

REFINITIV

# DELTA REPORT

## 10-Q

PLBC - PLUMAS BANCORP  
10-Q - JUNE 30, 2024 COMPARED TO 10-Q - MARCH 31, 2024

The following comparison report has been automatically generated

TOTAL DELTAS	796
CHANGES	243
DELETIONS	229
ADDITIONS	324

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

FORM 10-Q

(Mark One)

- ☒ **QUARTERLY REPORT UNDER SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED**  
**March 31, June 30, 2024**
- ☐ **TRANSITION REPORT UNDER SECTION 13 OR 15 (D) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM \_\_\_\_\_**  
**TO \_\_\_\_\_**

COMMISSION FILE NUMBER: 000-49883

**PLUMAS BANCORP**  
(Exact Name of Registrant as Specified in Its Charter)

California  
(State or Other Jurisdiction of Incorporation or Organization)

75-2987096  
(I.R.S. Employer Identification No.)

5525 Kietzke Lane, Suite 100, Reno, Nevada  
(Address of Principal Executive Offices)

89511  
(Zip Code)

Registrant's Telephone Number, Including Area Code **(775) 786-0907**

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

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

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

Large Accelerated Filer ☐ Accelerated Filer ☐ Non-Accelerated Filer ☒ Smaller Reporting Company ☒ Emerging Growth Company ☐

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

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

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

<u>Title of Each Class:</u>	<u>Trading Symbol</u>	<u>Name of Each Exchange on which Registered:</u>
Common Stock, no par value	PLBC	The NASDAQ Stock Market LLC

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of **May 3, 2024** **August 2, 2024**: **5,895,595** **5,895,900** shares.

PART I – FINANCIAL INFORMATION  
ITEM 1. FINANCIAL STATEMENTS

PLUMAS BANCORP AND SUBSIDIARY  
CONDENSED CONSOLIDATED BALANCE SHEETS  
(Unaudited)  
(In thousands, except share data)

	March 31, 2024	December 31, 2023	June 30, 2024	December 31, 2023
<b>Assets</b>				
Cash and cash equivalents	\$ 128,231	\$ 85,655	\$ 109,852	\$ 85,655
Investment securities available for sale, net of allowance for credit losses of \$0	447,445	489,181		
Loans, less allowance for credit losses of \$13,157 at March 31, 2024 and \$12,867 at December 31, 2023	966,141	948,604		
Investment securities available for sale, net of allowance for credit losses of \$0 at June 30, 2024 and December 31, 2023			445,132	489,181
Loans, less allowance for credit losses of \$14,082 at June 30, 2024 and \$12,867 at December 31, 2023			986,517	948,604
Other real estate owned	357	357	141	357
Premises and equipment, net	12,960	18,948	12,868	18,948
Right-of-use assets	25,295	2,926	24,975	2,926
Bank owned life insurance	16,206	16,110	16,310	16,110
Goodwill	5,502	5,502	5,502	5,502
Accrued interest receivable and other assets	38,196	43,133	40,800	43,133
Total assets	<u>\$ 1,640,333</u>	<u>\$ 1,610,416</u>	<u>\$ 1,642,097</u>	<u>\$ 1,610,416</u>
<b>Liabilities and Shareholders' Equity</b>				
Deposits:				
Non-interest bearing	\$ 665,975	\$ 692,768	\$ 670,652	\$ 692,768
Interest bearing	633,713	640,887	633,935	640,887
Total deposits	1,299,688	1,333,655	1,304,587	1,333,655
Repurchase agreements	19,331	23,054	13,870	23,054
Lease liability	25,424	3,001		
Lease liabilities			25,203	3,001
Accrued interest payable and other liabilities	14,399	13,389	13,282	13,389
Other borrowings	120,000	90,000	120,000	90,000
Total liabilities	<u>1,478,842</u>	<u>1,463,099</u>	<u>1,476,942</u>	<u>1,463,099</u>
Commitments and contingencies (Note 5)				
Shareholders' equity:				
Common stock, no par value; 22,500,000 shares authorized; issued and outstanding – 5,895,595 shares at March 31, 2024 and 5,871,523 at December 31, 2023	28,492	28,033		
Common stock, no par value; 22,500,000 shares authorized; issued and outstanding – 5,895,900 shares at June 30, 2024 and 5,871,523 at December 31, 2023			28,656	28,033
Retained earnings	156,414	151,748	161,608	151,748
Accumulated other comprehensive loss, net	(23,415)	(32,464)	(25,109)	(32,464)
Total shareholders' equity	<u>161,491</u>	<u>147,317</u>	<u>165,155</u>	<u>147,317</u>
Total liabilities and shareholders' equity	<u>\$ 1,640,333</u>	<u>\$ 1,610,416</u>	<u>\$ 1,642,097</u>	<u>\$ 1,610,416</u>

See notes to unaudited condensed consolidated financial statements.

PLUMAS BANCORP AND SUBSIDIARY  
CONDENSED CONSOLIDATED STATEMENTS OF INCOME  
(Unaudited)  
(In thousands, except per share data)

	For the Three Months Ended		For the Three Months Ended		For the Six Months Ended	
	March 31,		June 30,		June 30,	
	2024	2023	2024	2023	2024	2023
Interest Income:						
Interest and fees on loans	\$ 14,592	\$ 12,694	\$ 15,412	\$ 13,393	\$ 30,005	\$ 26,087
Interest on investment securities	4,396	3,728	4,534	3,865	8,930	7,593
Other	1,038	1,365	1,214	965	2,252	2,330
Total interest income	20,026	17,787	21,160	18,223	41,187	36,010
Interest Expense:						
Interest on deposits	1,186	466	1,316	864	2,502	1,331
Interest on junior subordinated deferrable interest debentures	-	141	-	-	-	141
Interest on borrowings	1,367	13	1,431	113	2,798	141
Other	16	18	8	7	25	9
Total interest expense	2,569	638	2,755	984	5,325	1,622
Net interest income before provision for credit losses	17,457	17,149	18,405	17,239	35,862	34,388
Provision for Credit Losses	821	1,525	925	1,350	1,746	2,875
Net interest income after provision for credit losses	16,636	15,624	17,480	15,889	34,116	31,513
Non-Interest Income:						
Gain on sale of buildings	19,854	-	-	-	19,854	-
Interchange revenue	739	718	782	824	1,522	1,539
Service charges	715	617	743	694	1,458	1,313
Gain on sale of loans	-	230	-	-	-	-
Gain on termination of swaps	-	1,707	-	-	-	1,707
Loss on sale of investment securities	(19,826)	-	-	-	(19,826)	-
Net loss on sale of investment securities			-	-	(19,826)	-
Other	658	653	677	625	1,334	1,509
Total non-interest income	2,140	3,925	2,202	2,143	4,342	6,068
Non-Interest Expenses:						
Salaries and employee benefits	5,366	5,067	5,283	4,866	10,649	9,933
Occupancy and equipment	1,690	1,340	1,949	1,253	3,639	2,593
Other	3,341	2,817	3,164	2,979	6,505	5,797
Total non-interest expenses	10,397	9,224	10,396	9,098	20,793	18,323
Income before provision for income taxes	8,379	10,325	9,286	8,934	17,665	19,258
Provision for Income Taxes	2,125	2,699	2,500	2,274	4,625	4,973
Net income	\$ 6,254	\$ 7,626	\$ 6,786	\$ 6,660	\$ 13,040	\$ 14,285
Basic earnings per share	\$ 1.06	\$ 1.30	\$ 1.15	\$ 1.14	\$ 2.21	\$ 2.44
Diluted earnings per share	\$ 1.05	\$ 1.28	\$ 1.14	\$ 1.12	\$ 2.19	\$ 2.41

See notes to unaudited condensed consolidated financial statements.

PLUMAS BANCORP AND SUBSIDIARY  
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
(Unaudited)  
(In thousands)

	For the Three Months Ended	
	March 31,	
	2024	2023
Net income	\$ 6,254	\$ 7,626
Other comprehensive income:		
Change in net unrealized gain (loss) income on securities	(6,979 )	7,645
Change in unrealized gain on cash flow hedge	-	(295 )
Less: reclassification adjustments for net (gain) loss included in net income	19,826	(1,707 )
Net unrealized holding income	12,847	5,643
Related tax effect:		
Change in net unrealized (gain) loss on securities	2,063	(2,261 )
Change in unrealized gain on cash flow hedge	-	87
Reclassification of (loss) gain included in net income	(5,861 )	505
Income tax effect	(3,798 )	(1,669 )
Other comprehensive income	9,049	3,974
Total comprehensive income	\$ 15,303	\$ 11,600

	For the Three Months Ended		For the Six Months Ended	
	June 30,		June 30,	
	2024	2023	2024	2023
Net income	\$ 6,786	\$ 6,660	\$ 13,040	\$ 14,285
Other comprehensive (loss) income:				
Change in net unrealized loss on securities	(2,405 )	(7,936 )	(9,383 )	(291 )
Change in unrealized gain on cash flow hedge	-	-	-	(295 )
Less: reclassification adjustments for net loss (gain) included in net income	-	-	19,826	(1,707 )
Net unrealized holding (loss) gain	(2,405 )	(7,936 )	10,443	(2,293 )
Related tax effect:				
Change in net unrealized loss on securities	711	2,346	2,773	85
Change in unrealized gain on cash flow hedge	-	-	-	87
Reclassification of loss (gain) included in net income	-	-	(5,861 )	505
Income tax effect	711	2,346	(3,088 )	677
Other comprehensive (loss) income	(1,694 )	(5,590 )	7,355	(1,616 )
Total comprehensive income	\$ 5,092	\$ 1,070	\$ 20,395	\$ 12,669

See notes to unaudited condensed consolidated financial statements.

PLUMAS BANCORP AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY  
(in thousands, except shares)

	2023					2024				
	Common Stock		Retained	Accumulated Other Comprehensive Income (loss)	Total Shareholders'	Common Stock		Retained	Accumulated Other Comprehensive Loss	Total Shareholders'
	Shares	Amount	Earnings	(Net of Taxes)	Equity	Shares	Amount	Earnings	(Net of Taxes)	Equity
Balance, December 31, 2022	5,850,216	\$ 27,372	\$ 128,388	\$ (36,756)	\$ 119,004	5,850,216	\$ 27,372	\$ 128,388	\$ (36,756)	\$ 119,004
Cumulative change from adoption of ASU 2016-13			(554)		(554)			(554)		(554)
Net Income			7,626		7,626			14,285		14,285
Other comprehensive income				3,974	3,974					
Cash dividends on common stock			(1,463)		(1,463)					
Other comprehensive loss									(1,616)	(1,616)
Cash dividends on common stock (\$0.25 per share)								(2,928)		(2,928)
Exercise of stock options and tax effect	11,932	137			137	14,232	168			168
Stock-based compensation expense		99			99		199			199
Balance, March 31, 2023	5,862,148	\$ 27,608	\$ 133,997	\$ (32,782)	\$ 128,823					
Balance, June 30, 2023						5,864,448	\$ 27,739	\$ 139,191	\$ (38,372)	\$ 128,558
Balance, December 31, 2023	5,871,523	\$ 28,033	\$ 151,748	\$ (32,464)	\$ 147,317	5,871,523	\$ 28,033	\$ 151,748	\$ (32,464)	\$ 147,317
Net Income			6,254		6,254			13,040		13,040
Other comprehensive income				9,049	9,049				7,355	7,355
Cash dividends on common stock			(1,588)		(1,588)					
Cash dividends on common stock (\$0.27 per share)								(3,180)		(3,180)
Exercise of stock options and tax effect	24,072	359			359	24,377	367			367
Stock-based compensation expense		100			100		256			256
Balance, June 30, 2024						5,895,900	\$ 28,656	\$ 161,608	\$ (25,109)	\$ 165,155
	Common Stock		Retained	Accumulated Other Comprehensive Loss	Total Shareholders'	Common Stock		Retained	Accumulated Other Comprehensive Loss	Total Shareholders'
	Shares	Amount	Earnings	(Net of Taxes)	Equity	Shares	Amount	Earnings	(Net of Taxes)	Equity
Balance, March 31, 2023	5,862,148	\$ 27,608	\$ 133,997	\$ (32,782)	\$ 128,823					
Net Income			6,660		6,660					
Other comprehensive loss									(5,590)	(5,590)
Cash dividends on common stock (\$0.25 per share)								(1,466)		(1,466)

Exercise of stock options and tax effect						2,300	31				31
Stock-based compensation expense							100				100
Balance, June 30, 2023						<u>5,864,448</u>	<u>\$ 27,739</u>	<u>\$ 139,191</u>	<u>\$ (38,372)</u>	<u>\$</u>	<u>128,558</u>
Balance, March 31, 2024	<u>5,895,595</u>	<u>\$ 28,492</u>	<u>\$ 156,414</u>	<u>\$ (23,415)</u>	<u>\$ 161,491</u>	5,895,595	\$ 28,492	\$ 156,414	\$ (23,415)	\$	161,491
Net Income								6,786			6,786
Other comprehensive loss									(1,694)		(1,694)
Cash dividends on common stock (\$0.27 per share)								(1,592)			(1,592)
Exercise of stock options and tax effect						305	8				8
Stock-based compensation expense							156				156
Balance, June 30, 2024	<u>5,895,900</u>	<u>\$ 28,656</u>	<u>\$ 161,608</u>	<u>\$ (25,109)</u>	<u>\$ 165,155</u>						

See notes to unaudited condensed consolidated financial statements.

