federal Home Loan Bank borrowings	242,520	240,125	—	240,125	—
Subordinated debentures	87,472	86,062	—	86,062	—
Junior subordinated debentures	24,280	21,411	—	21,411	—
December 31, 2023					
Financial assets					
Cash and due from banks	\$ 134,082	\$ 134,082	\$ 134,082	\$ —	\$ —
Federal funds sold	8,982	8,982	8,982	—	—
Certificates of deposit investments	1,470	1,470	—	1,470	—
Available-for-sale securities	1,171,572	1,171,572	—	1,165,409	6,163
Held-to-maturity securities	2,286	2,286	2,286	—	—
Equity securities	4,074	4,074	4,074	—	—
Loans held for sale	4,980	4,980	—	4,980	—
Loans net of allowance for credit losses	5,506,910	5,235,525	—	—	5,235,525
Interest receivable	35,082	35,082	—	35,082	—
Federal Reserve Bank stock	19,855	19,855	—	19,855	—
Federal Home Loan Bank stock	9,758	9,758	—	9,758	—
Financial liabilities					
Deposits	\$ 6,123,659	\$ 6,042,277	\$ —	\$ 5,076,066	\$ 966,211
Securities sold under agreements to repurchase	213,721	213,714	—	213,714	—
Interest payable	5,437	5,437	—	5,437	—
Federal Home Loan Bank borrowings	263,787	261,206	—	261,206	—
Subordinated debentures	106,755	102,018	—	102,018	—
Junior subordinated debentures	24,058	21,524	—	21,524	—

Note 12 -- Deferred Compensation Plan

The Company follows the provisions of ASC 710, for purposes of the First Mid Bancshares, Inc. Amended and Restated Deferred Compensation Plan ("DCP"). At December 31, 2024, the Company classified the cost basis of its common stock issued and held in trust in connection with the DCP of approximately \$5.9 million as treasury stock. The Company also classified the cost basis of its related deferred compensation obligation of approximately \$5.9 million as an equity instrument (deferred compensation). The DCP was effective as of June 1984. The purpose of the DCP is to enable directors, advisory directors, and key employees the opportunity to defer a portion of the fees and cash compensation paid by the Company as a means of maximizing the effectiveness and flexibility of compensation arrangements. The Company invests all participants' deferrals in shares of common stock. Dividends paid on the shares are credited to participants' DCP accounts and invested in additional shares. During 2024 and 2023, the Company issued 0 common shares and 0 common shares, respectively, pursuant to the DCP.

The Company also maintains deferred compensation arrangements that were acquired in the Soy Capital acquisition. Individual participants in the agreements are primarily business development employees in the First Mid Insurance and First Mid Wealth Management divisions. The total liabilities associated with these agreements are included in other liabilities on the Company's consolidated balance sheets as of December 31, 2024 and 2023.

Note 13 -- Stock Incentive Plan

At the Annual Meeting of Stockholders held April 26, 2017, the stockholders approved the 2017 Stock Incentive Plan ("SI Plan"). The SI Plan was implemented to succeed the Company's 2007 Stock Incentive Plan, which had a ten-year term. The SI Plan is intended to provide a means whereby directors, employees, consultants and advisors of the Company and its Subsidiaries may sustain a sense of proprietorship and personal involvement in the continued development and financial success of the Company and its Subsidiaries, thereby advancing the interests of the Company and its stockholders. Accordingly, directors and selected employees, consultants and advisors may be provided the opportunity to acquire shares of Common Stock of the Company on the terms and conditions established in the SI Plan.

A maximum of 550,000 shares are authorized under the SI Plan. There have been no options awarded since 2008. All previously issued, unexercised options expired on December 16, 2018. The Company awarded 80,332, 45,986 and 63,150 shares (under the 2017 Stock Incentive Plan) during 2024, 2023, and 2022, respectively, as stock and stock unit awards.

The following table summarizes the compensation cost, net of forfeitures, related to stock-based compensation for the years ended December 31, 2024, 2023, and 2022 (in thousands):

	2024	2023	2022
Stock and stock unit awards:			
Pre-tax compensation expense	\$ 2,359	\$ 1,656	\$ 1,874
Income tax benefit	(495)	(348)	(394)
Total share-based compensation expense, net of income taxes	<u>\$ 1,864</u>	<u>\$ 1,308</u>	<u>\$ 1,480</u>

The following table summarizes non-vested stock and stock unit activity for the years ended December 31, 2024, 2023, and 2022:

	2024		2023		2022	
	Shares	Weighted-avg Grant-date Fair Value	Shares	Weighted-avg Grant-date Fair Value	Shares	Weighted-avg Grant-date Fair Value
Nonvested, beginning of year	76,740	\$ 33.24	82,048	\$ 37.41	62,040	\$ 34.27
Granted	80,332	33.51	45,986	27.64	63,150	41.07
Vested	(58,330)	(35.05)	(49,525)	(34.88)	(40,759)	(38.20)
Forfeited	(2,171)	(32.21)	(1,769)	(35.15)	(2,383)	(39.35)
Nonvested, end of year	96,571	\$ 32.29	76,740	\$ 33.24	82,048	\$ 37.41
Fair value of shares vested		<u>\$ 2,044,438</u>		<u>\$ 1,727,554</u>		<u>\$ 1,556,870</u>

The fair value of the awards is amortized to compensation expense over the vesting periods of the awards (four years for restricted stock unit awards and three years for restricted stock awards) and is based on the market price of the Company's common stock at the date of grant multiplied by the number of shares granted that are expected to vest. As of December 31, 2024, 2023, and 2022, there was \$1.4 million, \$1.5 million, and \$2.6 million, respectively, of total unrecognized compensation cost related to unvested stock and stock unit awards under the SI Plan.

Note 14 -- Retirement Plans

The Company has a defined contribution retirement plan which covers substantially all employees, which for 2024, provided a Company matching contribution of up to 100% of the first 3% and 50% of the next 2% of pre-tax contributions made by each participant. Employee contributions are limited to the 402(g) limit of compensation. The total expense for the plan amounted to \$4.8 million, \$4.0 million and \$3.9 million in 2024, 2023, and 2022, respectively. The Company also has an agreement in place to pay \$50,000 annually for 20 years from the retirement date to a senior officer that retired December 31, 2013. Total expense under this agreement amounted to \$22,000, \$24,000 and \$24,000 in 2024, 2023, and 2022 respectively. The current liability recorded for this agreement was \$366,000 and \$368,000, as of December 31, 2024 and 2023, respectively.

Note 15 -- Income Taxes

The components of federal and state income tax expense for the years ended December 31, 2024, 2023, and 2022 were as follows (in thousands):

	2024	2023	2022
Current			
Federal	\$ 18,504	\$ 2,189	\$ 14,401
State	6,404	542	6,171
Total current	24,908	2,731	20,572
Deferred			
Federal	(2,497)	12,585	(2,005)
State	3,087	4,154	(227)
Total deferred	590	16,739	(2,232)
Total	<u>\$ 25,498</u>	<u>\$ 19,470</u>	<u>\$ 18,340</u>

Recorded income tax expense differs from the expected tax expense (computed by applying the applicable statutory U.S. federal tax rate of 21% to income before income taxes). The principal reasons for the difference are as follows (in thousands):

	2024	2023	2022
Expected income taxes	\$ 21,923	\$ 18,565	\$ 19,172
Effects of:			
Tax-exempt income from bank owned life insurance	(994)	(1,035)	(659)
Other tax exempt income	(2,397)	(2,416)	(2,497)
Nondeductible interest expense	307	799	255
State taxes, net of federal taxes	4,917	3,710	4,695
Other items	(839)	(153)	(2,525)
Effect of marginal tax rate	2,581	—	(101)
Total	<u>\$ 25,498</u>	<u>\$ 19,470</u>	<u>\$ 18,340</u>

Tax expense recorded by the Company for the years ended December 31, 2024, 2023, and 2022 included interest or penalties of approximately \$213,000, \$307,000 and \$2,000, respectively. Tax returns filed with the Internal Revenue Service, Illinois Department of Revenue and various other state jurisdictions are subject to review by law under a three-year statute of limitations. The Company is no longer subject to U.S. federal or state income tax examinations by tax authorities for years before 2021.

The tax effects of the temporary differences that gave rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31, 2024 and 2023 are presented below (in thousands):

	2024	2023
Deferred tax assets:		
Allowance for credit losses	\$ 18,588	\$ 18,955
Available-for-sale investment securities	49,082	55,722
Deferred compensation	4,377	4,128
Supplemental retirement	512	519
Deferred loan costs	462	222
Stock compensation expense	80	82
Deferred revenue	211	283
Purchase accounting	—	5,326
Acquisition costs	112	152
Lease liability	3,743	3,975
Other	3,623	1,305
Total gross deferred tax assets	80,790	90,669
Less valuation allowance	(682)	(988)
Net deferred tax asset	80,108	89,681
Deferred tax liabilities:		
Intangibles amortization	5,378	6,432
Prepaid expenses	2,023	1,576
FHLB stock dividend	21	22
Deferred expenses	100	104
Purchase accounting	1,854	—
Depreciation	4,517	5,367
Accumulated accretion	222	244
Mortgage servicing rights	1,485	1,874
Right of use asset	3,657	3,891
Other	1,265	104
Total gross deferred tax liabilities	20,522	19,614
Deferred tax assets, net	\$ 59,586	\$ 70,067

In assessing the ability of the Company to realize the benefit of the deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. Based upon the level of historical taxable income and projections for future taxable income over the periods which deferred tax assets are deductible, management believes it is more likely than not the Company will generate sufficient taxable income to realize the benefits of these deductible differences at December 31, 2024 and 2023, except for a valuation allowance of \$682,000 and \$988,000, respectively, on the net deferred tax asset related to capital losses generated. In assessing the need for a valuation allowance for the deferred tax assets for the capital loss carryforward, the Company considered all positive and negative evidence in assessing whether the weight of available evidence supports the recognition of some or all of the deferred tax assets related to these carryforwards. The Company may not be able to generate capital gains in the future to be able to utilize the capital losses. Therefore, the Company's assessment of the deferred tax asset warrants the need for a valuation allowance.

Note 16 -- Dividend Restrictions

The National Bank Act imposes limitations on the amount of dividends that may be paid by a national bank, such as First Mid Bank. Generally, a national bank may pay dividends out of its undivided profits, in such amounts and at such times as the bank's board of directors deems prudent. Without prior OCC approval, however, a national bank may not pay dividends in any calendar year which, in the aggregate, exceed the bank's year-to-date net income plus the bank's adjusted retained net income for the two preceding years. Factors that could adversely affect First Mid Bank's net income include other-than-temporary impairment on investment securities that result in credit losses and economic conditions in industries where there are concentrations of loans outstanding that result in impairment of these loans and, consequently loan charges and the need for increased allowances for losses. See "Item 1A. Risk Factors," Note 4 – "Investment Securities" and Note 5 – "Loans" for a more detailed discussion of the factors.