PLUMAS BANCORP AND SUBSIDIARY  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
(Unaudited)  
(In thousands)

	For the Three Months Ended		For the Six Months Ended	
	March 31,		June 30,	
	2024	2023	2024	2023
Cash Flows from Operating Activities:				
Net income	\$ 6,254	\$ 7,626	\$ 13,040	\$ 14,285
Adjustments to reconcile net income to net cash provided by operating activities:				
Provision for credit losses	821	1,525	1,746	2,875
Change in deferred loan origination costs/fees, net	(179)	(93)	(369)	(249)
Depreciation and amortization	448	386	719	778
Stock-based compensation expense	100	99	256	199
Loss on sale of investment securities	19,826	-	19,826	-
Amortization of investment security premiums	267	324	454	639
Accretion of investment security discounts	(264)	(201)	(574)	(393)
Loss on sale of other vehicles	15	-		
Loss (gain) on sale of other vehicles			31	(10)
Gain on sale of loans held for sale	-	(230)	(37)	(219)
Loans originated for sale	(251)	(736)	(636)	(1,361)
Proceeds from loan sales	-	4,627	757	5,338
Earnings on bank-owned life insurance	(96)	(104)	(200)	(204)
Gain on sale of buildings	(19,854)	-	(19,854)	-
Decrease in accrued interest receivable and other assets	1,151	1,445		
Increase in accrued interest payable and other liabilities	924	170		
(Increase) decrease in accrued interest receivable and other assets			(507)	804
(Decrease) increase in accrued interest payable and other liabilities			(414)	2,923
Net cash provided by operating activities	<u>9,162</u>	<u>14,838</u>	<u>14,238</u>	<u>25,405</u>

Cash Flows from Investing Activities:				
Proceeds from principal repayments from available-for-sale mortgage-backed securities	7,871	7,011		
Proceeds from sale of investments	114,838	-		
Proceeds from principal repayments from available-for-sale securities			16,676	15,514
Proceeds from sale of available-for-sale securities			114,838	-
Proceeds from matured and called available-for-sale securities	850	1,135	4,570	1,135
Purchases of available-for-sale securities	(88,805)	(40,338)	(101,298)	(41,403)
Purchase of FRB stock	(3)	(2)		
Purchase of Federal Home Loan Bank stock			-	(1,270)
Purchase of Federal Reserve Bank stock			(3)	(4)
Net increase in loans	(18,227)	(5,494)	(39,895)	(25,883)
Proceeds from the sale of OREO			362	-
Proceeds from sale of other vehicles	310	139	505	337
Proceeds from bank owned life insurance	-	327	-	322
Proceeds from the sale of buildings	25,690	-	25,690	-
Purchase of premises and equipment	(191)	(956)	(421)	(1,935)
Net cash provided by (used in) investing activities	42,333	(38,178)	21,024	(53,187)

Continued on next page.

PLUMAS BANCORP AND SUBSIDIARY  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
(Unaudited)  
(In thousands)  
(Continued)

	For the Three Months Ended		For the Six Months Ended	
	March 31,		June 30,	
	2024	2023	2024	2023
Cash Flows from Financing Activities:				
Net decrease in demand, interest bearing and savings deposits	\$ (32,990)	\$ (50,888)	\$ (35,207)	\$ (104,786)
Net decrease in time deposits	(977)	(176)		
Net decrease in securities sold under agreements to repurchase	(3,723)	(1,710)		
Net increase in time deposits			6,139	42,137
Net (decrease) increase in securities sold under agreements to repurchase			(9,184)	1,840
Cash dividends paid on common stock	(1,588)	(1,463)	(3,180)	(2,928)
Redemption of Trust Preferred Securities	-	(10,310)	-	(10,310)
Increase in other borrowings	30,000	10,000	30,000	10,000
Proceeds from exercise of stock options	359	137	367	168
Net cash used in by financing activities	(8,919)	(54,410)		
Net cash used in financing activities			(11,065)	(63,879)
Increase (decrease) in cash and cash equivalents	42,576	(77,750)	24,197	(91,661)
Cash and Cash Equivalents at Beginning of Year	85,655	183,426	85,655	183,426
Cash and Cash Equivalents at End of Period	\$ 128,231	\$ 105,676	\$ 109,852	\$ 91,765
Supplemental Disclosure of Cash Flow Information:				
Cash paid during the period for:				
Interest expense	\$ 2,569	\$ 632	\$ 3,465	\$ 1,292
Income taxes			\$ 5,135	\$ 26



Supplemental noncash disclosures								
Real estate and vehicles acquired through foreclosure	\$	220	\$	303				
Real estate and vehicles acquired through foreclosure/repossession				\$	431			
				\$	410			
Common stock retired in connection with the exercise of stock options	\$	39	\$	154	\$	39	\$	154
Lease liabilities arising from obtaining right-of-use assets	\$	22,588	\$	-	\$	22,588	\$	-

See notes to unaudited condensed consolidated financial statements.

PLUMAS BANCORP AND SUBSIDIARY  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(Unaudited)

## 1. THE BUSINESS OF PLUMAS BANCORP

During 2002, Plumas Bancorp (the "Company") was incorporated as a bank holding company for the purpose of acquiring Plumas Bank (the "Bank") in a one bank holding company reorganization. This corporate structure gives the Company and the Bank greater flexibility in terms of operation, expansion and diversification. The Company formed Plumas Statutory Trust I ("Trust I") for the sole purpose of issuing trust preferred securities on September 26, 2002. The Company formed Plumas Statutory Trust II ("Trust II") for the sole purpose of issuing trust preferred securities on September 28, 2005. In March 2023 the Trusts were dissolved. Plumas Bancorp's Principal Executive Office is located in Reno, Nevada.

The Bank operates thirteen branches in California, including branches in Alturas, Chester, Chico, Fall River Mills, Greenville, Kings Beach, Portola, Quincy, Redding, Susanville, Tahoe City, Truckee and Yuba City. The Bank's newest branch was opened in April 2023 and is located in Chico, California. The Bank's administrative headquarters are in Quincy, California. In December 2015 the Bank opened a branch in Reno, Nevada, its first branch outside of California, and in 2018 the Bank purchased a branch located in Carson City, Nevada. In addition, the Bank operates a lending office specializing in government-guaranteed lending in Auburn, California, and a commercial/agricultural lending office in Klamath Falls, Oregon. The Bank's primary source of revenue is generated from providing loans to customers who are predominately small and middle market businesses and individuals residing in the surrounding areas.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Consolidation and Basis of Presentation

The consolidated financial statements include the accounts of the Company and the consolidated accounts of its wholly-owned subsidiary, Plumas Bank. All significant intercompany balances and transactions have been eliminated.

The accounting and reporting policies of Plumas Bancorp and subsidiary conform with accounting principles generally accepted in the United States of America and prevailing practices within the banking industry. In the opinion of management, the unaudited condensed consolidated financial statements contain all adjustments (consisting of only normal recurring adjustments) necessary to present fairly the Company's financial position at **March 31, June 30, 2024** and the results of its operations and its cash flows for the three **and six-month periods**. Our condensed consolidated balance sheet at December 31, 2023 is derived from audited financial statements.

The unaudited condensed consolidated financial statements of the Company have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC") for interim reporting on Form 10-Q. Accordingly, certain disclosures normally presented in the notes to the annual consolidated financial statements prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") have been omitted. The Company believes that the disclosures are adequate to make the information not misleading. These interim financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's 2023 Annual Report to Shareholders on Form 10-K. The results of operations for the three **and six-month periods ended March 31, June 30, 2024**, may not necessarily be indicative of future operating results. In preparing such financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the balance sheet and revenues and expenses for the periods reported. Actual results could differ significantly from those estimates.

### Segment Information

Management has determined that since all of the banking products and services offered by the Company are available in each branch of the Bank, all branches are located within the same economic environment and management does not allocate resources based on the performance of different lending or transaction activities, it is appropriate to aggregate the Bank branches and report them as a single operating segment. No customer accounts for more than 10 percent of revenues for the Company or the Bank.

#### Reclassification

Some items in the prior year consolidated financial statements were reclassified to conform to the current presentation. Reclassifications had no effect on prior year net income or shareholders' equity.

### 3. INVESTMENT SECURITIES AVAILABLE FOR SALE

The amortized cost and estimated fair value of investment securities at **March 31, June 30, 2024** and December 31, 2023 consisted of the following, in thousands:

Available-for-Sale	March 31, 2024				June 30, 2024			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Debt securities:								
U.S. Treasury securities	\$ 6,988	\$ -	\$ (69)	\$ 6,919	\$ 3,995	\$ -	\$ (36)	\$ 3,959
U.S. Government-sponsored agencies collateralized by mortgage obligations - residential	244,574	292	(15,233)	229,633	242,153	92	(15,970)	226,275
U.S. Government-agencies collateralized by mortgage obligations - commercial	133,806	188	(10,916)	123,078	137,626	179	(11,518)	126,287
Obligations of states and political subdivisions	95,318	693	(8,196)	87,815	97,003	477	(8,869)	88,611
	<u>\$ 480,686</u>	<u>\$ 1,173</u>	<u>\$ (34,414)</u>	<u>\$ 447,445</u>	<u>\$ 480,777</u>	<u>\$ 748</u>	<u>\$ (36,393)</u>	<u>\$ 445,132</u>

Unrealized losses on available-for-sale investment securities totaling **\$33,240,000** **\$35,645,000** were recorded, net of **\$9,825,000** **\$10,536,000** in tax benefit, as accumulated other comprehensive loss within shareholders' equity at **March 31, June 30, 2024**. During the **three six** months ended **March 31, June 30, 2024**, the Company sold 155 available-for-sale investment securities for proceeds of \$114,838,000 recording a \$19,826,000 loss on sale. The Company realized a gain on sale from 9 of these securities totaling \$86,000 and a loss on sale of 146 securities totaling \$19,912,000.

Available-for-Sale	December 31, 2023			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Debt securities:				
U.S. Treasury securities	\$ 6,978	\$ -	\$ (98)	\$ 6,880
U.S. Government-sponsored agencies collateralized by mortgage obligations - residential	256,694	351	(21,114 )	235,931
U.S. Government-agencies collateralized by mortgage obligations - commercial	129,321	465	(13,834 )	115,952
Obligations of states and political subdivisions	142,276	1,067	(12,925 )	130,418
	<u>\$ 535,269</u>	<u>\$ 1,883</u>	<u>\$ (47,971 )</u>	<u>\$ 489,181</u>

Unrealized losses on available-for-sale investment securities totaling \$46,088,000 were recorded, net of \$13,624,000 in tax benefit, as accumulated other comprehensive **income loss** within shareholders' equity at December 31, 2023. No securities were sold during the **three six** months ended **March 31, June 30, 2023**.

There were no transfers of available-for-sale investment securities during the **three six** months ended **March 31, June 30, 2024** and twelve months ended December 31, 2023. There were no securities classified as held-to-maturity at **March 31, June 30, 2024** or December 31, 2023.

Investment securities with unrealized losses at **March 31, June 30, 2024** and December 31, 2023 are summarized and classified according to the duration of the loss period as follows, in thousands:

<b>March 31, 2024</b>		Less than 12 Months		12 Months or More		Total							
<b>June 30, 2024</b>								Less than 12 Months		12 Months or More		Total	
		Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Debt securities:													
U.S. Treasury securities		\$ -	\$ -	\$ 6,918	\$ 69	\$ 6,918	\$ 69	\$ -	\$ -	\$ 3,959	\$ 36	\$ 3,959	\$ 36
U.S. Government-sponsored agencies collateralized by mortgage obligations - residential		68,116	694	117,201	14,539	185,317	15,233	61,181	543	138,244	15,427	199,425	15,970
U.S. Government-agencies collateralized by mortgage obligations - commercial		33,867	457	62,382	10,459	96,249	10,916	31,852	432	69,240	11,086	101,092	11,518
Obligations of states and political subdivisions		7,875	71	48,873	8,125	56,748	8,196	15,298	113	49,404	8,756	64,702	8,869
		<u>\$ 109,858</u>	<u>\$ 1,222</u>	<u>\$ 235,374</u>	<u>\$ 33,192</u>	<u>\$ 345,232</u>	<u>\$ 34,414</u>	<u>\$ 108,331</u>	<u>\$ 1,088</u>	<u>\$ 260,847</u>	<u>\$ 35,305</u>	<u>\$ 369,178</u>	<u>\$ 36,393</u>

<b>December 31, 2023</b>		Less than 12 Months		12 Months or More		Total	
		Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Debt securities:							
U.S. Treasury securities		\$ -	\$ -	\$ 6,880	\$ 98	\$ 6,880	\$ 98
U.S. Government-sponsored agencies collateralized by mortgage obligations - residential		43,924	279	160,383	20,835	204,307	21,114
U.S. Government-agencies collateralized by mortgage obligations - commercial		16,533	295	71,782	13,539	88,315	13,834
Obligations of states and political subdivisions		9,306	151	82,764	12,774	92,070	12,925
		<u>\$ 69,763</u>	<u>\$ 725</u>	<u>\$ 321,809</u>	<u>\$ 47,246</u>	<u>\$ 391,572</u>	<u>\$ 47,971</u>

At **March 31, June 30, 2024**, the Company held **309,311** securities of which **43,48** were in a loss position for less than twelve months and **186,199** were in a loss position for twelve months or more. Of the **309,311** securities **2** are **1** is a U.S. Treasury securities, security, 90 are U.S. Government-sponsored agencies collateralized by residential mortgage obligations, **46,47** were U.S. Government agencies collateralized by commercial mortgage obligations and **171** were **173** were obligations of states and political subdivisions. The unrealized losses relate principally to market rate conditions. All of the securities continue to pay as scheduled. For **available-for sale** **available-for-sale** debt securities in an unrealized loss position, the Company first assesses whether it intends to sell, or it is more likely than not that it will be required to sell the security before recovery of its amortized costs basis. If either of the criteria regarding intent or requirement to sell is met, the security's amortized cost basis is written down to fair value through income. At **March 31, June 30, 2024**, neither of the criteria regarding intent or requirement to sell was met for any of the securities in an unrealized loss position.

Unrealized losses on investments in obligations of U.S. government agencies and U.S. government sponsored agencies are caused by interest rate increases. Because the decline in fair value is attributable to changes in interest rates and not credit quality, and because the Company does not intend to sell and more likely than not will not be required to sell, there is no allowance for credit losses recorded.

Obligations of states and political subdivisions: The unrealized losses on investments in obligations of states and political subdivisions were caused by increases in required yields by investors in these types of securities. Because the decline in fair value is attributable to changes in interest rates and not credit quality, and because the Company does not intend to sell and more likely than not will not be required to sell, there is no allowance for credit losses recorded.

The amortized cost and estimated fair value of investment in debt securities at March 31, June 30, 2024 by contractual maturity are shown below, in thousands.

	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
Within one year	\$ 7,943	\$ 7,866	\$ 4,830	\$ 4,789
After one year through five years	5,493	5,399	5,638	5,508
After five years through ten years	14,418	14,299	17,439	17,034
After ten years	74,452	67,170	73,091	65,239
Investment securities not due at a single maturity date:				
Government- agencies commercial mortgage-backed securities	133,806	123,078	137,626	126,287
Government-sponsored agencies residential mortgage-backed securities	244,574	229,633	242,153	226,275
	<u>\$ 480,686</u>	<u>\$ 447,445</u>	<u>\$ 480,777</u>	<u>\$ 445,132</u>

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

Investment securities with amortized costs totaling \$288,168,000 \$309,339,000 and \$316,733,000 and estimated fair values totaling \$268,944,000 \$288,801,000 and \$285,534,000 at March 31, June 30, 2024 and December 31, 2023, respectively, were pledged to secure deposits, repurchase agreements and Federal Reserve Bank borrowings.

#### 4. LOANS AND THE ALLOWANCE FOR CREDIT LOSSES

Outstanding loans are summarized below, in thousands:

	March 31, 2024	December 31, 2023	June 30, 2024	December 31, 2023
Commercial	\$ 82,136	\$ 74,271	\$ 81,170	\$ 74,271
Agricultural	123,239	129,389	123,661	129,389
Real estate – residential	11,872	11,914	11,755	11,914
Real estate – commercial	562,870	544,339	588,332	544,339
Real estate – construction and land development	64,547	57,717	67,960	57,717
Equity lines of credit (Equity LOC)	37,196	37,871	38,446	37,871
Auto	89,399	98,132	80,751	98,132
Other	4,953	4,931	5,259	4,931
Total loans	<u>976,212</u>	<u>958,564</u>	<u>997,334</u>	<u>958,564</u>
Deferred loan costs, net	<u>3,086</u>	<u>2,907</u>	<u>3,265</u>	<u>2,907</u>
Loans, amortized cost basis	<u>979,298</u>	<u>961,471</u>	<u>1,000,599</u>	<u>961,471</u>
Allowance for credit losses	<u>(13,157)</u>	<u>(12,867)</u>	<u>(14,082)</u>	<u>(12,867)</u>
Total net loans	<u>\$ 966,141</u>	<u>\$ 948,604</u>	<u>\$ 986,517</u>	<u>\$ 948,604</u>

Changes in the allowance for credit losses, in thousands, were as follows:

	March 31, 2024	December 31, 2023

Balance, beginning of period	\$	12,867	\$	10,717
Cumulative change from adoption of ASU 2016-13		-		529
Provision charged to operations - loans		900		2,575
Charge-offs		(680 )		(1,802 )
Recoveries		70		848
Balance, end of period	\$	13,157	\$	12,867

10

Salaries and employee benefits totaling \$700,000 \$763,000 and \$562,000 \$509,000 have been deferred as loan origination costs during the three months ended March 31, June 30, 2024 and 2023, respectively. Salaries and employee benefits totaling \$1,463,000 and \$1,071,000 have been deferred as loan origination costs during the six months ended June 30, 2024 and 2023, respectively.

The Company assigns a risk rating to all loans and periodically, but not less than annually, performs detailed reviews of all criticized and classified loans over \$100,000 to identify credit risks and to assess the overall collectability of the portfolio. These risk ratings are also subject to examination by independent specialists engaged by the Company and the Company's regulators. During these internal reviews, management monitors and analyzes the financial condition of borrowers and guarantors, trends in the industries in which borrowers operate and the fair values of collateral securing these loans. These credit quality indicators are used to assign a risk rating to each individual loan.

The risk ratings can be grouped into three major categories, defined as follows:

**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** – A substandard loan is not adequately protected by the current sound worth and paying capacity of the borrower or the value of the collateral pledged, if any. Loans classified as substandard have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. Well defined weaknesses include a project's lack of marketability, inadequate cash flow or collateral support, failure to complete construction on time or the project's failure to fulfill economic expectations. They are characterized by the distinct possibility that the Company will sustain some loss if the deficiencies are not corrected.

**Doubtful** – Loans classified 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 known facts, conditions, and values, highly questionable and improbable.

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

For other loans, which are primarily consumer loans and automobile loans the Company evaluates credit quality based on the aging status of the loan and by payment activity. Non-performing loans consist of nonaccrual loans and loans past due 90 days or more and still accruing.

#### Other Real Estate Owned

Other real estate owned relates to real estate acquired in full or partial settlement of loan obligations. At June 30, 2024 other real estate owned totaled \$141,000, consisting of one single family residential real estate (SFR) property. At December 31, 2023 other real estate owned totaled \$357,000 also consisting of one SFR property. There was one consumer mortgage loan with a balance of \$110,000 secured by a SFR property for which formal foreclosure proceedings were in process at June 30, 2024 and one consumer mortgage loan with a balance of \$122,000 secured by a SFR property for which formal foreclosure proceedings were in process at December 31, 2023.

11 10

The following table shows presents the amortized cost basis of the loan portfolio allocated by management's internal risk ratings or payment activity at the dates indicated, in thousands:

Amortized Cost Basis by Origination Year and Risk Grades - As of	Amortized Cost Basis by Origination Year and Risk Grades - As of
March 31, 2024	June 30, 2024

(in thousands)																		
	2024	2023	2022	2021	2020	Prior	Revolving Loans Book Amortized Cost Basis	Revolving Loans Converted to Term Amortized Cost Basis	Total - Amortized Cost Basis	2024	2023	2022	2021	2020	Prior	Revolving Loans Book Amortized Cost Basis		
Commercial																		
Pass	\$ 7,017	\$ 16,166	\$ 18,484	\$ 11,085	\$ 3,003	\$ 8,990	\$ 15,678	\$ -	\$ 80,423	\$ 10,282	\$ 14,859	\$ 18,328	\$ 10,456	\$ 2,474	\$ 8,389	14,877		
Special Mention	-	-	-	295	-	65	252	-	612	84	-	-	288	150	42	53		
Substandard	-	-	1,120	288	328	53	22	-	1,811	-	-	1,016	242	322	36	22		
Total Commercial loans	\$ 7,017	\$ 16,166	\$ 19,604	\$ 11,668	\$ 3,331	\$ 9,108	\$ 15,952	\$ -	\$ 82,846	\$ 10,366	\$ 14,859	\$ 19,344	\$ 10,986	\$ 2,946	\$ 8,467	\$ 14,952		
Current period gross charge-offs	\$ -		\$ 43						\$ 43	\$ -	\$ -	\$ 43	\$ -	\$ -	\$ 22	\$ -		
Agricultural																		
Pass	\$ 2,169	\$ 10,104	\$ 16,712	\$ 12,909	\$ 14,907	\$ 30,165	\$ 14,410	\$ -	\$ 101,376	\$ 5,687	\$ 9,607	\$ 16,278	\$ 12,747	\$ 14,562	\$ 29,520	\$ 15,839		
Special Mention	1,157	1,525	755	95	1,329	1,726	423	-	7,010	1,591	182	755	95	1,324	1,688	583		
Substandard	-	4,226	6,837	3,075	-	999	-	-	15,137	-	4,028	4,970	3,072	-	1,418	-		
Total Agricultural	\$ 3,326	\$ 15,855	\$ 24,304	\$ 16,079	\$ 16,236	\$ 32,890	\$ 14,833	\$ -	\$ 123,523	\$ 7,278	\$ 13,817	\$ 22,003	\$ 15,914	\$ 15,886	\$ 32,626	\$ 16,422		
Current period gross charge-offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		
Real Estate Residential																		
Pass	\$ -	\$ 1,121	\$ -	\$ 2,125	\$ 2,426	\$ 5,137	\$ 252	\$ -	\$ 11,061	\$ 386	\$ 1,116	\$ -	\$ 2,104	\$ 2,404	\$ 5,063	\$ 442		
Special Mention	-	-	-	-	-	-	-	-	-									
Substandard	-	-	-	-	-	839	-	-	839	-	-	-	-	-	269	-		
Total Real Estate Residential	\$ -	\$ 1,121	\$ -	\$ 2,125	\$ 2,426	\$ 5,976	\$ 252	\$ -	\$ 11,900	\$ 386	\$ 1,116	\$ -	\$ 2,104	\$ 2,404	\$ 5,332	\$ 442		
Current period gross charge-offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		
Real Estate Commercial																		
Pass	\$ 19,724	\$ 78,747	\$ 120,241	\$ 83,976	\$ 76,403	\$ 167,887	\$ 10,247	\$ -	\$ 557,225	\$ 49,392	\$ 76,135	\$ 126,619	\$ 83,738	\$ 75,846	\$ 165,460	\$ 6,931		
Special Mention	-	-	-	-	94	2,843	-	-	2,937	-	-	-	-	-	2,828	-		
Substandard	-	-	11	-	270	2,652	-	-	2,933	-	-	11	-	331	1,523	-		
Total Real Estate Commercial	\$ 19,724	\$ 78,747	\$ 120,252	\$ 83,976	\$ 76,767	\$ 173,382	\$ 10,247	\$ -	\$ 563,095	\$ 49,392	\$ 76,135	\$ 126,630	\$ 83,738	\$ 76,177	\$ 169,811	\$ 6,931		
Current period gross charge-offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		
Real Estate Construction																		
Pass	\$ 1,478	\$ 25,813	\$ 29,567	\$ 3,681	\$ 976	\$ 882	\$ 1,764	\$ -	\$ 64,161	\$ 10,137	\$ 28,743	\$ 20,920	\$ 4,071	\$ 967	\$ 868	\$ 1,788		
Special Mention	-	-	-	-	-	-	-	-	-									
Substandard	-	-	-	-	-	-	-	-	-	114	-	-	-	-	-	-		
Total Real Estate Construction	\$ 1,478	\$ 25,813	\$ 29,567	\$ 3,681	\$ 976	\$ 882	\$ 1,764	\$ -	\$ 64,161	\$ 10,251	\$ 28,743	\$ 20,920	\$ 4,071	\$ 967	\$ 868	\$ 1,788		
Current period gross charge-offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		
Equity LOC																		

Pass	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 34,452	\$ 2,943	\$ 37,395	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 35,758
Substandard	-	-	-	-	-	-	339	307	646	-	-	-	-	-	-	-	330
Total Equity LOC	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 34,791	\$ 3,250	\$ 38,041	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 36,088
Current period gross charge-offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total																	
Pass	\$30,388	\$131,951	\$185,004	\$113,776	\$97,715	\$213,061	\$76,803	\$2,943	\$851,641	\$75,884	\$130,460	\$182,145	\$113,116	\$96,253	\$209,300	\$75,635	
Special Mention	1,157	1,525	755	390	1,423	4,634	675	-	10,559	1,675	182	755	383	1,474	4,558	636	
Substandard	-	4,226	7,968	3,363	598	4,543	361	307	21,366	114	4,028	5,997	3,314	653	3,246	352	
Total	\$31,545	\$137,702	\$193,727	\$117,529	\$99,736	\$222,238	\$77,839	\$3,250	\$883,566	\$77,673	\$134,670	\$188,897	\$116,813	\$98,380	\$217,104	\$76,623	
Current period gross charge-offs	\$ -	\$ -	\$ 43	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 43	\$ -	\$ -	\$ 43	\$ -	\$ -	\$ 22	\$ -	
Auto																	
Performing	\$ -	\$ 29,872	\$ 29,531	\$ 14,772	\$ 7,595	\$ 8,182	\$ -	\$ -	\$ 89,952	\$ -	\$ 27,576	\$ 27,047	\$ 13,237	\$ 6,536	\$ 6,660	\$ -	
Non-performing	-	101	103	191	199	191	-	-	785	-	140	166	178	179	191	-	
Total Auto	\$ -	\$ 29,973	\$ 29,634	\$ 14,963	\$ 7,794	\$ 8,373	\$ -	\$ -	\$ 90,737	\$ -	\$ 27,716	\$ 27,213	\$ 13,415	\$ 6,715	\$ 6,851	\$ -	
Current period gross charge-offs	\$ -	\$ 127	\$ 264	\$ 46	\$ 65	\$ 131	\$ -	\$ -	\$ 633	\$ -	\$ 174	\$ 358	\$ 95	\$ 96	\$ 173	\$ -	
Other																	
Performing	\$ 876	\$ 1,875	\$ 1,227	\$ 637	\$ 178	\$ 55	\$ 144	\$ -	\$ 4,992	\$ 1,639	\$ 1,714	\$ 1,074	\$ 538	\$ 143	\$ 29	\$ 159	
Non-performing	-	-	3	-	-	-	-	-	3	-	-	7	-	-	-	-	
Total Other	\$ 876	\$ 1,875	\$ 1,230	\$ 637	\$ 178	\$ 55	\$ 144	\$ -	\$ 4,995	\$ 1,639	\$ 1,714	\$ 1,081	\$ 538	\$ 143	\$ 29	\$ 159	
Current period gross charge-offs	\$ -	\$ 2	\$ 1	\$ -	\$ -	\$ 1	\$ -	\$ -	\$ 4	\$ -	\$ 4	\$ 5	\$ 31	\$ -	\$ 9	\$ -	
Total																	
Performing	\$ 876	\$ 31,747	\$ 30,758	\$ 15,409	\$ 7,773	\$ 8,237	\$ 144	\$ -	\$ 94,944	\$ 1,639	\$ 29,290	\$ 28,121	\$ 13,775	\$ 6,679	\$ 6,689	\$ 159	
Non-performing	-	101	106	191	199	191	-	-	788	-	140	173	178	179	191	-	
Total	\$ 876	\$ 31,848	\$ 30,864	\$ 15,600	\$ 7,972	\$ 8,428	\$ 144	\$ -	\$ 95,732	\$ 1,639	\$ 29,430	\$ 28,294	\$ 13,953	\$ 6,858	\$ 6,880	\$ 159	
Total Loans	\$32,421	\$169,550	\$224,591	\$133,129	\$107,708	\$230,666	\$77,983	\$3,250	\$979,298	\$79,312	\$164,100	\$217,191	\$130,766	\$105,238	\$223,984	\$76,782	
Total gross charge-offs	\$ -	\$ 129	\$ 308	\$ 46	\$ 65	\$ 132	\$ -	\$ -	\$ 680	\$ -	\$ 178	\$ 406	\$ 126	\$ 96	\$ 204	\$ -	