The payment of dividends by any financial institution or its holding company is affected by the requirement to maintain adequate capital pursuant to applicable capital adequacy guidelines and regulations, and a financial institution generally is prohibited from paying any dividends if, following payment thereof, the institution would be undercapitalized. As described above, First Mid Bank exceeded their minimum capital requirements under applicable guidelines as of December 31, 2024. As of December 31, 2024, approximately \$74.5 million was available to be paid as dividends to the Company by First Mid Bank. Notwithstanding the availability of funds for dividends, however, the OCC may prohibit the payment of any dividends by First Mid Bank if the OCC determines that such payment would constitute an unsafe or unsound practice.

Note 17 -- Commitments and Contingent Liabilities

First Mid Bank enters into 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 lines of credit, letters of credit and other commitments to extend credit. Each of these instruments involves, to varying degrees, elements of credit, interest rate and liquidity risk in excess of the amounts recognized in the consolidated balance sheets. The Company uses the same credit policies and requires similar collateral in approving lines of credit and commitments and issuing letters of credit as it does in making loans. The exposure to credit losses on financial instruments is represented by the contractual amount of these instruments. However, the Company does not anticipate any losses from these instruments.

The off-balance sheet financial instruments whose contract amounts represent credit risk at December 31, 2024 and 2023 were as follows (in thousands):

	2024	2023
Unused commitments and lines of credit:		
Commercial real estate	\$ 323,979	\$ 219,117
Commercial operating	649,082	681,360
Home equity	105,867	104,142
Other	332,113	311,907
Total	<u>\$ 1,411,041</u>	<u>\$ 1,316,526</u>
Standby letters of credit	<u>\$ 16,909</u>	<u>\$ 17,401</u>

Commitments to originate credit represent approved commercial, residential real estate and home equity loans that generally are expected to be funded within ninety days. Lines of credit are agreements by which the Company agrees to provide a borrowing accommodation up to a stated amount as long as there is no violation of any condition established in the loan agreement. Both commitments to originate credit and lines of credit generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the lines and some commitments are expected to expire without being drawn upon, the total amounts do not necessarily represent future cash requirements.

Standby letters of credit are conditional commitments issued by the Company to guarantee the financial performance of customers to third parties. Standby letters of credit are primarily issued to facilitate trade or support borrowing arrangements and generally expire in one year or less. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending credit facilities to customers. The maximum amount of credit that would be extended under letters of credit is equal to the total off-balance sheet contract amount of such instrument at December 31, 2024 and 2023. The Company's deferred revenue under standby letters of credit was nominal.

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

Note 18 -- Related Party Transactions

Certain officers, directors and principal stockholders of the Company and its subsidiaries, their immediate families or their affiliated companies ("related parties") have loans with one or more of the subsidiaries. Loans to related parties totaled approximately \$247.9 million and \$248.7 million at December 31, 2024 and 2023, respectively. Activity during 2024 and 2023 was as follows (in thousands):

	2024	2023
Beginning balance	\$ 248,698	\$ 169,684
New loans	144,024	195,711
Loan repayments	(144,780)	(116,697)
Ending balance	<u>\$ 247,942</u>	<u>\$ 248,698</u>

Deposits from related parties held by First Mid Bank at December 31, 2024 and 2023 totaled \$61.2 million and \$37.7 million, respectively.

Note 19 -- Business Combinations

On August 15, 2023, the Company completed its acquisition of Blackhawk Bancorp, Inc. ("Blackhawk") pursuant to an Agreement and Plan of Merger Agreement, dated March 20, 2023 (the "Agreement"). Pursuant to the Agreement, Blackhawk was merged with and into the Company. Blackhawk shareholders received 1.15 shares of the Company's common stock for each share of Blackhawk common stock.

The Company accounted for the Blackhawk acquisition as a business combination using the acquisition method of accounting in accordance with ASC 805, Business Combinations ("ASC 805"). ASC 805 requires assets purchased and liabilities assumed to be recorded at their respective fair values at the date of acquisition. The Company determined the fair value of loans, core deposit intangibles, mortgage servicing rights, time deposits, real property, and subordinated debt with the assistance of third-party valuations and appraisals.

A preliminary summary of the fair value of assets received and liabilities assumed are as follows:

(In thousands)

Assets		
Cash and due from banks	\$	55,600
Loans held for sale		3,222
Loans, net		722,866
Investments-available for sale		377,969
Short-term investments		869
FHLB stock		1,737
Premises and equipment		12,366
Accrued interest receivable		4,029
Prepaid expenses		1,182
Other assets		20,703
Core deposit intangible		34,590
Income tax receivable		2,077
Deferred tax asset		22,152
Mortgage servicing rights		7,070
Total assets acquired	\$	1,266,432
Liabilities		
Deposits	\$	1,194,972
Subordinated and jr. subordinated debt		16,448
Accrued interest payable		1,091
Accrued and other liabilities		10,508
Total liabilities assumed		1,223,019
Net assets acquired	\$	43,413
Total consideration	\$	93,510
Goodwill	\$	50,097

The following table presents a summary of consideration transferred:

(In thousands, except shares)		
Common stock issued (3,290,222 shares)	\$	93,508
Cash consideration		2
Purchase price	\$	93,510

The Company recorded \$50.1 million of goodwill in connection with the acquisition of Blackhawk, none of which is deductible for tax purposes. The amount of goodwill recorded reflects the synergies and operational efficiencies that are expected to result from the acquisition. The descriptions below describe the methods used to determine the fair value of significant assets acquired and liabilities assumed, as presented above:

Loans, net. The fair value of the loan portfolio was calculated on an individual loan basis using a discounted cash flow analysis, with results presented and assumptions applied on a summary basis. This analysis took into consideration the contractual terms of the loans and assumptions related to the cost of debt, cost of equity, servicing cost and other liquidity/risk premium considerations to estimate the projected cash flows. The inputs and assumptions used in the fair value estimate of the loan portfolio include credit mark, discount rate, prepayment speed, and foreclosure lag. Cash flows were adjusted by estimating future credit losses and the rate of prepayments. Projected monthly cash flows were then discounted to present value using a risk-adjusted market rate for similar loans.

Core deposit intangible. The Company identified customer relationships, in the form of core deposit intangibles, as an identified intangible asset. Core deposit intangibles derive value from the expected future benefits or earnings capacity attributable to the acquired core deposits. The fair value of the core deposit intangible was estimated by identifying the expected future benefits of the core deposits and discounting those benefits back to present value. The core deposit intangible will be amortized over its estimated useful life of approximately 10 years using the sum of the months digits accelerated method.

Mortgage servicing rights. The Company identified residential mortgage servicing rights intangible asset and determined the fair value using a discounted cash flow analysis. The key inputs and assumptions used in the fair value estimate include prepayment assumptions, servicing costs, delinquencies, foreclosure costs, ancillary income, income earned on float and escrow, interest on escrow, internal rate of return and inflation.

Deposits. The fair value of demand deposit and interest checking deposit accounts was assumed to approximate the carrying value as these accounts have no stated maturity and are payable on demand. The fair value of time deposits was estimated by discounting the contractual future cash flows using market rates offered for time deposits of similar remaining maturities.

Subordinated and jr. subordinated debt. The Subordinated and jr. subordinated debt was fair valued using an income approach. Cash flows were calculated using an annualized contractual rate adjusted for forward interest costs and discounted using a variable discount rate.

Accounting for acquired loans

Loans acquired are recorded at fair value with no carryover of the related allowance for credit losses. Purchased-credit deteriorated loans ("PCD") are loans that have experienced more than insignificant credit deterioration since origination and are recorded at the purchase price. The allowance for credit losses is determined at the loan level. The sum of the loan's purchase price and the allowance for credit losses becomes its initial amortized cost basis. The difference between the initial amortized cost basis and the par value of the loan is a noncredit discount or premium, which is amortized into interest income over the life of the loan.

Non-PCD loans have not experienced a more than insignificant deterioration in credit quality since origination. The difference between the fair value and outstanding balance of the non-PCD loans is recognized as an adjustment to interest income over the lives of the loan.

In accordance with ASC 326, *Financial Instruments – Credit Losses*, immediately following the acquisition the Company established a \$3.8 million allowance for credit losses on the \$618.33 million of acquired non-PCD loans through provision for credit losses in the consolidated statement of operations.

The following table provides a summary of PCD loans purchased as part of the Blackhawk acquisition as of the acquisition date:

(In thousands)		
Unpaid principal balance	\$	115,250
PCD allowance for credit losses at acquisition		(3,791)
Non-credit discount on acquired loans		(5,476)
Fair value of PCD loans	\$	105,983

The following unaudited pro forma condensed combined financial information presents the results of operations of the Company, including the effects of the purchase accounting adjustments and acquisition expenses, had the Blackhawk Merger taken place at the beginning of the period (dollars in thousands, except per share data):

	Twelve months ended December 31,	
	2023	2022
Net interest income	\$ 229,317	\$ 239,748
Provision for credit losses	7,320	3,856
Non-interest income	95,660	89,575
Non-interest expense	223,354	219,646
Income before income taxes	94,303	105,821
Income tax expense	20,744	21,297
Net income available to common stockholders	\$ 73,559	\$ 84,524
Earnings per share		
Basic	\$ 3.38	\$ 3.60
Diluted	\$ 3.36	\$ 3.59
Basic weighted average shares outstanding	21,780,217	24,459,299
Diluted weighted average shares outstanding	21,868,788	23,533,857

Acquisition costs are expensed as incurred as a component of non-interest expense and primarily include, but are not limited to, severance costs, professional services, data processing fees, and marketing and advertising expenses. The Company incurred acquisition costs related to the Blackhawk acquisition, pre-tax, of \$2.5 million, \$8.2 million, and \$0 during the year ended December 31, 2024, 2023, and 2022, respectively.

Note 20 -- Leases

Effective January 1, 2019, the Company adopted ASU 2016-02 Leases (Topic 842). As of December 31, 2024, substantially all of the Company's leases are operating leases for real estate property bank branches, ATM locations, and office space. These leases are generally for periods of 1 to 25 years with various renewal options. The Company elected the optional transition method permitted by Topic 842. Under this method, an entity recognizes and measures leases that exist at the application date and prior comparative periods are not adjusted. In addition, the Company elected the package of practical expedients:

1. An entity need not reassess whether any expired or existing contracts contain leases.
2. An entity need not reassess the lease classification for any expired or existing leases.
3. An entity needs to reassess initial direct costs for any existing leases.

The Company also elected the practical expedient, which may be elected separately or in conjunction with the package noted above, to use hindsight in determining the lease term and in assessing the right-of-use assets. This expedient must be applied consistently to all leases. Lastly, the Company has elected to use the practical expedient to include both lease and non-lease components as a single component and account for it as a lease. In addition, the Company has elected not to include short-term leases (i.e. leases with terms of twelve months or less) or equipment leases (primarily copiers) deemed immaterial, on the consolidated balance sheets.