1211

	Term Loans										Term Loans									
	Amortized Cost Basis by Origination Year and Risk Grades - As of										Amortized Cost Basis by Origination Year and Risk Grades - As of									
	December 31, 2023										December 31, 2023									
(in thousands)	2023	2022	2021	2020	2019	Prior	Revolving Loans Book Balance Basis	Revolving loans converted to term Book Balance Basis	Total		2023	2022	2021	2020	2019	Prior	Revolving Loans Book Balance Basis	Revolving loans converted to term Book Balance Basis	Total	
Commercial																				
Pass	\$ 15,549	\$ 18,995	\$ 11,603	\$ 3,472	\$ 4,291	\$ 5,165	\$ 13,079	\$ -	\$ 72,154		\$ 15,549	\$ 18,995	\$ 11,603	\$ 3,472	\$ 4,291	\$ 5,165	\$ 13,079	\$ -	\$ 72,154	
Special Mention	-	-	302	-	31	68	170	-	571		-	-	302	-	31	68	170	-	571	
Substandard	-	1,532	289	340	-	24	23	-	2,208		-	1,532	289	340	-	24	23	-	2,208	
Total Commercial loans	\$ 15,549	\$ 20,527	\$ 12,194	\$ 3,812	\$ 4,322	\$ 5,257	\$ 13,272	\$ -	\$ 74,933		\$ 15,549	\$ 20,527	\$ 12,194	\$ 3,812	\$ 4,322	\$ 5,257	\$ 13,272	\$ -	\$ 74,933	

Current period gross charge-offs	\$ -	\$ 34	\$ 40	\$ 14	\$ -	\$ 10	\$ 25	\$ -	\$ 123	\$ -	\$ 34	\$ 40	\$ 14	\$ -	\$ 10	\$ 25	\$
Agricultural																	
Pass	\$ 12,028	\$ 17,382	\$ 13,182	\$ 15,550	\$ 11,495	\$ 20,704	\$ 18,925	\$ -	\$ 109,266	\$ 12,028	\$ 17,382	\$ 13,182	\$ 15,550	\$ 11,495	\$ 20,704	\$ 18,925	\$
Special Mention	1,852	813	97	1,017	16	817	621	-	5,233	1,852	813	97	1,017	16	817	621	
Substandard	6,226	6,878	1,075	-	752	248	-	-	15,179	6,226	6,878	1,075	-	752	248	-	
Total Agricultural	\$ 20,106	\$ 25,073	\$ 14,354	\$ 16,567	\$ 12,263	\$ 21,769	\$ 19,546	\$ -	\$ 129,678	\$ 20,106	\$ 25,073	\$ 14,354	\$ 16,567	\$ 12,263	\$ 21,769	\$ 19,546	\$
Current period gross charge-offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$
Real Estate - Residential																	
Pass	\$ 1,127	\$ -	\$ 2,143	\$ 2,447	\$ 524	\$ 4,676	\$ 201	-	\$ 11,118	\$ 1,127	\$ -	\$ 2,143	\$ 2,447	\$ 524	\$ 4,676	\$ 201	
Substandard	-	-	-	-	59	765	-	-	824	-	-	-	-	59	765	-	
Total Real Estate - Residential	\$ 1,127	\$ -	\$ 2,143	\$ 2,447	\$ 583	\$ 5,441	\$ 201	-	\$ 11,942	\$ 1,127	\$ -	\$ 2,143	\$ 2,447	\$ 583	\$ 5,441	\$ 201	
Current period gross charge-offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$
Real Estate - Commercial																	
Pass	\$ 74,595	\$ 115,890	\$ 90,436	\$ 76,401	\$ 40,256	\$ 133,958	\$ 6,246	-	\$ 537,782	\$ 74,595	\$ 115,890	\$ 90,436	\$ 76,401	\$ 40,256	\$ 133,958	\$ 6,246	
Special Mention	-	-	-	199	-	3,316	-	-	3,515	-	-	-	199	-	3,316	-	
Substandard	-	12	-	281	353	2,271	-	-	2,917	-	12	-	281	353	2,271	-	
Total Real Estate -Commercial	\$ 74,595	\$ 115,902	\$ 90,436	\$ 76,881	\$ 40,609	\$ 139,545	\$ 6,246	-	\$ 544,214	\$ 74,595	\$ 115,902	\$ 90,436	\$ 76,881	\$ 40,609	\$ 139,545	\$ 6,246	
Current period gross charge-offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$
Real Estate - Construction																	
Pass	\$ 18,878	\$ 30,825	\$ 3,717	\$ 1,672	\$ 619	\$ 281	\$ 1,368	\$ -	\$ 57,360	\$ 18,878	\$ 30,825	\$ 3,717	\$ 1,672	\$ 619	\$ 281	\$ 1,368	\$
Total Real Estate -Construction	\$ 18,878	\$ 30,825	\$ 3,717	\$ 1,672	\$ 619	\$ 281	\$ 1,368	\$ -	\$ 57,360	\$ 18,878	\$ 30,825	\$ 3,717	\$ 1,672	\$ 619	\$ 281	\$ 1,368	\$
Current period gross charge-offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$
Equity LOC																	
Pass	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 35,122	\$ 3,018	\$ 38,140	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 35,122	\$ 3,018
Substandard	-	-	-	-	-	-	319	254	573	-	-	-	-	-	-	319	254
Total Equity LOC	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 35,441	\$ 3,272	\$ 38,713	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 35,441	\$ 3,272
Current period gross charge-offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$
Total																	
Pass	\$ 122,177	\$ 183,092	\$ 121,081	\$ 99,542	\$ 57,185	\$ 164,784	\$ 74,941	\$ 3,018	\$ 825,820	\$ 122,177	\$ 183,092	\$ 121,081	\$ 99,542	\$ 57,185	\$ 164,784	\$ 74,941	\$ 3,018
Special Mention	1,852	813	399	1,216	47	4,201	791	-	9,319	1,852	813	399	1,216	47	4,201	791	
Substandard	6,226	8,422	1,364	621	1,164	3,308	342	254	21,701	6,226	8,422	1,364	621	1,164	3,308	342	254
Total	\$ 130,255	\$ 192,327	\$ 122,844	\$ 101,379	\$ 58,396	\$ 172,293	\$ 76,074	\$ 3,272	\$ 856,840	\$ 130,255	\$ 192,327	\$ 122,844	\$ 101,379	\$ 58,396	\$ 172,293	\$ 76,074	\$ 3,272
Current period gross charge-offs	\$ -	\$ 34	\$ 40	\$ 14	\$ -	\$ 10	\$ 25	\$ -	\$ 123	\$ -	\$ 34	\$ 40	\$ 14	\$ -	\$ 10	\$ 25	\$



13 12

(in thousands)	Non Performing Loans							Non Performing Loans						
	March 31, 2024			December 31, 2023				June 30, 2024			December 31, 2023			
	Nonaccrual with no allowance for credit losses		Past due 90 days or more and still accruing	Nonaccrual with no allowance for credit losses		Past due 90 days or more and still accruing		Nonaccrual with no allowance for credit losses		Past due 90 days or more and still accruing	Nonaccrual with no allowance for credit losses		Past due 90 days or more and still accruing	
	Total nonaccrual			Total nonaccrual				Total nonaccrual			Total nonaccrual			
Commercial	\$ 67	\$ 124	\$ -	\$ 75	\$ 132	\$ -	\$	\$ 64	\$ 118	\$ -	\$ 75	\$ 132	\$ -	
Agricultural	2,066	2,066	-	2,066	2,066	-		-	-	6,152	2,066	2,066	-	
Real estate residential	662	662	-	223	223	-		95	95	-	223	223	-	
Real estate commercial	1,324	1,324	-	774	774	-		846	846	274	774	774	-	
Real estate construction & land development	-	-	-	-	-	-		-	-	-	-	-	-	
Equity lines of credit	646	646	-	572	572	-		628	628	-	572	572	-	
Auto	785	785	-	1,049	1,049	-		854	854	-	1,049	1,049	-	
Other	3	3	-	4	4	-		7	7	-	4	4	-	

Total Gross Loans	\$	5,553	\$	5,610	\$	-	\$	4,763	\$	4,820	\$	-	\$	2,494	\$	2,548	\$	6,426	\$	4,763	\$	4,820	\$	-
-------------------	----	-------	----	-------	----	---	----	-------	----	-------	----	---	----	-------	----	-------	----	-------	----	-------	----	-------	----	---

The Company places loans 90 days or more past due on nonaccrual status unless the loan is well secured and in the process of collection. A loan is considered to be in the process of collection if, based on a probable specific event, it is expected that the loan will be repaid or brought current. Generally, this collection period would not exceed 90 days. When a loan is placed on nonaccrual status the Company's general policy is to reverse and charge against current income previously accrued but unpaid interest. Interest income on such loans is subsequently recognized only to the extent that cash is received, and future collection of principal is deemed by management to be probable. Where the collectability of the principal or interest on a loan is considered to be doubtful by management, it is placed on nonaccrual status prior to becoming 90 days delinquent.

The following tables shows show interest reversed against interest income for loans placed on nonaccrual status during the three and six months ended March 31, 2024, June 30, 2024 and 2023.

#### Three months ended March 31, 2024

##### Three months ended:

(in thousands)	Interest Reversed	June 30, 2024	June 30, 2023
Commercial	\$	4	
Real estate – residential		9	
Real estate – commercial		14	\$ - \$ 19
Equity Lines of Credit		10	- 1
Auto		2	7 9
Total	\$	39	\$ 7 \$ 29

##### Six months ended:

(in thousands)	June 30, 2024	June 30, 2023
Commercial	\$ 4	\$ 2
Agricultural	-	41
Real estate – residential	9	-
Real estate – commercial	14	19
Equity Lines of Credit	10	5
Auto	9	20
Total	\$ 46	\$ 87

On March 31, June 30, 2024, and there was one commercial nonaccrual loan with an amortized cost of \$54,000 that had an allowance for credit losses totaling \$27,000. On December 31, 2023, there was one commercial nonaccrual loan with an amortized cost of \$57,000 that had an allowance for credit losses totaling \$28,000. No income was recognized on nonaccrual loans accounted on a cash basis during the three six months ended March 31, June 30, 2024 or the year ended and December 31, 2023.

The following table presents the amortized cost basis of loans for the at three June 30, 2024, months ended March 31, 2024, that were both experiencing financial difficulty and modified during the three six months ended March June 30, 2024, 31, 2024, by class and by type of modification. The percentage of the amortized cost basis of loans that were modified to borrowers in financial distress as compared to the amortized cost basis of each class of financial receivable is also presented below. There were no loans modified during the three months ended June 30, 2024 to borrowers experiencing financial difficulty.

(in thousands)	Term Extension		Term Extension	
	Amortized Cost Basis	Total Class of Financing Receivable	Amortized Cost Basis	Total Class of Financing Receivable
Commercial	36	0.04 %	34	0.04 %

The following table presents the financial effect of the loan modifications presented above to borrowers experiencing financial difficulty at **March 31, June 30, 2024**:

	Weighted-Average Term Extension (in months)
Commercial	6.0

The following table presents the amortized cost basis of loans **for the year ended at December 31, June 30, 2023**, that were both experiencing financial difficulty and modified during the **twelve three and six months ended December 31, June 30, 2023**, by class and by type of modification. The percentage of the amortized cost basis of loans that were modified to borrowers in financial distress as compared to the amortized cost basis of each class of financial receivable is also presented below.