For leases in effect at January 1, 2019 and for leases commencing thereafter, the Company recognizes a lease liability and a right-of-use asset, based on the present value of lease payments over the lease term. The discount rate used in determining the present value was the Company's incremental borrowing rate which is the

FHLB fixed advance rate based on the remaining lease term as of January 1, 2019, or the commencement date for leases subsequently entered into. The following table contains supplemental balance sheet information related to leases (dollars in thousands):

	2024	2023
Operating lease right-of-use assets	\$ 13,861	\$ 14,306
Operating lease liabilities	14,190	14,615
Weighted-average remaining lease term (in years)	4.7	4.9
Weighted-average discount rate	3.22%	3.21%

Certain of the Company's leases contain options to renew the lease; however, not all renewal options are included in the calculation of lease liabilities as they are not reasonably certain to be exercised. The Company's leases do not contain residual value guarantees or material variable lease payments. The Company does not have any other material restrictions or covenants imposed by leases that would impact the Company's ability to pay dividends or cause the Company to incur additional financial obligations.

Future minimum lease payments under operating leases are (in thousands):

	Operating Leases
2025	\$ 3,110
2026	2,931
2027	2,703
2028	2,083
2029	1,632
Thereafter	3,503
Total minimum lease payments	15,962
Less imputed interest	(1,772)
Total lease liability	\$ 14,190

The components of lease expense for the twelve months ended December 31, 2024 and 2023 were as follows (in thousands):

	2024	2023
Operating lease cost	\$ 3,394	\$ 3,280
Short-term lease cost	118	84
Variable lease cost	775	821
Total lease cost	4,287	4,185
Income from subleases	(429)	(382)
Net lease cost	\$ 3,858	\$ 3,803

As the Company elected not to separate lease and non-lease components, the variable lease cost primarily represents variable payment such as common area maintenance and copier expense. The Company does not have any material sub-lease agreements. Cash paid for amounts included in the measurement of lease liabilities was (in thousands):

	2024	2023
Operating cash flows from operating leases	\$ 3,333	\$ 3,263

Note 21 -- Derivatives

The Company utilizes interest rate swaps, designated as fair value hedges, to mitigate the risk of changing interest rates on the fair value of fixed rate loans. For derivative instruments that are designed and qualify as a fair value hedge, the gain or loss on the derivative instrument, as well as the offsetting loss or gain in the hedged asset attributable to the hedged risk, is recognized in current earnings.

Derivatives Designated as Hedging Instruments

The following table provides the outstanding notional balances and fair value of outstanding derivatives designated as hedging instruments as of December 31, 2024 and 2023 (in thousands):

Derivative	Balance Sheet Location	Weighted Average Remaining Maturity (Years)	Notional Amount	Estimated Value
December 31, 2024				
Interest rate swap agreements	Other liabilities	4.3	\$ 12,486	\$ (2,006)
December 31, 2023				
Interest rate swap agreements	Other liabilities	5.3	\$ 12,976	\$ (2,217)

The effects of fair value hedges on the Company's income statement during the twelve months ended December 31, 2024 and 2023 were as follows (in thousands):

Derivative	Location of Gain (Loss) on Derivative	2024	2023
Interest rate swap agreements	Interest income on loans	\$ (6)	\$ (204)

Derivative	Location of Gain (Loss) on Hedged Items	2024	2023
Interest rate swap agreements	Interest income on loans	\$ 6	\$ 204

As of December 31, 2024 and 2023, the following amounts were recorded on the balance sheet related to the cumulative basis adjustment for fair value hedges (in thousands):

Line Item in the Balance Sheet in Which the Hedge Items are Included	Carrying Amount of the Hedged Assets	Cumulative Amount of Fair Value Hedging Adjustments Included in the Carrying Amount of the Hedged Assets
December 31, 2024		
Loans	\$ 11,543	\$ (943)
December 31, 2023		
Loans	\$ 12,027	\$ (949)

Derivatives Not Designated as Hedging Instruments

The following table provides the outstanding notional balances and fair value of outstanding derivatives not designated as hedging instruments as of December 31, 2024 and 2023 (in thousands):

	Balance Sheet Location	Weighted Average Remaining Maturity (Years)	Notional Amount	Estimated Value
December 31, 2024				
Interest rate swap agreements	Other assets	4.0	\$ 28,968	\$ 2,949
Interest rate swap agreements	Other liabilities	4.0	28,968	(2,949)
December 31, 2023				
Interest rate swap agreements	Other assets	5.0	\$ 30,688	\$ 3,166
Interest rate swap agreements	Other liabilities	5.0	30,688	(3,166)

Note 22 -- Parent Company Only Financial Statements

Presented below are condensed balance sheets, statements of income and cash flows for the Company (in thousands):

First Mid Bancshares, Inc. (Parent Company) Balance Sheets

	December 31,	
	2024	2023
Assets		
Cash	\$ 11,762	\$ 9,968
Premises and equipment, net	5,301	5,218
Investment in subsidiaries	934,750	907,989
Other assets	8,230	6,720
Total assets	<u>\$ 960,043</u>	<u>\$ 929,895</u>
Liabilities and stockholders' equity		
Liabilities		
Debt	\$ 111,752	\$ 130,813
Other liabilities	1,900	5,878
Total liabilities	113,652	136,691
Stockholders' equity	846,391	793,204
Total liabilities and stockholders' equity	<u>\$ 960,043</u>	<u>\$ 929,895</u>

First Mid Bancshares, Inc. (Parent Company)
Statements of Income and Comprehensive Income (Loss)

	Years ended December 31,		
	2024	2023	2022
Income:			
Dividends from subsidiaries	\$ 58,000	\$ 51,213	\$ 34,040
Other income	681	87	542
Total income	58,681	51,300	34,582
Operating expenses	11,256	12,192	9,221
Income before income taxes and equity in undistributed earnings of subsidiaries	47,425	39,108	25,361
Income tax benefit	2,892	3,453	2,780
Income before equity in undistributed earnings of subsidiaries	50,317	42,561	28,141
Equity in undistributed earnings of subsidiaries	28,581	26,374	44,811
Net income	78,898	68,935	72,952
Other comprehensive income (loss), net of taxes	(5,956)	15,080	(150,676)
Comprehensive income (loss)	\$ 72,942	\$ 84,015	\$ (77,724)

First Mid Bancshares, Inc. (Parent Company)
Statements of Cash Flows

	Years ended December 31,		
	2024	2023	2022
Cash flows from operating activities:			
Net income	\$ 78,898	\$ 68,935	\$ 72,952
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Cash provided by (used in) operating activities:			
Depreciation, amortization, accretion, net	—	265	218
Dividends received from subsidiary	—	51,213	34,040
Equity in undistributed earnings of subsidiaries	(28,581)	(26,374)	(44,811)
Increase in other assets	(2,221)	(49,606)	(208,359)
Increase (decrease) in other liabilities	(871)	1,526	(146)
Net cash provided by (used in) operating activities	47,225	45,959	(146,106)
Cash flows from investing activities:			
Investment in subsidiary	(4,000)	—	—
Net cash from (used in) business acquisition	—	(41,827)	67,323
Net cash provided by (used in) investing activities	(4,000)	(41,827)	67,323
Cash flows from financing activities:			
Repayment of long-term debt	(19,455)	—	—
Proceeds from issuance of common stock	1,054	1,004	93,415
Payment to repurchase common stock	(659)	(465)	(340)
Direct expense related to capital transactions	—	—	(29)
Dividends paid on common stock	(22,371)	(19,557)	(17,830)
Net cash provided by (used in) financing activities	(41,431)	(19,018)	75,216
Increase (decrease) in cash	1,794	(14,886)	(3,567)
Cash at beginning of year	9,968	24,854	28,421
Cash at end of year	\$ 11,762	\$ 9,968	\$ 24,854

Report of Independent Registered Public Accounting Firm

To the Stockholders, Board of Directors, and Audit Committee
First Mid Bancshares, Inc.
Mattoon, Illinois

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of First Mid Bancshares, Inc. (the "Company") as of December 31, 2024 and 2023, the related consolidated statements of income, comprehensive income (loss), changes in stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2024, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2024 and 2023, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2024, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the Company's internal control over financial reporting as of December 31, 2024, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 28, 2025, expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits.

We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current-period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing separate opinions on the critical audit matter or on the accounts or disclosures to which it relates.

Allowance for Credit Losses

The Company's loan portfolio and the associated allowance for credit losses (ACL) were \$5.7 billion and \$70 million as of December 31, 2024, respectively. As more fully described in Notes 1 and 5 to the financial statements, the Company estimates the allowance for credit losses (ACL) to adequately account for probable losses expected over the remaining contractual life of the loan and lease portfolio. The determination of the ACL requires significant judgment reflecting the Company's best estimate of expected credit losses. Expected credit losses are measured on a collective (pool) basis for loans with similar risk characteristics. Historical credit loss experience provides the basis for the estimate of expected credit losses. For each pool, a historical loss rate is computed based on the average remaining contractual life of the pool. Adjustments to historical loss rates are made using qualitative factors relevant to each pool including merger and acquisition activity, economic conditions, changes in policies, procedures and underwriting, and concentrations. In addition, a twenty-four-month forecast, using reasonable and supportable future conditions, is prepared that is used to estimate expected changes to existing and historical conditions in the current period.

Auditing management's ACL estimate involved a high degree of complexity in evaluating management's reasonable and supportable forecast, and subjectivity in evaluating management's use of key qualitative factors, and subjectivity in evaluating the qualitative adjustment in total.

Our audit procedures related to the estimated ACL included the following procedures:

- We obtained an understanding of the Company's process for establishing the ACL, including management's measurement of the economic forecast used during the reasonable and supportable period, and the key qualitative factor adjustments of the ACL and the overall ACL amount

- We tested the design and operating effectiveness of internal controls over the key assumptions and data used to develop the estimate, including management's measurement of the economic forecast used during the reasonable and supportable period, the establishment of key qualitative adjustments to the ACL and the overall ACL amount
- We assessed the reasonableness of, and evaluated support for, key assumptions used in the model and key qualitative adjustments based on external market data and loan portfolio performance metrics
- We tested the completeness and accuracy and evaluated the relevance of the key data used as inputs to the model and key qualitative adjustment estimation process by agreeing a sample of inputs to supporting information
- We assessed the reasonableness of the overall ACL amount, including model estimates and qualitative factor adjustments and whether the recorded ACL appropriately reflects expected credit losses on the loan portfolio by considering and comparing past performance of the Company's loan portfolio, trends in credit quality of the loan portfolio, and trends in the credit quality of peer institutions.

/s/ Forvis Mazars, LLP

We have served as the Company's auditor since 2005.

St. Louis, Missouri
February 28, 2025

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

The Company's management carried out an evaluation, under the supervision and with the participation of the chief executive officer and the chief financial officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as such term is defined in Rule 13a-15(e) under the Securities Exchange Act of 1934) as of December 31, 2024. Based upon that evaluation, the chief executive officer along with the chief financial officer concluded that the Company's disclosure controls and procedures as of December 31, 2024, were effective.

Management's Annual Report on Internal Control over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. The Company's internal control over financial reporting is a process designed under the supervision of the Company's chief executive officer and chief financial officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's financial statements for external reporting purposes in accordance with U.S. generally accepted accounting principles.

Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2024 based on the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in "Internal Control—Integrated Framework (2013)."

Based on the assessment, management determined that, as of December 31, 2024, the Company's internal control over financial reporting is effective, based on those criteria. Management's assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2024 has been audited by Forvis Mazars, LLP, an independent registered public accounting firm, as stated in their report following.

February 28, 2025

/s/ Joseph R. Dively

Joseph R. Dively
President and Chief Executive Officer

/s/ Matthew K. Smith

Matthew K. Smith
Chief Financial Officer

Changes in Internal Control Over Financial Reporting

There were no changes in the Company's internal control over financial reporting that occurred during the Company's fourth fiscal quarter of 2024 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Report of Independent Registered Public Accounting Firm

To the Stockholders, Board of Directors and Audit Committee
First Mid Bancshares, Inc.
Mattoon, Illinois

Opinion on the Internal Control over Financial Reporting

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

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated financial statements of the Company as of December 31, 2024 and 2023, and for each of the three years in the period ended December 31, 2024, and our report dated February 28, 2025, expressed an unqualified opinion on those financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definitions and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of reliable financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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

/s/ Forvis Mazars, LLP

St. Louis, Missouri
February 28, 2025

ITEM 9B. OTHER INFORMATION

None of the Company's directors and officers adopted, modified, or terminated a Rule 10b5-1 trading arrangement or a non-Rule 10b5-1 trading arrangement during the Company's fiscal quarter ended December 31, 2024 (each as defined in Item 408 of Regulation S-K under the Securities Exchange Act of 1934, as amended).

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information called for by Item 10 with respect to directors and director nominees is incorporated by reference to the Company's Proxy Statement for the 2025 Annual Meeting of the Company's shareholders under the captions "Proposal 1 – Election of Directors," "Corporate Governance Matters" and "Section 16 – Beneficial Ownership Reporting Compliance."

The information called for by Item 10 with respect to executive officers is incorporated by reference to Part I hereof under the caption "Supplemental Item – Executive Officers of the Company" and to the Company's Proxy Statement for the 2025 Annual Meeting of the Company's shareholders under the caption "Section 16 – Beneficial Ownership Reporting Compliance."

The information called for by Item 10 with respect to audit committee financial expert is incorporated by reference to the Company's Proxy Statement for the 2025 Annual Meeting of the Company's shareholders under the captions "Audit Committee" and "Report of the Audit Committee to the Board of Directors."

The information called for by Item 10 with respect to corporate governance is incorporated by reference to the Company's Proxy Statement for the 2025 Annual Meeting of the Company's shareholders under the caption "Corporate Governance Matters."

The Company has adopted a code of conduct for directors, officers, and employees including senior financial management of the Company. This code of conduct is posted on the Company's website. In the event that the Company amends or waives any provisions of this code of conduct, the Company intends to disclose the same on its website at www.firstmid.com.

The Company has an insider trading policy governing the purchase, sale, and/or other dispositions of our securities by our directors, officers and employees. We also follow such procedures, as applicable, for the repurchase of our securities. Our insider trading policy and repurchase procedures are reasonably designed to promote compliance with insider trading laws, rules, and regulations, and listing standards applicable to us. A copy of our insider trading policy is filed as Exhibit 19.1 to this Form 10-K.

ITEM 11. EXECUTIVE COMPENSATION

The information called for by Item 11 is incorporated by reference to the Company's Proxy Statement for the 2025 Annual Meeting of the Company's shareholders under the captions "Executive Compensation," "Non-qualified Deferred Compensation," "Potential Payments Upon Termination or Change in Control of the Company," "Director Compensation," "Corporate Governance Matters – Compensation Committee Interlocks and Insider Participation," and "Compensation Committee Report."

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information called for by Item 12 with respect to equity compensation plans is provided in the table below.

Plan category	Equity Compensation Plan Information		
	Number of securities to be issued upon exercise of outstanding options (a)	Weighted-average exercise price of outstanding options (b)	Number of securities remaining available for future issuance under equity compensation plans (c)
Equity compensation plans approved by security holders:			
(A) Deferred compensation plan	—	\$ —	297,344 (1)
(B) Stock incentive plan	—	—	133,139 (2)
Total	—	\$ —	430,483

(1) Consists of shares issuable with respect to participant deferral contributions invested in common stock.

(2) Consists of restricted stock and/or restricted stock units.

(3) The Company does not maintain any equity compensation plans not approved by stockholders. The Company's equity compensation plans approved by security holders consist of the Deferred Compensation Plan and the Stock Incentive Plan. Additional information regarding each plan is available in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations – Stock Plans" and Note 13 – Stock Incentive Plan herein.

The information called for by Item 12 with respect to security ownership is incorporated by reference to the Company's Proxy Statement for the 2025 Annual Meeting of the Company's shareholders under the caption "Voting Securities and Principal Holders Thereof."

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE

The information called for by Item 13 is incorporated by reference to the Company's Proxy Statement for the 2025 Annual Meeting of the Company's shareholders under the captions "Certain Relationships and Related Transactions" and "Corporate Governance Matters – Board of Directors."

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information called for by Item 14 is incorporated by reference to the Company's Proxy Statement for the 2025 Annual Meeting of the Company's shareholders under the caption "Fees of Independent Auditors."

PART IV

ITEM 15. EXHIBIT AND FINANCIAL STATEMENT SCHEDULES

(a)(1) and (2) -- Financial Statements and Financial Statement Schedules

The following consolidated financial statements and financial statement schedules of the Company are filed as part of this document under Item 8.

Financial Statements and Supplementary Data:

- Consolidated Balance Sheets -- December 31, 2024 and 2023
- Consolidated Statements of Income -- For the Years Ended December 31, 2024, 2023, and 2022
- Consolidated Statements of Comprehensive Income -- For the Years Ended December 31, 2024, 2023, and 2022
- Consolidated Statements of Changes in Stockholders' Equity -- For the Years Ended December 31, 2024, 2023, and 2022
- Consolidated Statements of Cash Flows -- For the Years Ended December 31, 2024, 2023, and 2022.

(a)(3) – Exhibits

The exhibits required by Item 601 of Regulation S-K and filed herewith are listed in the Exhibit Index that follows the Signature Page and immediately precedes the exhibits filed.

ITEM 16. FORM 10-K SUMMARY

None.

Exhibit Index to Annual Report on Form 10-K

Exhibit Number	Description and Filing or Incorporation Reference
2.1	Agreement and Plan of Merger by and among First Mid Bancshares, Inc., Eagle Sub LLC and Blackhawk Bancorp, Inc., dated March 20, 2023 Incorporated by reference to Exhibit 2.1 to First Mid Bancshares, Inc.'s Current Report on Form 8-K filed with the SEC on March 21, 2023.
3.1	Restated Certificate of Incorporation of First Mid-Illinois Bancshares, Inc. Incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K filed with the SEC on April 26, 2019.
3.2	Amended and Restated Bylaws of First Mid-Illinois Bancshares, Inc. Incorporated by reference to Exhibit 3.3 to First Mid-Illinois Bancshares, Inc.'s Current Report on Form 8-K filed with the SEC on April 26, 2019.
4.1	The Registrant agrees to furnish to the Commission, upon request, a copy of each instrument with respect to issues of long-term debt involving a total amount which does not exceed 10% of the total assets of the Registrant and its subsidiaries on a consolidated basis.
4.2	Description of Common Stock Incorporated by reference to Exhibit 4.2 of the Company's Annual Report of Form 10-K filed with the SEC on March 9, 2020.
4.3	Indenture, dated as of October 6, 2020, between First Mid Bancshares, Inc. and U.S. Bank National Association, as Trustee Incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed with the SEC on October 6, 2020
4.4	First Supplemental Indenture, dated as of October 6, 2020, between First Mid Bancshares, Inc. and U.S. Bank National Association, as Trustee (including the form of Note attached as an exhibit thereto) Incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K filed with the SEC on October 6, 2020
4.5	Form of 3.95% Fixed-to-Floating Rate Subordinated Note due 2030 (included in Exhibit 4.4)
10.1	Employment Agreement between the Company and Joseph R. Dively Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on December 21, 2022.
10.2	Employment Agreement between the Company and Michael L. Taylor Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on January 8, 2024.
10.3	Employment Agreement between the Company and Matthew K. Smith Incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on January 8, 2024.
10.4	Employment Agreement between the Company and Eric S. McRae Incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed with the SEC on December 21, 2022.
10.5	Employment Agreement between the Company and Bradley L. Beesley Incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on December 21, 2022.
10.6	First Amendment to the First Mid-Illinois Bancshares, Inc. Amended and Restated Deferred Compensation Plan Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on September 26, 2018.
10.7	2017 Stock Incentive Plan Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on May 1, 2017.
10.8	Form of 2017 Incentive Plan Stock Unit Agreement Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on May 25, 2017.
10.9	Form Agreement to Accelerate the Vesting of the First Mid-Illinois Bancshares, Inc. Stock Unit Awards Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on December 19, 2017.
10.10	Form of Restricted Stock Award Agreement Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on January 29, 2018.
10.11	Form of Stock Unit/Restricted Stock Award Agreement Incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on January 29, 2018.
10.12	Supplemental Executive Retirement Plan Incorporated by reference to Exhibit 10.8 to the Company's Annual Report on Form 10-K for the for the year ended December 31, 2005.
10.13	First Amendment to Supplemental Executive Retirement Plan Incorporated by reference to Exhibit 10.9 to the Company's Annual Report on Form 10-K for the for the year ended December 31, 2005.
10.14	Participation Agreement (as Amended and Restated) to Supplemental Executive Retirement Plan between the Company and William S. Rowland Incorporated by reference to Exhibit 10.10 to the Company's Annual Report on Form 10-K for the year ended December 31, 2005.
10.15	Description of Incentive Compensation Plan Incorporated by reference to Exhibit 10.22 to the Company's Annual Report on Form 10-K for the year ended December 31, 2017.
10.16	Sixth Amended and Restated Credit Agreement