	Term Extension		Term Extension	
	Amortized Cost Basis	Total Class of Financing Receivable	Amortized Cost Basis	Total Class of Financing Receivable
Commercial	1,489	1.92 %	1,499	1.98 %
Agricultural	4,367	3.32 %	5,246	4.12 %
Total	<u>\$ 5,856</u>	<u>0.62 %</u>	<u>\$ 6,745</u>	<u>0.72 %</u>

(in thousands)

14

The following table presents the financial effect of the loan modifications presented above to borrowers experiencing financial difficulty as of **December 31, June 30, 2023**:

	Weighted-Average Term Extension (in months)
Commercial	6.0
Agricultural	10.0
Total	9.1

Loans with payment defaults by borrowers experiencing financial difficulty during the **quartersix months ended March 31, June 30, 2024**, which had material modifications in rate, term or principal forgiveness during the twelve months prior to default totaled **\$2.9 million \$6.2 million** in agricultural loans.

The following tables show the allocation of the allowance for credit losses at the dates indicated, in thousands:

<b>Three Months Ended March 31, 2024:</b>	Commercial	Agricultural	Real Estate- Residential	Real Estate- Commercial	Real Estate- Construction	Equity LOC	Auto	Other	Total
<b>Six Months Ended June 30, 2024:</b>	Commercial	Agricultural	Real Estate- Residential	Real Estate- Commercial	Real Estate- Construction	Equity LOC	Auto	Other	Total
<b>Allowance for credit losses</b>									
Beginning balance	\$ 1,134	\$ 1,738	\$ 137	\$ 6,678					
Charge- offs	(65)	-	-	-					
Recoveries	15	-	2	-					

Provision											342	42	(18)	903	
Ending balance											\$ 1,426	\$ 1,780	\$ 121	\$ 7,581	\$
Three Months Ended June 30, 2024:															
Allowance for credit losses															
Beginning balance	\$ 1,134	\$ 1,738	\$ 137	\$ 6,678	\$ 797	\$ 439	\$ 1,865	\$ 79	\$ 12,867	\$ 1,311	\$ 1,652	\$ 134	\$ 6,917	\$	
Charge-offs	(43)	-	-	-	-	-	(633)	(4)	(680)	(22)	-	-	-		
Recoveries	9	-	1	-	-	-	57	3	70	6	-	1	-		
Provision	211	(86)	(4)	239	121	(2)	411	10	900	131	128	(14)	664		
Ending balance	\$ 1,311	\$ 1,652	\$ 134	\$ 6,917	\$ 918	\$ 437	\$ 1,700	\$ 88	\$ 13,157	\$ 1,426	\$ 1,780	\$ 121	\$ 7,581	\$	
Three Months Ended March 31, 2023:															
Six Months Ended June 30, 2023:															
Allowance for credit losses															
Beginning balance	\$ 892	\$ 1,086	\$ 138	\$ 4,980	\$ 1,500	\$ 687	\$ 1,289	\$ 145	\$ 10,717	\$ 892	\$ 1,086	\$ 138	\$ 4,980	\$	
Impact of CECL Adoption	354	148	2	1,488	(951)	(421)	9	(100)	529	354	148	2	1,488		
Charge-offs	-	-	-	-	-	-	(293)	(15)	(308)	(49)	-	-	-		
Recoveries	6	-	1	1	-	-	131	3	142	12	-	2	1		
Provision	223	73	21	271	214	64	368	16	1,250	338	244	27	393		
Ending balance	\$ 1,475	\$ 1,307	\$ 162	\$ 6,740	\$ 763	\$ 330	\$ 1,504	\$ 49	\$ 12,330	\$ 1,547	\$ 1,478	\$ 169	\$ 6,862	\$	
Three Months Ended June 30, 2023:															
Allowance for credit losses															
Beginning balance											\$ 1,475	\$ 1,307	\$ 162	\$ 6,740	\$

Charge-offs	(49)	-	-	-
Recoveries	6	-	1	
Provision	115	171	6	122
Ending balance	\$ 1,547	\$ 1,478	\$ 169	\$ 6,862

14

The following tables summarizes the activity in the reserve for unfunded commitments which is recorded on the balance sheet within other liabilities for the three and six months ended June 30, 2024, and 2023.

**Three months ended:**

(in thousands)	June 30, 2024	June 30, 2023
Beginning balance	\$ 720	\$ 874
Provision	-	50
Ending balance	\$ 720	\$ 924

**Six months ended:**

(in thousands)	June 30, 2024	June 30, 2023
Beginning balance	\$ 799	\$ 341
Impact of CECL Adoption	-	258
Provision (benefit)	(79 )	325
Total	\$ 720	\$ 924

The following tables show an aging analysis of the loan portfolio by the time past due, in thousands:

	Total							Total						
	March 31, 2024							June 30, 2024						
	90 Days							90 Days						
	Past Due							Past Due						
	30-59 Days	60-89 Days	and Still	and				30-59 Days	60-89 Days	and Still	and			
	Past Due	Past Due	Accruing	Nonaccrual	Nonaccrual	Current	Total	Past Due	Past Due	Accruing	Nonaccrual	Nonaccrual	Current	Total
Commercial	\$ 385	\$ 175	\$ -	\$ 124	\$ 684	\$ 82,162	\$ 82,846	\$ 1,627	\$ 875	\$ -	\$ 118	\$ 2,620	\$ 79,300	\$ 81,92
Agricultural	22	4,977	-	2,066	7,065	116,458	123,523	957	567	6,152	-	7,676	116,270	123,94
Real estate – residential	-	157	-	662	819	11,081	11,900	175	-	-	95	270	11,514	11,78
Real estate – commercial	1,316	-	-	1,324	2,640	560,455	563,095	4,759	1,059	274	846	6,938	581,876	588,81
Real estate – construction & land	-	624	-	-	624	63,537	64,161	2,133	1,788	-	-	3,921	63,687	67,60
Equity Lines of Credit	155	-	-	646	801	37,240	38,041	175	-	-	628	803	38,511	39,31
Auto	1,485	332	-	785	2,602	88,135	90,737	1,475	547	-	854	2,876	79,034	81,91
Other	10	42	-	3	55	4,940	4,995	58	13	-	7	78	5,225	5,30

Total	\$ 3,373	\$ 6,307	\$ -	\$ 5,610	\$ 15,290	\$ 964,008	\$ 979,298	\$ 11,359	\$ 4,849	\$ 6,426	\$ 2,548	\$ 25,182	\$ 975,417	\$ 1,000,59
-------	----------	----------	------	----------	-----------	------------	------------	-----------	----------	----------	----------	-----------	------------	-------------

					Total			
	December 31, 2023				Total			
	30-89 Days Past Due	60-89 Days Past Due	90 Days and Still Accruing	Nonaccrual	Past Due and Nonaccrual	Current	Total	
Commercial	\$ 21	\$ 254	\$ -	\$ 132	\$ 407	\$ 74,526	\$ 74,933	
Agricultural	82	-	-	2,066	2,148	127,530	129,678	
Real estate – residential	348	423	-	223	994	10,948	11,942	
Real estate - commercial	587	-	-	774	1,361	542,853	544,214	
Real estate - construction & land	-	-	-	-	-	57,360	57,360	
Equity Lines of Credit	473	53	-	572	1,098	37,615	38,713	
Auto	1,729	405	-	1,049	3,183	96,477	99,660	
Other	19	3	-	4	26	4,945	4,971	
Total	\$ 3,259	\$ 1,138	\$ -	\$ 4,820	\$ 9,217	\$ 952,254	\$ 961,471	

15

The following tables present the amortized cost basis of collateral dependent loans by class of loans at March 31, June 30, 2024, in thousands:

	Commercial								Total
	Equipment	Crops	-1st Deed	SFR-1st Deed	SFR-2nd Deed	SFR-3rd Deed	Auto New	Auto Used	
Commercial	\$ 102	\$ -	\$ -	\$ -	\$ -		\$ -	\$ -	\$ 102
Agricultural	-	2,066		-	-		-	-	2,066
Real estate – residential	-	-		662	-		-	-	662
Real estate – commercial	-	-	269	963	39	53		-	1,324
Real estate - construction & land	-	-		-	-		-	-	-
Equity Lines of Credit	-	-		140	506		-	-	646
Auto	-	-		-	-		502	273	775
Other	-	-		-	-		-	-	-
Total	\$ 102	\$ 2,066	\$ 269	\$ 1,765	\$ 545	\$ 53	\$ 502	\$ 273	\$ 5,575

  

	Commercial								Total
	Equipment	Crops	-1st Deed	SFR-1st Deed	SFR-2nd Deed	SFR-3rd Deed			
Commercial	\$ 89	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 89
Agricultural	-	-		-	-		-	-	-
Real estate – residential	-	-		-	-		-	-	-
Real estate – commercial	-	-		600	-		27	51	678
Real estate - construction & land	-	-		-	-		-	-	-
Equity Lines of Credit	-	-		-	-		185	-	185
Auto	-	-		-	-		-	-	-
Other	-	-		-	-		-	-	-
Total	\$ 89	\$ -	\$ 600	\$ -	\$ 212	\$ 51	\$ 952		

The following tables present the amortized cost basis of collateral dependent loans by class of loans at December 31, 2023 in thousands:

	Commercial									Commercial								
			-1st	SFR-1st	SFR-2nd			Auto	Auto			-1st	SFR-1st	SFR-2nd	SFR-3rd			
	Equipment	Crops	Deed	Deed	Deed	Inventory	New	Used	Total	Equipment	Crops	Deed	Deed	Deed	Deed	Total		
Commercial	\$ 64	\$ -	\$ -	\$ -	\$ -	\$ 45	\$ -	\$ -	\$ 109	\$ 55	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 55		
Agricultural	-	2,066	-	-	-	-	-	-	2,066	-	2,066	-	-	-	-	2,066		
Real estate – residential	-	-	-	223	-	-	-	-	223	-	-	-	122	-	-	122		
Real estate – commercial	-	-	279	454	41	-	-	-	774	-	-	634	-	28	-	662		
Real estate – construction & land	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Equity Lines of Credit	-	-	-	208	365	-	-	-	573	-	-	-	105	190	-	295		
Auto	-	-	-	-	-	-	755	294	1,049	-	-	-	-	-	-	-		
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Total	\$ 64	\$ 2,066	\$ 279	\$ 885	\$ 406	\$ 45	\$ 755	\$ 294	\$ 4,794	\$ 55	\$ 2,066	\$ 634	\$ 227	\$ 218	\$ -	\$ 3,200		

## 5. COMMITMENTS AND CONTINGENCIES

The Company is party to claims and legal proceedings arising in the ordinary course of business. In the opinion of the Company's management, the amount of ultimate liability with respect to such proceedings will not have a material adverse effect on the financial condition or result of operations of the Company taken as a whole. In the normal course of business, there are various outstanding commitments to extend credit, which are not reflected in the financial statements, including loan commitments of **\$165.6 million**, **\$162.4 million** and \$174.6 million and stand-by letters of credit of \$0 and \$108,000 at **March 31**, **June 30**, 2024 and December 31, 2023, respectively.

Of the loan commitments outstanding at **March 31**, **June 30**, 2024, **\$31.1 million**, **\$25.6 million** are real estate construction loan commitments that are expected to fund within the next twelve months. The remaining commitments primarily relate to revolving lines of credit or other commercial loans, and many of these are expected to expire without being drawn upon. Therefore, the total commitments do not necessarily represent future cash requirements. Each loan commitment and the amount and type of collateral obtained, if any, are evaluated on an individual basis. Collateral held varies, but may include real property, bank deposits, debt or equity securities or business assets. The reserve for unfunded commitments at **March 31**, **June 30**, 2024 and December 31, 2023 totaled \$720,000 and \$799,000, respectively.

Stand-by letters of credit are conditional commitments written to guarantee the performance of a customer to a third party. These guarantees are primarily related to the purchases of inventory by commercial customers and are typically short-term in nature. Credit risk is similar to that involved in extending loan commitments to customers and accordingly, evaluation and collateral requirements similar to those for loan commitments are used.

## 6. EARNINGS PER SHARE

Basic earnings per share is computed by dividing income available to common shareholders by the weighted average number of common shares outstanding for the period. Diluted earnings per share reflects the potential dilution that could occur if securities or other contracts to issue common stock, such as stock options, result in the issuance of common stock which shares in the earnings of the Company. The treasury stock method has been applied to determine the dilutive effect of stock options in computing diluted earnings per share.

For the Three Months Ended	For the Three Months Ended	For the Six Months Ended
March 31,	June 30,	June 30,

(In thousands, except per share data)

	2024	2023	2024	2023	2024	2023
Net Income:						
Net income	\$ 6,254	\$ 7,626	\$ 6,786	\$ 6,660	\$ 13,040	\$ 14,285
Earnings Per Share:						
Basic earnings per share	\$ 1.06	\$ 1.30	\$ 1.15	\$ 1.14	\$ 2.21	\$ 2.44
Diluted earnings per share	\$ 1.05	\$ 1.28	\$ 1.14	\$ 1.12	\$ 2.19	\$ 2.41
Weighted Average Number of Shares Outstanding:						
Basic shares	5,887	5,855	5,896	5,862	5,892	5,858
Effect of dilutive of stock options and restricted stock			50	67	54	74
Diluted shares	5,946	5,940	5,946	5,929	5,946	5,932

There were no stock options having an antidilutive effect during the three-month and six-month periods ended March 31, June 30, 2024, and 2023.

## 7. STOCK-BASED COMPENSATION

In May 2022, the Company's shareholders approved the 2022 Equity Incentive Plan (the "2022 Plan"), which provides for the grant of up to 576,550 shares of common stock, including 126,550 shares that remained available for grant under the 2013 Stock Option Plan when the 2022 Plan was adopted. The 2022 Plan provides for the grant of incentive stock options, nonqualified stock options, stock appreciation rights, restricted stock, restricted stock units and other stock-based awards. The frequency, amount and terms of stock-based awards may be determined by the Board of Directors or its compensation committee, consistent with the terms and purposes of the 2022 plan.