Exhibit Number	Description and Filing or Incorporation Reference
	Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on April 15, 2019.
10.17	Second Amendment to Sixth Amended and Restated Credit Agreement Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on January 27, 2021.
10.18	Third Amendment to the Sixth Amended and Restated Credit Agreement by and between First Mid Bancshares, Inc. and The Northern Trust Company, dated as of April 9, 2021 Incorporated by reference to Exhibit 10.1 to First Mid Bancshares, Inc.'s Current Report on Form 8-K filed with the SEC on April 12, 2021.
10.19	Fourth Amendment to the Sixth Amended and Restated Credit Agreement by and between First Mid Bancshares, Inc. and The Northern Trust Company, dated as of February 7, 2022 Incorporated by reference to Exhibit 10.1 to First Mid Bancshares, Inc.'s Current Report on Form 8-K filed with the SEC on February 8, 2022.
10.20	Fifth Amendment to the Sixth Amended and Restated Credit Agreement by and between First Mid Bancshares, Inc. and The Northern Trust Company, dated as of April 8, 2022 Incorporated by reference to Exhibit 10.1 to First Mid Bancshares, Inc.'s Current Report on Form 8-K filed with the SEC on April 11, 2022.
10.21	Sixth Amendment to the Sixth Amended and Restated Credit Agreement by and between First Mid Bancshares, Inc. and The Northern Trust Company, dated as of April 7, 2023 Incorporated by reference to Exhibit 10.1 to First Mid Bancshares, Inc.'s Current Report on Form 8-K filed with the SEC on April 11, 2023.
10.22	Seventh Amendment to the Sixth Amended and Restated Credit Agreement by and between First Mid Bancshares, Inc. and The Northern Trust Company, dated as of August 4, 2023 Incorporated by reference to Exhibit 10.1 to First Mid Bancshares, Inc.'s Current Report on Form 8-K filed with the SEC on August 8, 2023.
10.23	Eighth Amendment to the Sixth Amended and Restate Credit Agreement by and between First Mid Bancshares, Inc. and The Northern Trust Company, dated as of April 5, 2024. Incorporated by reference to Exhibit 10.1 to First Mid Bancshares, Inc.'s Current Report on Form 8-K filed with the SEC on April 5, 2024.
10.24	Registration Rights Agreement, dated as of February 22, 2021, by and between First Mid Bancshares, Inc. and the stockholder named therein Incorporated by reference to Exhibit 10.1 to the Company's Current Report on 8-K filed with the SEC on February 22, 2021
10.25	Amended No. 1 to Registration Rights Agreement, dated as of August 7, 2024, by and between First Mid Bancshares, Inc. and the stockholder named therein Incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on 10-Q filed with the SEC on August 7, 2024.
19.1	Insider Trading Policy (Filed herewith)
21.1	Subsidiaries of the Company (Filed herewith)
23.1	Consent of Forvis Mazars, LLP (Filed herewith)
31.1	Certification of Chief Executive Officer pursuant to section 302 of the Sarbanes-Oxley Act of 2002 (Filed herewith)
31.2	Certification of Chief Financial Officer pursuant to section 302 of the Sarbanes-Oxley Act of 2002 (Filed herewith)
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (Filed herewith)
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (Filed herewith)
97.1	First Mid Bancshares, Inc. Executive Officer Incentive Compensation Recovery Policy Incorporated by reference to Exhibit 97.1 to the Company's Annual Report on Form 10-K for the year ended December 31, 2023 filed with the SEC on March 6, 2024..
101.INS	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File as its XBRL tags are embedded within the Inline XBRL document
101.SCH	Inline XBRL Taxonomy Extension Schema With Embedded Linkbase Documents
104	Cover page formatted as Inline XBRL and contained in Exhibit 101

SIGNATURES

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

FIRST MID BANCSHARES, INC.
(Registrant)

Date: February 28, 2025

/s/ Joseph R. Dively

Joseph R. Dively
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below on the 28th day of February 2025, by the following persons on behalf of the Company and in the capacities listed.

Signature and Title

/s/ Joseph R. Dively

**Joseph R. Dively, Chairman of the Board,
President and Chief Executive Officer and Director
(Principal Executive Officer)**

/s/ Matthew K. Smith

**Matthew K. Smith, Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)**

/s/ Holly B. Adams

Holly B. Adams, Director

/s/ Robert Cook

Robert Cook, Director

/s/ Zachary I. Horn

Zachary I. Horn, Director

/s/ J. Kyle McCurry

J. Kyle McCurry, Director

/s/ Mary J. Westerhold

Mary J. Westerhold, Director

/s/ James Zimmer

James Zimmer, Director

/s/ Giselle A. Marcus

Gisele A. Marcus

/s/ Paul Palmby

Paul Palmby

POLICY STATEMENT ON SECURITIES TRADING AND CONFIDENTIAL INFORMATION

I. INTRODUCTION

The purchase or sale of securities while aware of material non-public information, or the disclosure of material non-public information to others (“tip”) who then trade in securities of First Mid Bancshares, Inc. or its subsidiaries (collectively referred to in this Policy Statement as the “Company”) or other companies with which we deal, is prohibited by the federal securities laws. Insider trading violations are pursued vigorously by the Securities and Exchange Commission (“SEC”) and the U.S. Attorneys and are punished severely. While the regulatory authorities concentrate their efforts on the individuals who trade, or who tip inside information to others who trade, the federal securities laws also impose potential liability on companies and other “controlling persons” (e.g., supervisory personnel) if they fail to take reasonable steps to prevent insider trading by Company personnel.

The Company's Board of Directors has adopted this Policy Statement both to satisfy the Company's obligation to prevent insider trading and to help Company personnel avoid the severe consequences associated with violations of the insider trading laws. This Policy Statement also addresses the treatment of confidential information. In addition, this Policy Statement is intended to prevent even the appearance of improper conduct on the part of anyone employed by or associated with the Company (not just so-called insiders). We have all worked hard over the years to establish a reputation for integrity and ethical conduct, and we cannot afford to have that reputation damaged.

The law regarding insider trading is changed from time to time by legislation and court decisions. This Policy Statement is in some respects broader than the legal prohibitions.

II. INSIDER TRADING PROHIBITED

a. General Rule. It is the policy of the Company that no director, community banking director, officer or other employee of the Company who is aware of material non-public information relating to the Company may, directly or through family members or other persons or entities, (a) buy or sell securities of the Company (including particularly the publicly traded common stock of the Company), other than pursuant to a pre-approved trading plan that complies with SEC Rule 10b5-1, or engage in any other action to take personal advantage of that information, or (b) pass that information on to others outside the Company (except as expressly permitted under the “Confidential Information” section of this Policy Statement), including family and friends. In addition, it is the policy of the Company that no director, community banking director, officer or other employee of the Company who, in the course of working for the Company, learns of material non-public information about a company with which the Company does business may trade in that company's securities until the information becomes public or is no longer material.

Remember, anyone scrutinizing your transactions will be doing so after the fact, with the benefit of hindsight. As a practical matter, before engaging in any transaction, you should carefully consider how enforcement authorities and others might view the transaction in hindsight.

b. Applicability of Policy.

i. Employees, Officers and Directors. This Policy Statement applies to all employees, officers and directors of the Company, including employees, officers and directors of its subsidiaries. Each provision of this Policy Statement that applies to an employee, officer and director also applies to:

- members of their immediate families with whom they share a household;
- other persons with whom they share a household;
- persons who principally rely on the employee, officer or director for their financial support, regardless of where those persons reside; and
- any person or entity over which they have control or influence with respect to a transaction in securities (i.e., as a trustee of a trust, as an executor of an estate or as one with the power to direct securities trades in an IRA or similar account).

Likewise, when we refer to “you” in this Policy Statement, we also mean each of the people listed above with respect to you. Because the people listed above are covered by this Policy Statement, you will be responsible for their transactions in the Company's securities and, in order to maintain your compliance with this policy, you should ensure that those people do not purchase or sell the Company's securities without your clearance in advance of the transaction.

ii. Other Persons. It may be appropriate, in some circumstances, for persons who are not employed by the Company (in addition to those listed above) to be subject to the same restrictions as Company employees and other “insiders.” If you are aware of a situation

in which a consultant, advisor or other person who is not an employee of the Company will have access to material non-public information about the Company, you should bring this situation to the attention of the Manager of Shareholder Services, who will make appropriate arrangements to protect the Company.

c. Material Non-Public Information.

i. Material. Information is considered “material” if:

- a reasonable investor would consider it important in making a decision on whether to buy, sell or hold the security;
- a reasonable investor would view the information as significantly altering the total mix of information in the marketplace about the company that issued the security; or
- the information could reasonably be expected to have an effect on the price of the security.

ii. Non-Public. Information is non-public until it has been “publicly disclosed,” meaning that it:

- is published in such a way as to provide broad, non-exclusionary distribution of the information to the public; and
- has been in the public domain for a sufficient period of time to be absorbed by the market and reflected in the price of the related securities.

Examples of public disclosure include the issuance of a press release to multiple news outlets or the filing of an appropriate report with the SEC. For purposes of this Policy Statement, information is generally considered to be “non-public” until the expiration of a period of two full trading days after the information is released to the general public. However, this period varies depending on the type of information released, the market’s expectations relating to the subject matter of the release, and the promptness of the market’s reaction after the information is released.

iii. Examples. Some examples of information that ordinarily would be regarded as material are:

- Significant information or estimates about earnings or sales;
- A pending or proposed merger, acquisition or tender offer;
- A pending or proposed acquisition or disposition of a significant asset;
- A pending or proposed financial restructuring or an extraordinary borrowing;
- A change in dividend policy, the declaration of a stock split, an offering of additional securities, or a redemption of securities;
- Significant management developments, including a change in management;
- A significant expansion or contraction of operations, including planned layoffs;
- Significant changes relating to major contracts; and
- Liquidity problems or payment or covenant defaults.

d. Other Companies. This Policy Statement also prohibits trading in securities of any other company about which you learn material non-public information in the course of performing your duties for the Company, whether the source of that information is the Company or the other company. For example, you may be involved in a transaction in which the Company expects to enter into (or terminate) a substantial business relationship with another company, or acquire another company, buy a substantial amount of its stock or enter into a joint venture with the company. Even though the size of the transaction may be immaterial to the Company, it may be material to the other company. This Policy Statement prohibits you from trading in the securities of that company while aware of this non-public information or from tipping others regarding the information.

e. **Pre-clearance of Trades.** All Section 16 reporting Employees, Officers, and Directors must refrain from trading in the Company's securities without first complying with the Company's "pre-clearance" process. Each Employee, Officer or Director ("Requestor") must contact the Company's Corporate Secretary, at least two business days prior to commencing any trade in Company securities. Each pre-clearance request shall be made in writing. The Company is not obligated to approve a trade submitted for pre-clearance and may deny clearance to trade based on certain circumstances. If the trade is approved, the Corporate Secretary will provide Requester pre-clearance approval in writing along with the specified period of approval. If the Requestor is unable to place the transaction order within that specified period, the Requestor must re-obtain clearance for the transaction.

III. TYPES OF TRANSACTIONS

This Policy Statement prohibits certain transactions in the "securities" of the Company. Although it is usually the case that any material information you gain will be most pertinent to Company common stock, any securities that the Company issues, such as debt securities or preferred stock, are also subject to this Policy Statement. This Policy Statement also applies to stock options and other derivatives related to Company securities, as discussed below. Purchases and sales of Company securities are subject to the insider trading laws and the provisions of this Policy Statement, whether they are executed in the public markets or in private transactions, and whether you execute the transaction directly or indirectly through another person or entity.

a. **Stock Option Exercises.** The policy of the Company prohibiting the purchase of Company stock while aware of material non-public information does not apply to the exercise of an employee stock option. The policy of the Company does apply, however, to any sale of stock as part of a broker-assisted cashless exercise of an option, or any other market sale for the purpose of generating the cash needed to pay the exercise price of an option.

b. **401(k) Plan.** The policy of the Company prohibiting the purchase of Company stock while aware of material non-public information does not apply to purchases of Company stock in the First Mid Bancshares, Inc. Profit Sharing Plan (the "401(k) Plan") resulting from your periodic contribution of money to the plan pursuant to your payroll deduction election. The policy does apply, however, to certain elections you may make under the 401(k) Plan, including (a) an election to increase or decrease the percentage of your periodic contributions that will be allocated to the Company stock fund, (b) an election to make an intra-plan transfer of an existing account balance into or out of the Company stock fund, (c) an election to borrow money against your 401(k) Plan account if the loan will result in a liquidation of some or all of your Company stock fund balance, and (d) your election to pre-pay a plan loan if the pre-payment will result in allocation of loan proceeds to the Company stock fund.

c. **Dividend Reinvestment Plan.** The policy of the Company prohibiting the purchase of Company stock while aware of material non-public information does not apply to purchases of Company stock under the Company's Dividend Reinvestment Plan resulting from your reinvestment of dividends paid on Company stock. The policy does apply, however, to your initial election to participate in this plan, to an election to increase or decrease your level of participation in this plan and to voluntary purchases of Company stock resulting from additional contributions you make to this plan. This policy also applies to your sale of any Company stock purchased pursuant to this plan.

d. **Deferred Compensation Plan.** The policy of the Company prohibiting the purchase of Company stock while aware of material non-public information does not apply to purchases of Company stock in the Company's Deferred Compensation Plan resulting from your periodic contribution of money to the plan pursuant to the annual irrevocable election you made to participate in the plan. The policy does apply, however, to your initial election to participate in the plan, to any annual election to increase or decrease to your contributions you make to this plan, and to your sales of Company stock purchased pursuant to the plan.

e. **Employee Stock Purchase Plan.** The policy of the Company prohibiting the purchase of Company stock while aware of material non-public information does not apply to purchases of Company stock in the Company's Employee Stock Purchase Plan resulting from your periodic contribution of money to the plan pursuant to the election you made to participate in the plan. The policy does apply, however, to your initial election to participate in the plan, to any quarterly increase or decrease in your payroll deduction contributions that you make under the plan, and to your sales of Company stock purchased pursuant to the plan.

f. **Transactions Not Involving a Change in Beneficial Ownership.** The policy of the Company prohibiting the purchase of Company stock while aware of material non-public information does not apply to the transfer of securities to an entity that does not involve a change in the beneficial ownership of such securities, for example, to an inter vivos trust of which you are the sole beneficiary during your lifetime.

g. **Rule 10b5-1 Plans.** The policy of the Company prohibiting the purchase of Company stock while aware of material non-public information does not apply to the execution of a transaction pursuant to a contract, instruction, or plan described in Securities Exchange Act Rule 10b5-1.

h. **Additional Types of Transactions.** The Company considers it improper and inappropriate for any director, community banking director, officer or other employee of the Company to engage in short-term or speculative transactions in the Company's securities. It therefore is the Company's policy that directors, community banking directors, officers and other employees may not engage in any of the following transactions:

i. Short-Term Trading. An employee's short-term trading of the Company's securities may be distracting to the employee and may unduly focus the employee on the Company's short-term stock market performance instead of the Company's long-term business objectives. For these reasons, any director, community banking director, officer or other employee of the Company who purchases Company securities in the open market may not sell any Company securities of the same class during the six months following the purchase. Section 16(b) of the Securities Exchange Act of 1934, as amended (the "1934 Act"), already removes the incentive for officers or directors to engage in short-term trading in company securities. This provision of the policy would extend the short-term trading prohibition to all employees. The prohibition applies only to purchases in the open market, and would not apply to stock option exercises or other employee benefit plan acquisitions.

ii. Short Sales. A short sale is the sale of a security that is not owned by the seller. The seller borrows the security, sells it, and then buys it at a later date to return it to the lender. Short sales of the Company's securities evidence an expectation on the part of the seller that the securities will decline in value, and therefore signal to the market that the seller has no confidence in the Company or its short-term prospects. In addition, short sales may reduce the seller's incentive to improve the Company's performance. For these reasons, short sales of the Company's securities are prohibited by this Policy Statement. In addition, Section 16(c) of the 1934 Act prohibits officers and directors from engaging in short sales.

iii. Options. A put is a contract that gives its holder the right, but not the obligation, to sell an underlying security before a certain date, at a predetermined price. A call gives the holder the right, but not the obligation, to purchase, in the future, at a predetermined price. A transaction in options is, in effect, a judgment on the short-term movement of the Company's stock and therefore creates the appearance of trading based on inside information. Transactions in options also may focus attention on short-term performance at the expense of the Company's long-term objectives. Accordingly, transactions in puts, calls or other derivative securities on the Company's stock in any organized market are prohibited by this Policy Statement.

iv. Derivative Transactions. Collars are limits on interest rates such as caps and floors. Forward contracts are contracts for the sale or purchase of a specified quantity at an agreed price on a given future date, and unlike an option, a forward contract obligates both parties to consummate the transaction. Certain forms of derivative transactions, such as collars and forward contracts, allow a director, community banking director, officer or other employee to lock in much of the value of his or her stock holdings, often in exchange for all or part of the potential for upside appreciation in the stock. These transactions allow the director, community banking director, officer or other employee to continue to own the covered securities, but without the full risks and rewards of ownership. When that occurs, the director, community banking director, officer or other employee may no longer have the same objectives as the Company's other shareholders. Therefore, directors, community banking directors, officers and other employees are prohibited from engaging in any such transactions.

v. Margin Accounts and Pledges. Directors, community banking directors, officers and other employees are prohibited from holding Company securities in a margin account. Directors, community banking directors, officers and other employees may pledge Company securities as collateral for a loan (not including margin debt) in compliance with applicable law and in accordance with the following procedure. Any person who wishes to pledge Company securities as collateral for a loan must obtain the approval of the Manager of Shareholder Services, who will consult with the Chief Executive Officer of the Company, at least two weeks prior to the proposed execution of documents evidencing the proposed pledge. It is important to note that one of the risks of pledging Company securities is that the sale of securities pledged (or hypothecated) as collateral for a loan in foreclosure if the borrower defaults on the loan may occur at a time when the pledgor is aware of material non-public information or otherwise is not permitted to trade in Company securities.

i. Pre-Disclosure of Undisclosed Material Non-Public Information. You may not enter into any of the transactions described above as not being subject to the policy of the Company prohibiting the purchase of Company stock while aware of material non-public information unless you have disclosed any material non-public information that you are aware of to the Manager of Shareholder Services or its designee. If you are a director or a member of senior management, the information must be disclosed to the Manager of Shareholder Services, and the Manager of Shareholder Services must disclose any such information to the Chief Executive Officer before any such transaction. This ensures that the Company is fully aware of any material information affecting any security before you enter into a transaction involving Company securities.

IV. UNAUTHORIZED DISCLOSURE OF MATERIAL NON-PUBLIC INFORMATION PROHIBITED

a. General Rule. No director, community banking director, officer or other employee may disclose material non-public information about the Company or any company with which the Company deals, to anyone outside of the Company, unless authorized to do so.

b. Tipping. Under the federal securities laws, you can be held responsible not only for your own insider trading, but also for securities transactions by anyone to whom you disclose material non-public information. Even if those to whom you disclose such information do not trade while aware of the information, you can be responsible for the trades of persons who received material non-public information indirectly from you, if you are the ultimate source of their information.

c. Discussing or Recommending Company Securities. We recognize that employee enthusiasm for the Company and its business prospects is a vital element of our success. You should, however, use extreme caution when discussing our business or our securities with anyone outside of the Company. In the course of discussing our business or our securities, accidental disclosure of material non-public information can occur and can be viewed as "tipping." Likewise, recommendations of our securities can also result in embarrassing situations

for you or the Company if you make a recommendation at a time when there is material non-public information regarding the Company, even if you are unaware of that information. Therefore, as a general rule you should not comment to outsiders on the merits of Company securities or recommend their purchase or sale.

d. Chat Rooms and Internet Postings. No director, community banking director, officer or other employee may disclose information about the Company on the Internet (regardless of whether such information is material or already public), and, more specifically, in discussion forums or chat rooms where companies and their prospects are discussed. Messages in these forums are typically made by unsophisticated investors who are sometimes poorly informed, and generally are carelessly stated or, in some cases, malicious or manipulative and intended to benefit their own stock positions. In addition, disclosures of material non-public information through this type of forum may amount to a “tip” or leak of such information, in violation of this Policy Statement and applicable law. Accordingly, no director, community banking director, officer or other employee of the Company may discuss the Company or Company-related information in such a forum, regardless of the situation. Despite any inaccuracies that may exist in these forums, postings in these forums can result in the disclosure of information that may be harmful to the Company and expose you to liability for violating federal securities laws. If you learn of statements about the Company in such a setting, bring it to the attention of the Manager of Shareholder Services, but take no further action without express authorization. In particular, do not post what you believe to be corrective information in the forum. Any corrective action will be taken by the Company as deemed appropriate.

e. Authorization to Disclose Material Non-Public Information. We authorize only certain directors, community banking directors, officers or other employees to make public disclosures of material non-public information or to confer with persons outside the Company regarding such information (for example, our auditors, outside counsel and other advisors). Unless you are authorized to do so by the Chief Executive Officer, you should refrain from discussing material non-public information with anyone not in the Company, including someone who is subject to this Policy Statement (such as the people listed in Section II). You should restrict the communication of material non-public information to those directors, community banking directors, officers or other employees having a need to know in order to serve the Company's interests.

f. Regulation FD (Fair Disclosure). There are SEC rules and regulations banning selective disclosure of information relating to public companies. Generally, these regulations provide that when a public company (such as the Company) discloses material non-public information, it must provide broad, non-exclusionary public access to the information (for example, through press releases, conference calls or webcasts). Violations of these regulations can result in SEC enforcement actions, possibly resulting in injunctions and severe monetary penalties. Regulation FD applies largely to a limited group of senior officers and the investor relations personnel who regularly communicate with securities market professionals and shareholders. Remember that no other Company directors, community banking directors, officers or other employees are authorized to communicate information regarding the Company with securities market professionals, shareholders or members of the media.