In May 2013, the Company established the 2013 Stock Option Plan for which 141,752 141,447 shares of common stock are reserved. With the establishment of the Company's 2022 Equity Incentive Plan, no further options may be issued under the 2013 Stock Option Plan, though options previously granted continue to be outstanding and governed by the plan. 2013 Stock Option Plan.

107,200 options were granted under the 2022 Plan during the three six months ended March 31, June 30, 2024. The fair value of each option was estimated on the date of grant using the following assumptions.

	2024	2024
Expected life of stock options (in years)	6.2	6.2
Risk free interest rate	3.98 %	3.98 %
Annualized Volatility	32.3 %	32.3 %
Dividend yields	3.17 %	3.17 %
Weighted-average fair value of options granted during the three months ended March 31, 2024	\$ 9.25	
Weighted-average fair value of options granted during the three months ended June 30, 2024		\$ 9.25

No options were granted during 2023.

A summary of the activity within the 2013 Plan follows:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term in Years	Intrinsic Value	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term in Years	Intrinsic Value
Options outstanding at January 1, 2023	189,917	\$ 21.14			189,917	\$ 21.14		
Options exercised	(24,400)	18.59			(24,400)	18.59		
Options outstanding at December 31, 2023	165,517	\$ 21.52			165,517	\$ 21.52		
Options exercised	(23,765)	15.06			(24,070)	15.18		
Options outstanding at March 31, 2024	141,752	\$ 22.60	3.0	\$ 2,011,461				
Options exercisable at March 31, 2024	141,752	\$ 22.60	3.0	\$ 2,011,461				
Options outstanding at June 30, 2024	141,447	\$ 22.60	2.8	\$ 1,892,476				
Options exercisable at June 30, 2024	141,447	\$ 22.60	2.8	\$ 1,892,476				



A summary of the activity within the 2022 Plan follows:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term in Years	Intrinsic Value	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term in Years	Intrinsic Value
Options outstanding at January 1, 2023	117,200	\$ 31.00			117,200	\$ 31.00		
Options cancelled	(10,400)	31.00			(10,400)	31.00		
Options exercised	(1,300)	31.00			(1,300)	31.00		
Options outstanding at December 31, 2023	105,500	\$ 31.00			105,500	\$ 31.00		
Options granted	107,200	34.07			107,200	34.07		
Options cancelled					(1,200)	34.07		
Options exercised	(1,300)	31.00			(1,300)	31.00		
Options outstanding at March 31, 2024	211,400	\$ 32.56	8.96	\$ 894,902				
Options exercisable at March 31, 2024	21,800	\$ 31.00	7.93	\$ 126,222				
Expected to vest after March 31, 2024	163,397	\$ 32.56	9.08	\$ 691,696				
Options outstanding at June 30, 2024					210,200	\$ 32.55	8.71	\$ 721,385
Options exercisable at June 30, 2024					21,800	\$ 31.00	7.69	\$ 108,564
Expected to vest after June 30, 2024					162,363	\$ 32.73	8.83	\$ 527,680

As of March 31, June 30, 2024, there was \$1.7 million \$1.7 million of total unrecognized compensation cost related to non-vested stock options share-based compensation under the 2022 plan. That cost is expected to be recognized over a weighted average period of 4.2 4.0 years. There were no unrecognized costs remaining under the 2013 plan as of March

31, June 30, 2024.

The total fair value of options vested during the three six months ended March 31, June 30, 2024, and 2023 was \$199,000 and \$7,000, respectively. \$7,000. The total intrinsic value of options at time of exercise was \$532,000 \$536,000 and \$331,000 \$385,000 for the three six months ended March 31, June 30, 2024, and 2023, respectively.

Compensation cost related to stock options recognized in operating results under the stock option plans was \$88,000 \$131,000 and \$87,000 \$86,000 for the three months ended March 31, June 30, 2024, and 2023, respectively. The associated income tax benefit recognized was \$7,000 \$13,000 and \$6,000 for the three months ended March 31, June 30, 2024, and 2023, respectively. Compensation cost related to stock options recognized in operating results under the stock option plans was \$219,000 and \$173,000 for the six months ended June 30, 2024, and 2023, respectively. The associated income tax benefit recognized was \$20,000 and \$13,000 for the six months ended June 30, 2024, and 2023, respectively.

Cash received from option exercises under the plans for the three six months ended March 31, June 30, 2024, and 2023 was \$359,000 \$367,000 and \$137,000, \$168,000, respectively. The tax benefit realized for the tax deductions from option exercise totaled \$69,000 and \$49,000 \$63,000 for the three six months ended March 31, June 30, 2024, and 2023, respectively.

During the three six months ended March 31, June 30, 2024, the Company granted 3,033 restricted stock units with a fair value of \$34.07 per share and a one-year vesting period. Compensation costs related to these units during the three and six months ended March 31, June 30, 2024 were \$12,000, \$25,000 and \$37,000, respectively. As of March 31, June 30, 2024, there was \$92,000 \$66,000 of total unrecognized compensation cost related to restricted stock units. That cost is expected to be recognized over a weighted average period of 0.9 0.7 years.

During 2022, the Company granted 1,650 shares of restricted stock with a fair value of \$31 per share and a one-year vesting period. Compensation costs related to these shares during the three months and six-months ended March 31, June 30, 2023 totaled \$12,000. As of March 31, 2024, there was \$13,000 and \$26,000, respectively. There were no unrecognized compensation cost costs related to restricted stock. these shares in 2024.

## 8. INCOME TAXES

The Company files its income taxes on a consolidated basis with its subsidiary. Income tax expense is the total of current year income tax due or refundable and the change in deferred tax assets and liabilities.

Deferred tax assets and liabilities are recognized for the tax consequences of temporary differences between the reported amount of assets and liabilities and their tax bases. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment. A valuation allowance is recognized if, based on the weight of available evidence, management believes it is more likely than not that some portion or all of the deferred tax assets will not be realized. On the consolidated balance sheet, net deferred tax assets are included in accrued interest receivable and other assets.

When tax returns are filed, it is highly certain that some positions taken would be sustained upon examination by the taxing authorities, while others are subject to uncertainty about the merits of the position taken or the amount of the position that would be ultimately sustained. The benefit of a tax position is recognized in the financial statements in the period during which, based on all available evidence, management believes it is more likely than not that the position will be sustained upon examination, including the resolution of appeals or litigation processes, if any. Tax positions taken are not offset or aggregated with other positions. Tax positions that meet the more-likely-than-not recognition threshold are measured as the largest amount of tax benefit that is more than 50 percent likely of being realized upon settlement with the applicable taxing authority. The portion of the benefits associated with tax positions taken that exceeds the amount measured as described above is reflected as a liability for unrecognized tax benefits in the accompanying balance sheet along with any associated interest and penalties that would be payable to the taxing authorities upon examination.

Interest expense and penalties associated with unrecognized tax benefits, if any, are classified as income tax expense in the consolidated statements of income. There have been no significant changes to unrecognized tax benefits or accrued interest and penalties for the three six months ended March 31, June 30, 2024, and 2023.

## 9. FAIR VALUE MEASUREMENT

The Company measures fair value under the fair value hierarchy described below.

Level 1: Quoted prices for identical instruments traded in active exchange markets.

Level 2: Quoted prices (unadjusted) for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model-based valuation techniques for which all significant assumptions are observable or can be corroborated by observable market data.

Level 3: Model based techniques that use one significant assumption not observable in the market. These unobservable assumptions reflect the Company's estimates of assumptions that market participants would use on pricing the asset or liability. Valuation techniques include management judgment and estimation which may be significant.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls has been determined based on the lowest level input that is significant to the fair value measurement in its entirety. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

Management monitors the availability of observable market data to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period.

Management evaluates the significance of transfers between levels based upon the nature of the financial instrument and size of the transfer relative to total assets, total liabilities or total earnings.

### Fair Value of Financial Instruments

The carrying amounts and estimated fair values of financial instruments, at **March 31, June 30, 2024** follows, in thousands:

		Fair Value Measurements at March 31, 2024, Using:					Fair Value Measurements at June 30, 2024, Using:				
		Carrying Value	Level 1	Level 2	Level 3	Total Fair Value	Carrying Value	Level 1	Level 2	Level 3	Total Fair Value
Financial assets:											
Cash and cash equivalents	\$	128,231	\$ 128,231	\$ -	\$ -	\$ 128,231	\$ 109,852	\$ 109,852	\$ -	\$ -	\$ 109,852
Investment securities		447,445	-	447,445	-	447,445	445,132	-	445,132	-	445,132
Loans, net		966,141	-	-	927,114	927,114	986,517	-	-	946,667	946,667
FHLB stock		6,234	-	-	-	N/A	6,234	-	-	-	N/A
FRB Stock		1,367	-	-	-	N/A	1,375	-	-	-	N/A
Financial liabilities:											
Deposits		1,299,688	1,209,013	90,331	-	1,299,344	1,304,587	1,206,796	97,172	-	1,303,968
Repurchase agreements		19,331	-	19,331	-	19,331	13,870	-	13,870	-	13,870
Borrowings		120,000	-	-	115,379	115,379	120,000	-	-	116,377	116,377

The carrying amounts and estimated fair values of financial instruments, at December 31, 2023 follows, in thousands:

		Fair Value Measurements at December 31, 2023 Using:					
		Carrying Value	Level 1	Level 2	Level 3	Total Fair Value	
Financial assets:							
Cash and cash equivalents	\$	85,655	\$ 85,655			\$ 85,655	
Investment securities		489,181		489,181		489,181	
Loans, net		948,604			\$ 923,500	\$ 923,500	
FHLB stock		6,234				N/A	
FRB Stock		1,371				N/A	
Financial liabilities:							
Deposits		1,333,655	1,242,003	92,311		1,334,314	
Repurchase agreements		23,054		23,054		23,054	
Borrowings		90,000			86,100	86,100	

Because no market exists for a significant portion of the Company's financial instruments, fair value estimates are based on judgments regarding current economic conditions, risk characteristics of various financial instruments and other factors. Those estimates that are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision are included in Level 3. Changes in assumptions could significantly affect the fair values presented.

These estimates do not reflect any premium or discount that could result from offering the Company's entire holdings of a particular financial instrument for sale at one time, nor do they attempt to estimate the value of anticipated future business related to the instruments. In addition, the tax ramifications related to the realization of unrealized gains and losses can have a significant effect on fair value estimates and have not been considered in any of these estimates.

The following tables present information about the Company's assets and liabilities measured at fair value on a recurring and non-recurring basis as of **March 31**, **June 30**, 2024 and December 31, 2023, and indicate the fair value hierarchy of the valuation techniques utilized by the Company to determine such fair value:

Assets and liabilities measured at fair value on a recurring basis at **March 31**, **June 30**, 2024 are summarized below, in thousands:

	Fair Value Measurements at March 31, 2024 Using				Fair Value Measurements at June 30, 2024 Using			
	Quoted Prices in Active Markets for Identical Assets Total Fair Value	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)		Quoted Prices in Active Markets for Identical Assets Total Fair Value	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Assets:								
U.S. Treasury securities	\$ 6,919	\$ -	\$ 6,919	\$ -	\$ 3,959	\$ -	\$ 3,959	\$ -
U.S. Government-sponsored agencies collateralized by mortgage obligations- residential	229,633	-	229,633	-	226,275	-	226,275	-
U.S. Government agencies collateralized by mortgage obligations-commercial	123,078	-	123,078	-	126,287	-	126,287	-
Obligations of states and political subdivisions	87,815	-	87,815	-	88,611	-	88,611	-
	<b>\$ 447,445</b>	<b>\$ -</b>	<b>\$ 447,445</b>	<b>\$ -</b>	<b>\$ 445,132</b>	<b>\$ -</b>	<b>\$ 445,132</b>	<b>\$ -</b>

Assets and liabilities measured at fair value on a recurring basis at December 31, 2023 are summarized below, in thousands:

				Fair Value Measurements at December 31, 2023 Using			
				Quoted Prices in Active Markets for Identical Assets Total Fair Value	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Assets:							
U.S. Treasury securities		\$ 6,880	\$ -	\$ 6,880	\$ -		
U.S. Government-sponsored agencies collateralized by mortgage obligations - residential		235,931	-	235,931			

U.S. Government-agencies collateralized by mortgage obligations - commercial	115,952	-	115,952	-
Obligations of states and political subdivisions	130,418	-	130,418	-
	<u>\$ 489,181</u>	<u>\$ -</u>	<u>\$ 489,181</u>	<u>\$ -</u>

The fair value of securities available-for-sale equals quoted market price, if available. If quoted market prices are not available, fair value is determined using quoted market prices for similar securities or matrix pricing. There were no changes in the valuation techniques used during 2024 or 2023. Transfers between hierarchy measurement levels are recognized by the Company as of the beginning of the reporting period. Changes in fair market value are recorded in other comprehensive income.