V. BLACKOUT PERIODS

a. Quarterly and Annual Blackout Periods. The Company's announcement of quarterly and annual financial results almost always has the potential to have a material effect on the market for the Company's securities. Therefore, you can anticipate that, to avoid even the appearance of trading while aware of material non-public information, persons who are or may be expected to be aware of the Company's quarterly and annual financial results will be prohibited from trading in the Company's securities during the period beginning the fifth business day prior to the end of the Company's fiscal quarter or fiscal year (counting the last business day as the fifth day) and ending after the second full business day following the Company's announcement of its quarterly or annual financial results. Persons subject to these quarterly and annual blackout periods include all directors, community banking directors, officers, and other employees who are or may be expected to be aware of the Company's quarterly and annual financial results.

The Company may on occasion issue interim earnings guidance or other potentially material information by means of a press release, an SEC filing on Form 8-K or other means designed to achieve widespread dissemination of the information. You should anticipate that trades are likely to be prohibited while the Company is in the process of assembling the information to be released and until the information has been released and fully absorbed by the market.

b. Event-Specific Blackout Periods. From time to time, an event may occur that is material to the Company and is known by only a few directors, community banking directors, officers, and/or employees. So long as the event remains material and non-public, such persons may not trade in the Company's securities. The existence of an event-specific blackout will not be announced, other than to those who are aware of the event giving rise to the blackout. If, however, a person inquires about trading in the Company's securities during an event-specific blackout, the Manager of Shareholder Services, after consultation with the Chief Executive Officer of the Company, will inform such person of the existence of a blackout period without disclosing the reason for the blackout. Any person made aware of the existence of an event-specific blackout should not disclose the existence of the blackout to any other person. Any failure to designate a person as being subject to an event-specific blackout will not relieve that person of the obligation not to trade while actually aware of material non-public information.

c. Other Blackout Periods. Other blackout periods may be imposed by law or in the discretion of a plan administrator.

d. Hardship Exceptions. A person who is subject to a quarterly or annual blackout period and who has an unexpected and urgent need to sell Company stock in order to generate cash may, in appropriate circumstances, be permitted to sell Company stock even during the blackout period. Hardship exceptions may be granted only by the Manager of Shareholder Services, after consultation with the Chief Executive Officer of the Company, and must be requested at least two days in advance of the proposed trade. A hardship exception may be granted only if the

Manager of Shareholder Services, after consultation with the Chief Executive Officer of the Company, concludes that the Company's financial information for the applicable quarter or year does not constitute material non-public information. Under no circumstance will a hardship exception be granted during an event-specific blackout period or during a blackout period imposed by law or in the discretion of a plan administrator.

e. Stock in Benefit Plans. The blackout restrictions that are discussed in Section III b, c, d and e for the 401(k) Plan, Dividend Reinvestment Plan, Deferred Compensation Plan and Employee Stock Purchase Plan apply to the blackout periods discussed in this Section V.

Do not confuse the applicability of the trading windows with the broader prohibition on trading when you are aware of material non-public information described in Section II. Regardless of whether the trading window is open or closed, you may not trade in Company securities if you are aware of material non-public information about the Company.

VI. SANCTIONS FOR VIOLATIONS OF THIS POLICY

The SEC (and the stock exchanges) focuses on uncovering insider trading using sophisticated technologies to investigate suspicious activity.

A breach of the insider trading laws could expose the insider to criminal fines of up to \$5,000,000 and imprisonment of up to 25 years, in addition to civil penalties (up to three times the profits earned or loss avoided), and injunctive actions. In addition, punitive damages may be imposed under applicable state laws. Securities laws may also subject "controlling persons" to civil penalties for illegal insider trading by employees. "Controlling persons" can include directors, officers and supervisors. These persons may be subject to fines of up to the greater of \$1,000,000 or three times the profit realized or loss avoided by the insider. Accordingly, it is incumbent on all Company employees to comply with this policy and applicable securities laws and to ensure that those employees who they supervise also comply.

Inside information does not belong to any of the Company's individual employees, officers or directors. This information is an asset of the Company. For any person to use such information for personal benefit, or to disclose it to others outside of the Company without permission from an authorized person, violates the federal securities laws. More particularly, insider trading is a fraud against members of the investing public and against the Company. Whether or not there is any actual trading of our securities, any violation of this Policy Statement will be grounds for discipline, up to termination of employment for cause.

VII. SECTION 16 REPORTING AND LIABILITY PROVISIONS

a. Filing Reports. Section 16 of the 1934 Act applies to a limited group of persons. This group consists of certain officers of the Company (the "Officers") and the members of the Company's board of directors (the "Directors"). Certain of these rules also apply to persons who beneficially own more than 10% of the stock of the Company. Under Section 16(a) of the 1934 Act, the Directors and Officers must file the following beneficial ownership reports with the SEC:

- Form 3. An initial report on Form 3 of his or her beneficial ownership of shares of Company stock, to be filed within 10 calendar days after becoming a Director or an Officer. The Form 3 must be filed whether or not the Director or Officer beneficially owns any shares of Company stock at the time the report is required.
- Form 4. A report on Form 4 of subsequent changes in beneficial securities ownership, to be filed within two business days after the execution of the transaction. A change in beneficial ownership must be reported even if the total number of shares owned after the transaction is the same as it was before the transaction (e.g., where purchases and sales offset each other). Under the SEC's reporting rules, most transactions in Company securities must now be reported on Form 4, although there are a limited number of transactions that remain reportable on Form 5 or are exempt from reporting altogether.
- Form 5. An annual report on Form 5, to be filed within 45 calendar days after the end of the Company's fiscal year to report a limited number of transactions not previously reported during the most recent fiscal year on Form 4, either because of an exemption from reporting or a failure to file. Acquisitions or dispositions by gift are examples of transactions eligible for Form 5 reporting. Directors or Officers with no reportable transactions during a year need not file a Form 5; however, they are required to provide the Company with a written representation to that effect. All transactions reportable on Form 5 may be voluntarily reported earlier on Form 4.

b. Beneficial Ownership. The Form 3, 4 and 5 reports require the reporting of "equity securities" beneficially owned by a Director or Officer. The term "equity securities" includes the Company's common stock and so-called "derivative securities." "Derivative securities" are broadly defined to include stock options, stock appreciation rights, restricted stock units, performance stock and phantom stock units, because their value is derived from the value of the underlying equity security.

A Director or Officer is deemed to own beneficially all securities in which the person holds a “pecuniary interest.” “Pecuniary interest” means the “opportunity, directly or indirectly, to profit or share in any profit derived from a transaction.” A pecuniary interest may exist indirectly through another person or entity under the Section 16 rules. For example, someone is presumed to have a pecuniary interest in securities held by members of his or her immediate family (defined broadly for these purposes to include all children, stepchildren, parents, stepparents, spouses, grandparents, grandchildren, siblings and in-laws) sharing the same household. Under certain circumstances, a Director or Officer might also be deemed to have a “pecuniary interest” in, and thus be deemed the “beneficial owner” of, the same securities held in the name of corporations, partnerships, trusts and other entities. It is also possible that more than one person may be deemed to be the beneficial owner of the same securities for reporting purposes under Section 16(a). As a general rule, Directors and Officers are advised to resolve close questions of “pecuniary interest” and “beneficial ownership” in favor of reporting. Directors or Officers may, in appropriate cases, include a footnote on the filed Form 3, 4 or 5 disclaiming beneficial ownership of certain shares if there is a reasonable basis for doing so. However, the presence of a disclaimer is not dispositive in determining whether someone is the true beneficial owner of the reported shares.

c. Consequences of Non-Compliance. There are two major consequences of non-compliance with the Form 3, 4 and 5 filing requirements. First, the Company must disclose in its proxy statement and Form 10-K under a separate caption entitled “Section 16(a) Beneficial Ownership Reporting Compliance” the names of any Directors and Officers who failed to file required reports in a timely manner, the number of late and known non-filed reports and the number of transactions not timely reported. Second, the federal securities laws authorize civil sanctions (including cease-and-desist orders, injunctions and monetary penalties) as well as criminal sanctions (including fines and prison terms) for reporting violations. Although reporting violations are unlikely to trigger the most severe enforcement sanctions, the SEC continues to pursue aggressively egregious or repeated violations of Form 3, 4 and 5 filing requirements. Please be aware that while the responsibility for compliance and liability for non-compliance with the requirements of Forms 3, 4 and 5 rests with the Director and Officer individually, The Company requires that all Directors and Officers coordinate the preparation and filing of Forms 3, 4 and 5 with the Company.

d. Compliance Procedures. Given the two-business day filing requirement and the significant consequences of non-compliance, the Company will file all Forms 3, 4 and 5 on behalf of Officers and Directors pursuant to powers of attorney received from them. The Sarbanes-Oxley Act of 2002 mandates the electronic filing of Forms 3, 4 and 5. The Company will file all Forms on EDGAR (the SEC’s Electronic Data Gathering and Retrieval system), and rely on paper filings, as permitted, only in emergency situations. The principal contact person at the Company is the Manager of Shareholder Services.

In order to meet the two-business day electronic filing deadline, it is imperative that all Directors and Officers comply with the following procedures:

- Notify the Manager of Shareholder Services at least two full business days in advance of any planned transaction in Company securities.
- Advise family members and others whose transactions will be attributable to the Director or Officer that this pre-clearance requirement applies equally to them.
- Provide all relevant information about the transaction (e.g., purchase or sale, the number of shares involved, the purchase price) immediately to the Manager of Shareholder Services.
- Each Director and Officer must deliver an executed power of attorney to Manager of Shareholder Services, or have on file with the Manager of Shareholder Services a previously delivered power of attorney.

e. Section 16 May Still Apply Even If the Person Had Insider Status at the Time of Only One Transaction. Section 16 may apply even to a person who was a Director or Officer when only one of the transactions occurred. For example, if a Director or Officer sells or purchases shares of Company common stock after termination or retirement as an Officer, that transaction will be subject to Section 16 if the transaction is not exempt and occurs within less than six months of an “opposite transaction” non-exempt that occurred while the person was a Director or Officer. Acquisitions and dispositions are “opposite transactions” for purposes of this rule. Transactions occurring prior to the date a person first becomes a Director or Officer, however, are not subject to Section 16, although the initial report on Form 3 must report the person’s beneficial ownership as of the date of the report. Anyone uncertain about the application of Section 16 to a proposed transaction should consult counsel before proceeding.

VIII. MISCELLANEOUS

a. Confidential Information. Confidential information relating to the Company, its depositors, borrowers and others with whom the Company has a confidential relationship should never be communicated to anyone other than Company personnel, its outside lawyers, its independent accountants, its independent financial advisors and, where appropriate, in connection with a transaction, the participants in the transaction, except where specifically authorized by the Chief Executive Officer of the Company. Confidential information should be communicated to Company personnel and to persons retained by it only if the person to whom the information would be provided has a legitimate need to know the specific information and has no responsibilities or duties that are likely to give rise to a conflict of interest or misuse of the

information. In addition, confidential information may be communicated to regulatory authorities as required by law. Confidential information may include financial information regarding the Company, a depositor or a borrower, or information regarding a proposed transaction involving the Company or a depositor or a borrower. In order to implement these restrictions, care must be taken to refrain from discussing confidential information with family members or in public places or when the discussion may be overheard or interrupted (e.g., such as when using a wireless telephone or a low frequency portable telephone), or when the confidential information may be intercepted through the Internet, or viewed, or inadvertently transmitted.

b. Post-Termination Transactions. The Policy Statement continues to apply to you even after you have terminated employment. Accordingly, if you are in possession of material non-public information when your employment terminates, you may not trade in Company securities until that information has become public or is no longer material.

c. Reporting Violations. If you become aware of any violation of this Policy Statement, you should report it immediately to the Manager of Shareholder Services.

d. Company Assistance. Any person who has a question about this Policy Statement or its application to any proposed transaction may obtain additional guidance from the Manager of Shareholder Services. **Ultimately, however, the responsibility for adhering to this Policy Statement and avoiding unlawful transactions rests with the individual.**

Subsidiaries of the Company

First Mid Bank & Trust, N.A. (a national banking association)

First Mid Wealth Management Company (an Illinois corporation)

First Mid Insurance Group, Inc. (an Illinois corporation)

First Mid Captive, Inc. (a Nevada corporation)

First Mid Investments, Inc. (a Nevada corporation)

First Mid-Illinois Statutory Trust II (a Delaware business trust)

Clover Leaf Statutory Trust I (a Maryland business trust)

FBTC Statutory Trust I (a Delaware business trust)

Blackhawk Statutory Trust I (a Connecticut business trust)

Blackhawk Statutory Trust II (a Connecticut business trust)

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors
First Mid Bancshares, Inc.

RE: Registration Statements

Registration No. 333-254205 on Form S-3

Registration No. 333-277973 on Form S-3

Registration No. 333-207199 on Form S-3

Registration No. 033-64061 on Form S-8

Registration No. 333-218691 on Form S-8

Registration No. 333-224508 on Form S-8

Registration No. 333-256763 on Form S-8

We consent to the incorporation by reference in the Registration Statements on Form S-3 and S-8 of First Mid Bancshares, Inc. of our reports dated February 28, 2025, on our audits of the consolidated financial statements of First Mid Bancshares, Inc. as of December 31, 2024 and 2023 and for each of the three years in the period ended December 31, 2024, and the effectiveness of the Company's internal control over financial reporting as of December 31, 2024 which reports appear in the December 31, 2024 annual report on Form 10-K of First Mid Bancshares, Inc.

/s/ Forvis Mazars, LLP

St. Louis, Missouri
February 28, 2025

Certification pursuant to section 302 of the Sarbanes-Oxley Act of 2002

I, Joseph R. Dively, certify that:

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

Date: February 28, 2025

By: /s/ Joseph R. Dively
Joseph R. Dively
President and Chief Executive Officer

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I, Matthew K. Smith, certify that:

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

Date: February 28, 2025

By: /s/ Matthew K. Smith

Matthew K. Smith Chief Financial Officer

Certification pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Annual Report of First Mid Bancshares, Inc. (the "Company") on Form 10-K for the period ended December 31, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Joseph R. Dively, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 28, 2025

/s/ Joseph R. Dively

Joseph R. Dively
President and Chief Executive Officer

1 Certifications pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002

In connection with the Annual Report of First Mid Bancshares, Inc. (the "Company") on Form 10-K for the period ended December 31, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Matthew K. Smith, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 28, 2025

/s/ Matthew K. Smith

Matthew K. Smith
Chief Financial Officer

First Mid Leadership

Board of Directors

HOLLY B. ADAMS

Lead Independent Director
President, Howell Asphalt Company
President, Howell Paving, Inc.

ROBERT S. COOK

Chair, Nominating and Governance Committee
Managing Partner,
TAR CO Investments, LLC

JOSEPH R. DIVELY

Chairman and Chief Executive Officer,
First Mid Bancshares, Inc.

ZACHARY I. HORN

President and Founder,
Metro Communications Company, Inc.

GISELE A. MARCUS

Professor of Practice, Olin Business School,
Washington University in St. Louis

J. KYLE MCCURRY

Chair, Risk Committee
Chief Operating Officer and General Counsel,
Paige Sports Entertainment

PAUL L. PALMBY

President, Chief Executive Officer, and Director,
Seneca Foods Corporation

MARY J. WESTERHOLD

Chair, Audit Committee
Chief Financial Officer,
Madison Communications, Inc.

JAMES E. ZIMMER

Chair, Compensation Committee
Co-Founder,
Moraine Farmland Partners

Executive Committee

JOSEPH R. DIVELY

Chairman and
Chief Executive Officer

MICHAEL L. TAYLOR

Senior Executive Vice President,
Chief Operating Officer

MATTHEW K. SMITH

Executive Vice President,
Chief Financial Officer

BRADLEY L. BEESLEY

Chief Executive Officer,
First Mid Wealth Management Co.

CLAY M. DEAN

Chief Executive Officer,
First Mid Insurance Group, Inc.

JASON M. CROWDER

Executive Vice President,
General Counsel

RHONDA R. GATONS

Executive Vice President,
Chief Human Resources Officer

AMANDA D. LEWIS

Executive Vice President,
Chief Operations Officer

MEGAN E. MCELWEE

Executive Vice President,
Chief Credit Officer

ERIC S. MCRAE

Executive Vice President,
Chief Lending Officer

JORDAN D. READ

Executive Vice President,
Chief Risk Officer

STAS R. WOLAK

Executive Vice President,
Chief Retail Banking Officer

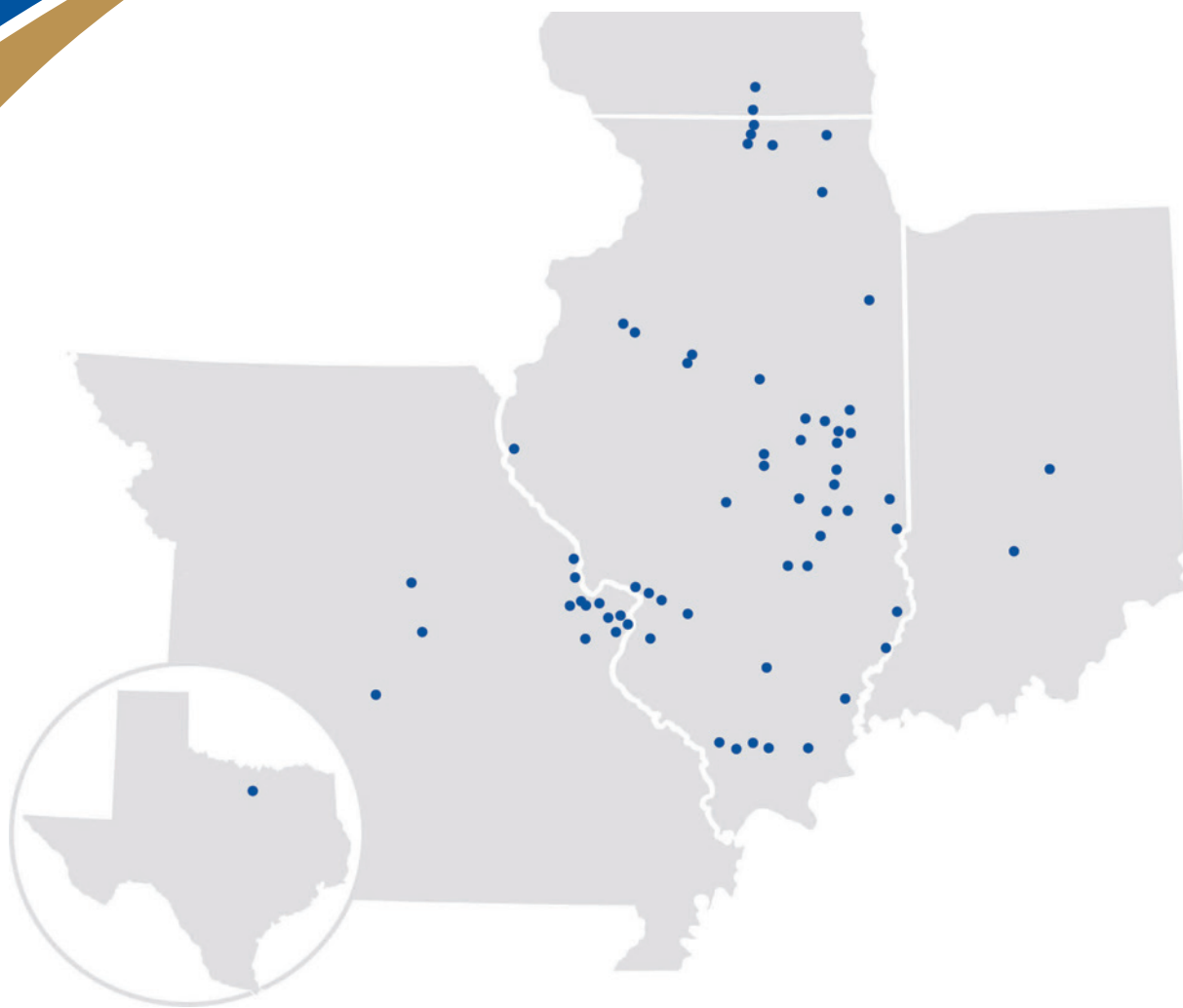
JEREMY R. FRIEBURG

Senior Vice President,
Chief Information Officer

ANYA Y. SCHUETZ

Senior Vice President,
Director of Project Management





Corporate Profile

First Mid Bancshares, Inc. (“First Mid”) is the parent company of First Mid Bank & Trust, N.A., First Mid Insurance Group, Inc., and First Mid Wealth Management Co.

First Mid is a \$7.5 billion community-focused organization that provides a full-suite of financial services including banking, insurance, wealth management, brokerage, and ag services through a network of locations in Illinois, Missouri, Texas, and Wisconsin, and a loan production office in Indiana. Together, our First Mid team takes great pride in providing solutions and services to our customers and communities and has done so since 1865.

More information about First Mid is available on our website at www.firstmid.com. Our stock is traded in the NASDAQ Stock Market LLC under the ticker symbol “FMBH.”



1421 Charleston Avenue | Mattoon IL 61938
www.firstmid.com