20

Assets and liabilities measured at fair value on a non-recurring basis at **March 31, June 30, 2024** are summarized below, in thousands:

	Fair Value Measurements at March 31, 2024 Using					Fair Value Measurements at June 30, 2024 Using			
	Quoted Prices in Active Markets for Identical Assets Total Fair Value	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Losses Three Months Ended March 31, 2024		Quoted Prices in Active Markets for Identical Assets Total Fair Value	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Assets:									
Collateral-dependent loans									
Commercial	27	-	-	27	-	30	-	-	30
Other Real Estate:									
Other Real Estate Owned:									
RE – Residential	357	\$ -	\$ -	357	\$ -	141	\$ -	\$ -	141

Assets and liabilities measured at fair value on a non-recurring basis at December 31, 2023 are summarized below, in thousands:

	Fair Value Measurements at December 31, 2023 Using					Fair Value Measurements at December 31, 2023 Using			
	Quoted Prices in Active Markets for Identical Assets Total Fair Value	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Losses Three Months Ended March 31, 2023		Quoted Prices in Active Markets for Identical Assets Total Fair Value	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Assets:									
Other real estate:									
Collateral-dependent loans									
Commercial	\$ 27	\$ -	\$ -	27	\$ 271	\$ 27	\$ -	\$ -	27
Other Real Estate:									
Other Real Estate Owned:									

RE – Residential	357	-	-	357	-	357	-	-	357
------------------	-----	---	---	-----	---	-----	---	---	-----

The following methods were used to estimate fair value.

Collateral-Dependent Impaired Loans: The Bank does not record loans at fair value on a recurring basis. However, from time to time, fair value adjustments are recorded on these loans to reflect partial write-downs, through charge-offs or specific reserve allowances, that are based on fair value estimates of the underlying collateral. The fair value estimates for collateral-dependent impaired loans are generally based on recent real estate appraisals or broker opinions, obtained from independent third parties, which are frequently adjusted by management to reflect current conditions and estimated selling costs (Level 3). No impairment charges were recognized during the three six months ended March 31, June 30, 2024, related to the above impaired collateral-dependent loan. An impairment charge Impairment charges of \$271,000 was \$32,000 were recognized during the three six months ended March June 30, 2023, related to the above collateral dependent loans. The collateral-dependent loans at June 30, 2024 and December 31, 2023 consist solely of loans which have been allocated a specific credit reserve.

Other Real Estate: Nonrecurring adjustments to certain real estate properties classified as other real estate owned are measured at the lower of carrying amount or fair value, less costs to sell. In cases where the carrying amount exceeds the fair value, less costs to sell, an impairment loss is recognized. Fair values are generally based on third party appraisals of the property which are commonly adjusted by management to reflect current conditions and selling costs (Level 3).

Appraisals for both collateral-dependent loans and other real estate are performed by certified general appraisers (for commercial properties) or certified residential appraisers (for residential properties) whose qualifications and licenses have been reviewed and verified by the Company. Once received, a member of the Loan Administration Department reviews the assumptions and approaches utilized in the appraisal as well as the overall resulting fair value in comparison with independent data sources such as recent market data or industry-wide statistics. On a quarterly basis, the Company compares the actual selling price of similar collateral that has been liquidated to the most recent appraised value for unsold properties to determine what additional adjustment, if any, should be made to the appraisal value to arrive at fair value. Adjustments are routinely made in the appraisal process by the independent appraisers to adjust for differences between the comparable sales and income data available.

21

The following table presents quantitative information about Level 3 fair value measurements for financial instruments measured at fair value on a non-recurring basis at March 31, June 30, 2024 and December 31, 2023 (dollars in thousands):

	Collateral-Dependent Loans						Other Real Estate					
	Fair Value	Fair Value	Valuation		Range (Weighted Average)	Range (Weighted Average)	Fair Value	Fair Value	Valuation		Range (Weighted Average)	Range (Weighted Average)
Description	3/31/2024	12/31/2023	Technique	Significant Unobservable Input	3/31/2024	12/31/2023	6/30/2024	12/31/2023	Technique	Significant Unobservable Input	6/30/2024	12/31/2023
<u>Collateral- dependent loans</u>												
<u>Commercial</u>	\$ 27	\$ 27	Third Party	Management Adjustments to Reflect Current appraisals Conditions and Selling Costs	48 %	48 %	\$ 30	\$ 27	Third Party	Management Adjustments to Reflect Current appraisals Conditions and Selling Costs	47 %	48 %
Other Real Estate:												
RE Residential	\$ 357	\$ 357	Third Party	Management Adjustments to Reflect Current appraisals Conditions and Selling Costs	11 %	11 %	\$ 141	\$ 357	Third Party	Management Adjustments to Reflect Current appraisals Conditions and Selling Costs	39 %	11 %

## 10. OTHER COMPREHENSIVE LOSS

The changes in the accumulated balances for each component of other comprehensive loss, net of tax for the **twelve six** months ended **December 31, June 30, 2023** and **the three months ended March 31, June 30, 2024** were as follows:

	Unrealized Gains (Losses) on AFS Securities	Unrealized Gain Cash Flow Hedge	Other Accumulated Comprehensive Income (Loss), net of tax	Unrealized Gains (Losses) on AFS Securities	Unrealized Gain (loss) Cash Flow Hedge	Accumulated Comprehensive Loss, net of tax
Beginning Balance, January 1, 2023	\$ (54,183)	\$ 2,002	\$ (36,756)	\$ (54,183)	\$ 2,002	\$ (36,756)
Current year-to-date other comprehensive income	7,643	(2,002)	3,974			
Ending balance, March 31, 2023	\$ (46,540)	\$ -	\$ (32,782)			
Current year-to-date other comprehensive loss				(291)	(2,002)	(1,616)
Ending balance, June 30, 2023				\$ (54,474)	\$ -	\$ (38,372)
Beginning Balance, January 1, 2024	\$ (46,088)	\$ -	\$ (32,464)	\$ (46,088)	\$ -	\$ (32,464)
Current year-to-date other comprehensive income	12,847	-	9,049	10,443	-	7,355
Ending balance, March 31, 2024	\$ (33,241)	\$ -	\$ (23,415)			
Ending balance, June 30, 2024				\$ (35,645)	\$ -	\$ (25,109)

Reclassifications out of accumulated other comprehensive loss for the **three six** months ended **March 31, June 30, 2024** and **March 31, June 30, 2023**, were as follows:

Amounts Reclassified from Accumulated Other Comprehensive Loss						
Details about Accumulated Other Comprehensive (Loss) Components	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023	Affected Line Item on the Statement of Income	Six Months Ended June 30, 2024	Six Months Ended June 30, 2023	Affected Line Item on the Statement of Income
Cash flow hedge						
Cash flow hedge:						
Termination of cash flow hedge	\$ -	\$ 1,707	Non-Interest Income	\$ -	\$ 1,707	Non-Interest Income
Tax effect	-	(505)	Provision for income taxes	-	(505)	Provision for income taxes
Investment securities						
Investment securities:						
Loss on sale of investment securities	19,826		Non-Interest Income	19,826	-	Non-Interest Income
Tax effect	(5,861)		Provision for income taxes	) (5,861	-	Provision for income taxes

Total reclassifications for the period	\$	13,965	\$	1,202	Net income	\$ 13,965	\$ 1,202	Net income
--	----	--------	----	-------	------------	-----------	----------	------------

## PART I – FINANCIAL INFORMATION

### ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Certain matters discussed in this Quarterly Report are forward-looking statements that are subject to risks and uncertainties that could cause actual results to differ materially from those projected in the forward-looking statements. Such risks and uncertainties include, among others, (1) significant increases in competitive pressures in the financial services industry; (2) changes in the interest rate environment resulting in reduced margins; (3) general economic conditions, either nationally or regionally, may be less favorable than expected, resulting in, among other things, a deterioration in credit quality; (4) changes in regulatory environment; (5) loss of key personnel; (6) fluctuations in the real estate market; (7) changes in business conditions and inflation; (8) operational risks including data processing systems failures or fraud; and (9) changes in securities markets. Therefore, the information set forth herein should be carefully considered when evaluating the business prospects of Plumas Bancorp (the "Company").

When the Company uses in this Quarterly Report the words "anticipate", "estimate", "expect", "project", "intend", "commit", "believe" and similar expressions, the Company intends to identify forward-looking statements. Such statements are not guarantees of performance and are subject to certain risks, uncertainties and assumptions, including those described in this Quarterly Report. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, estimated, expected, projected, intended, committed or believed. The future results and stockholder values of the Company may differ materially from those expressed in these forward-looking statements. Many of the factors that will determine these results and values are beyond the Company's ability to control or predict. For those statements, the Company claims the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995.

#### INTRODUCTION

The following discussion and analysis sets forth certain statistical information relating to the Company as of **March 31, 2024** **June 30, 2024** and December 31, 2023 and for the **three-month** **three and six-month** periods ended **March 31, 2024** **June 30, 2024** and 2023. This discussion should be read in conjunction with the condensed consolidated financial statements and related notes included elsewhere in this Quarterly Report on Form 10-Q and the consolidated financial statements and notes thereto included in Plumas Bancorp's Annual Report filed on Form 10-K for the year ended December 31, 2023.

Plumas Bancorp trades on The NASDAQ Capital Market under the ticker symbol "PLBC".

#### CRITICAL ACCOUNTING POLICIES AND ESTIMATES

There have been no changes to the Company's critical accounting policies from those disclosed in the Company's 2023 Annual Report to Shareholders on Form 10-K.

#### SALES/LEASEBACK AND INVESTMENT RESTRUCTURING

On January 19, 2024, Plumas Bank entered into two agreements for the purchase and sale of real property (the "Sale Agreements"). One Sale Agreement provided for the sale to MountainSeed of nine properties owned and operated by **the** Plumas Bank as branches (the "Branches") for an aggregate cash purchase price of approximately \$25.7 million. The branch portion of the sale was completed on February 14, 2024 resulting in a net gain on sale of \$19.9 million, recording of right-of-use assets totaling \$22.3 million and recording a lease liability of \$22.3 million. The second Sale Agreement provides for the sale to MountainSeed of up to three properties operated as non-branch administrative offices (the "Non-Branch Offices") for an aggregate cash purchase price of \$7.9 million, assuming all of the Non-Branch Offices are sold. **The closing date on MountainSeed has indicated that is it unlikely that they will complete the Non-Branch transaction given the current market for office space. We are reviewing other sources for the Non-Branch Offices has been extended to September 16, 2024. transaction.**

Under the Sale Agreements, the parties have agreed, concurrently with the closing of the sale of the properties, to enter into triple net lease agreements (the "Lease Agreements") pursuant to which Plumas Bank will lease each of the properties sold. Each Lease Agreement will have an initial term of fifteen years with one 15-year renewal option. The Lease Agreements will provide for an annual rent of approximately \$3.1 million in the aggregate for all Properties of which \$2.4 million relates to the completed branch sale, increased by two percent (2%) per annum for each year during the initial Term. During the renewal term, the initial rent will be the basic rent during the last year of the initial term, increased by two percent (2%) per annum for each year during the renewal term.



The gain on sales of the branches was offset by losses on the sale of approximately \$115 million in investment securities. During the **three six** months ended **March 31, 2024** **June 30, 2024** we sold \$115 million in investment securities having a weighted average tax equivalent yield of 2.24% recording a \$19.8 million loss on the sales. **Beginning** **As part of the restructuring, beginning** in December 2023 and ending on March 27, 2024, we purchased \$120 million in investments securities having a weighted average tax equivalent yield of 5.25%.

## BANK TERM FUNDING PROGRAM

The Federal Reserve Board, on June 12, 2023, announced the creation of a new Bank Term Funding Program (BTFP). The BTFP offered loans of up to one year in length to banks, savings associations, credit unions, and other eligible depository institutions pledging U.S. Treasuries, agency debt and mortgage-backed securities, and other qualifying assets as collateral. These assets will be valued at par. At December 31, 2023, the Company had outstanding borrowings under the BTFP totaling \$80 million. In January 2024 the Company borrowed an additional \$25 million under the BTFP for a total of \$105 million outstanding at June 30, 2024. This borrowing bears interest at the rate of 4.85% and is payable on January 17, 2025. Borrowings under the BTFP can be prepaid without penalty. There were no borrowings under the BTFP at June 30, 2023. Interest expense recognized on the BTFP borrowings for the three and six months ended June 30, 2024, totaled \$1.3 million and \$2.5 million, respectively.

## RESULTS OF OPERATIONS FOR THE **THREE SIX** MONTHS ENDED **MARCH 31, 2024** **JUNE 30, 2024**

**Net Income.** The Company recorded net income of **\$6.3 million** **\$13.0 million** for the **three six** months ended **March 31, 2024** **June 30, 2024**, down from net income of **\$7.6 million** **\$14.3 million** for the **three six** months ended **March 31, 2023** **June 30, 2023**. An increase of **\$308,000** **\$1.5 million** in net interest income and declines of **\$704,000** **\$1.1 million** in the provision for credit losses and **\$574,000** **\$348,000** in the provision for income taxes were offset by a decline of **\$1.8 million** **\$1.7 million** in non-interest income and an increase of **\$1.2 million** **\$2.5 million** in non-interest expense. The annualized return on average assets was **1.55%** **1.61%** for the **three six** months ended **March 31, 2024** **June 30, 2024**, down from **1.93%** **1.81%** for the **three six** months ended **March 31, 2023** **June 30, 2023**. The annualized return on average equity decreased from **25.0%** **22.7%** during the first **quarter half** of 2023 to **16.4%** **16.7%** during the current **quarter** **period**.

The following is a detailed discussion of each component of the change in net income.

**Net interest income before provision for credit losses.** Driven by an increase in market rates, **and** growth in the loan portfolio, **and the restructuring of a portion of our investment portfolio partially offset by an increase in interest expense,** net interest income increased by **\$308,000** **\$1.5 million** from **\$17.1 million** **\$34.4 million** during the **three six** months ended **March 31, 2023** **June 30, 2023**, to **\$17.4 million** **\$35.9 million** for the **three six** months ended **March 31, 2024** **June 30, 2024**. The increase in net interest income includes an increase of **\$2.2 million** **\$5.2 million** in interest income partially offset by an increase of **\$1.9 million** **\$3.7 million** in interest expense. Interest and fees on loans increased by **\$1.9 million** **\$3.9 million** related **both** to an increase in average balance and **yield**. The average balance of loans during the six months ended June 30, 2024 was \$972 million, an increase of \$55 million from \$917 million during the same period in **yield**. Average loan balances increased by \$49 million, while the 2023. The average yield on loans increased by **46** **48** basis points from **5.63%** **5.73%** during the first **quarter six months** of 2023 to **6.09%** **6.21%** during the current **quarter**. The average prime interest rate increased from 7.69% during the first quarter of 2023 to 8.5% during the current quarter. Approximately 19% of the Company's loans are tied to the prime interest rate and most of these reprice within one to three months with a change in prime. **period**.

Interest on investment securities increased by **\$668,000** **\$1.3 million** related to an increase in **average investment securities of \$13.4 million to \$480 million and an increase in yield of 44** **65** basis points to **3.68%** **3.89%**. The increase in **loan and investment yields is consistent with the increase in market rates during 2023 and into the first quarter of 2024 and the restructuring of the investment portfolio discussed earlier.** **portfolio.** Average investment securities declined from \$472 million during the six months ended June 30, 2023 to \$462 million during the current **period**. Interest on cash balances **decreased** **declined** by **\$327,000** **related to \$78 thousand** as an increase in yield of 70 basis points was offset by a decline in average balance of \$44.2 million. This was partially offset by an increase in the rate paid on these balances which increased from **4.64%** **\$97.1 million** during the first **quarter six months** of 2023 to **5.57%** **during \$81.8 million in** the current **quarter** mostly related to an increase in the rate paid on balances held at the Federal Reserve Bank (FRB). The average **rate earned on FRB balances increased from 4.59% during the first quarter of 2023 to 5.40% during the current quarter.** **period**.

Interest expense increased from **\$638,000** **\$1.6 million** during the **three six** months ended **March 31, 2023** **June 30, 2023** to **\$2.6 million** **\$5.3 million** during the current period related to an increase in rate paid on interest bearing liabilities and an increase in borrowings. The average rate paid on interest bearing liabilities increased from **0.36%** **0.46%** during the 2023 **quarter period** to **1.33%** **1.39%** in 2024 related mainly to an increase in market interest rates, an increase in borrowings and the effect of a 4% time deposit promotion.

Interest paid on deposits increased by **\$720,000** **\$1.2 million** and is broken down by product type as follows: money market accounts - **\$159,000** **\$289 thousand** and time deposits - **\$580,000** **\$935 thousand**. Related to a decline of **in** average balance of **\$67 million** **\$64 million**, interest on savings deposits declined by **\$19,000** **\$53 thousand**. The average rate paid on interest-bearing deposits increased from **0.28%** **0.39%** during the six months ended June 30, 2023 to 0.79% during the current period.

Interest incurred on borrowings, including junior subordinated debentures in 2023 and borrowings under the BTFP in 2024 totaled \$2.8 million and \$282 thousand during the six months ended June 30, 2024 and 2023, respectively.

Net interest margin for the six months ended June 30, 2024 increased 10 basis points to 4.76%, up from 4.66% for the same period in 2023.

The following table presents for the six-month periods indicated the distribution of consolidated average assets, liabilities and shareholders' equity. It also presents the amounts of interest income from interest earning assets and the resultant annualized yields expressed in both dollars and annualized yield percentages, as well as the amounts of interest expense on interest bearing liabilities and the resultant cost expressed in both dollars and annualized rate percentages. Average balances are based on daily averages. Nonaccrual loans are included in the calculation of average loans while nonaccrued interest thereon is excluded from the computation of yields earned:

	For the Six Months Ended			For the Six Months Ended		
	June 30, 2024			June 30, 2023		
	Average			Average		
	Balance	Interest	Yield/	Balance	Interest	Yield/
	(in thousands)	(in thousands)	Rate	(in thousands)	(in thousands)	Rate
Interest-earning assets:						
Loans (2) (3)	\$ 972,427	\$ 30,005	6.21 %	\$ 917,405	\$ 26,087	5.73 %
Taxable investment securities	369,815	7,537	4.10 %	347,002	5,752	3.34 %
Non-taxable investment securities (1)	92,225	1,393	3.04 %	125,388	1,841	2.96 %
Interest-bearing deposits	81,807	2,252	5.54 %	97,103	2,330	4.84 %
Total interest-earning assets	1,516,274	41,187	5.46 %	1,486,898	36,010	4.88 %
Cash and due from banks	27,722			26,386		
Other assets	85,300			75,034		
Total assets	\$ 1,629,296			\$ 1,588,318		
Interest-bearing liabilities:						
Money market deposits	\$ 213,399	\$ 844	0.80 %	\$ 232,855	\$ 555	0.48 %
Savings deposits	329,242	354	0.22 %	392,899	407	0.21 %
Time deposits	93,092	1,304	2.82 %	58,057	369	1.28 %
Total deposits	635,733	2,502	0.79 %	683,811	1,331	0.39 %
Junior subordinated debentures	-	-	- %	4,575	141	6.22 %
Other borrowings	117,170	2,798	4.80 %	5,691	141	5.00 %
Repurchase agreements & other	19,260	25	0.26 %	17,687	9	0.10 %
Total interest-bearing liabilities	772,163	5,325	1.39 %	711,764	1,622	0.46 %
Non-interest-bearing deposits	668,441			733,781		
Other liabilities	31,118			15,908		
Shareholders' equity	156,574			126,865		
Total liabilities & equity	\$ 1,628,296			\$ 1,588,318		
Cost of funding interest-earning assets (4)			0.70 %			0.22 %
Net interest income and margin (5)		\$ 35,862	4.76 %		\$ 34,388	4.66 %

- (1) Not computed on a tax-equivalent basis.
- (2) Average nonaccrual loan balances of \$4.8 million for 2024 and \$3.0 million for 2023 are included in average loan balances for computational purposes.
- (3) Net costs included in loan interest income for the six-month period ended June 30, 2024 and 2023 were \$682,000 and \$581,000, respectively.
- (4) Total annualized interest expense divided by the average balance of total earning assets.
- (5) Annualized net interest income divided by the average balance of total earning assets.

The following table sets forth changes in interest income and interest expense for the six-month periods indicated and the amount of change attributable to variances in volume, rates and the combination of volume and rates based on the relative changes of volume and rates:

	2024 over 2023 change in net interest income			
	for the six months ended June 30,			
	(in thousands)			
	Volume (1)	Rate (2)	Mix (3)	Total
Interest-earning assets:				

Loans	\$ 1,569	\$ 2,147	\$ 202	\$ 3,918
Taxable investment securities	379	1,304	102	1,785
Non-taxable investment securities	(488 )	48	(8 )	(448 )
Interest-bearing deposits	(368 )	337	(47 )	(78 )
Total interest income	1,092	3,836	249	5,177
Interest-bearing liabilities:				
Money market deposits	(47 )	364	(28 )	289
Savings deposits	(66 )	14	(1 )	(53 )
Time deposits	223	443	269	935
Junior subordinated debentures	(141 )	-	-	(141 )
Other borrowings	2,770	(5 )	(108 )	2,657
Repurchase agreements & other	1	14	1	16
Total interest expense	2,740	830	133	3,703
Net interest income	\$ (1,648 )	\$ 3,006	\$ 116	\$ 1,474

(1) The volume change in net interest income represents the change in average balance divided by the previous year's rate.

(2) The rate change in net interest income represents the change in rate divided by the previous year's average balance.

(3) The mix change in net interest income represents the change in average balance multiplied by the change in rate.

**Provision for credit losses.** During the first half of 2024 we recorded a provision for credit losses of \$1,746,000 consisting of a provision for credit losses on loans of \$1,825,000 and a decrease in the reserve for unfunded commitments of \$79,000. The \$1.8 million loan provision includes growth in the portfolio, net losses during the six-month period and an increase in loan delinquencies. This compares to a provision for credit losses of \$2,875,000 consisting of a provision for credit losses on loans of \$2,550,000 and an increase in the reserve for unfunded commitments of \$325,000 during the first half of 2023. The 2023 provision for credit losses on loans included specific reserves totaling \$868,000 on three loans. As time progresses the results of economic conditions will require CECL model assumption inputs to change and further refinements to the estimation process may also be identified. See "Analysis of Asset Quality and Allowance for Credit Losses" for a discussion of loan quality trends and the provision for credit losses.

The following tables present the activity in the allowance for credit losses and the reserve for unfunded commitments during the six months ended June 30, 2024 and 2023 (in thousands).

Allowance for Credit Losses	June 30, 2024	June 30, 2023
Balance, beginning of period	\$ 12,867	\$ 10,717
Impact of CECL adoption	-	529
Provision charged to operations	1,825	2,550
Losses charged to allowance	(1,010 )	(738 )
Recoveries	400	327
Balance, end of period	\$ 14,082	\$ 13,385
Reserve for Unfunded Commitments	June 30, 2024	June 30, 2023
Balance, beginning of period	\$ 799	\$ 341
Impact of CECL adoption	-	258
Provision charged to operations	(79 )	325
Balance, end of period	\$ 720	\$ 924

**Non-interest income.** During the six months ended June 30, 2024, non-interest income totaled \$4.3 million, a decrease of \$1.7 million from the six months ended June 30, 2023. The largest component of this decrease was a \$1.7 million gain on termination of our interest rate swaps during the 2023 period. As discussed earlier, during the first quarter of 2024, a \$19.9 million gain on sale of buildings was offset by a \$19.8 million loss on investment securities.

The following table describes the components of non-interest income for the six-month periods ended June 30, 2024 and 2023, dollars in thousands:

	For the Six Months Ended			
	June 30,		Dollar Change	Percentage Change
	2024	2023		
Gain on sale of buildings	\$ 19,854	\$ -	\$ 19,854	100.0 %
Interchange income	1,522	1,539	(17 )	(1.1 )%
Service charges on deposit accounts	1,458	1,313	145	11.0 %

Loan servicing fees	388	476	(88 )	(18.5 )%
FHLB Dividends	273	173	100	57.8 %
Earnings on life insurance policies	200	204	(4 )	(2.0 )%
Gain on termination of interest rate swaps	-	1,707	(1,707 )	(100.0 )%
Loss on sale of investment securities	(19,826)	-	(19,826)	100.0 %
Other	473	656	(183 )	(27.9 )%
Total non-interest income	\$ 4,342	\$ 6,068	\$ (1,726 )	(28.4 )%

**Non-interest expense.** During the six months ended June 30, 2024, non-interest expense increased by \$2.5 million to \$20.8 million. The largest components of this increase were a \$716 thousand increase in salary and benefit expenses and a \$1.0 million increase in occupancy and equipment expense. The increase in salary and benefit expense primarily relates to an increase in salary expense and commissions. Salary expense increased by \$384 thousand which we attribute primarily to merit and promotional salary increases and an increase in employees. Our full-time equivalent employee count has increased from 176 at June 30, 2023, to 185 at June 30, 2024. Commissions increased by \$435 thousand related mostly to SBA production which has been quite strong during 2024. In the second half of 2023, our SBA department moved from producing variable rate SBA 7(a) loans indexed to prime to fixed rate SBA 7(a) loans. We had experienced a significant decline in the market for the variable rate SBA loans; however, we have successfully transitioned to the fixed rate product. We portfolio the fixed rate SBA loans we generate. During the six months ended June 30, 2024, fixed rate SBA loans balances increased by \$38 million. Partially offsetting the increase in salary and commission expense was an increase in the deferral of loan origination cost of \$392 thousand related to the increase in SBA loan production. The increase in occupancy and equipment costs relates to a \$1.0 million increase in rent expense related to the sales/leaseback transaction.

The following table describes the components of non-interest expense for the six-month periods ended June 30, 2024 and 2023, dollars in thousands:

	For the Six Months Ended			
	June 30,			Percentage Change
	2024	2023	Dollar Change	
Salaries and employee benefits	\$ 10,649	\$ 9,933	\$ 716	7.2 %
Occupancy and equipment	3,639	2,593	1,046	40.3 %
Outside service fees	2,316	2,175	141	6.5 %
Professional fees	768	626	142	22.7 %
Advertising and shareholder relations	458	460	(2 )	(0.4 )%
Telephone and data communication	426	403	23	5.7 %
Armored car and courier	422	347	75	21.6 %
Deposit insurance	372	370	2	0.5 %
Director compensation and expense	366	438	(72 )	(16.4 )%
Business development	363	305	58	19.0 %
Loan collection expenses	221	217	4	1.8 %
Amortization of Core Deposit Intangible	102	120	(18 )	(15.0 )%
Other	691	336	355	105.7 %
Total non-interest expense	\$ 20,793	\$ 18,323	\$ 2,470	13.5 %

**Provision for income taxes.** The Company recorded an income tax provision of \$4.6 million, or 26.2% of pre-tax income, for the six months ended June 30, 2024. This compares to an income tax provision of \$5.0 million, or 25.8% of pre-tax income, for the six months ended June 30, 2023. The percentages for 2024 and 2023 differ from statutory rates as tax exempt items of income such as earnings on Bank owned life insurance and municipal securities interest decrease taxable income.

#### RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED JUNE 30, 2024

**Net income.** The Company recorded net income of \$6.8 million for the three months ended June 30, 2024, up slightly from net income of \$6.7 million for the three months ended June 30, 2023. An increase of \$1.2 million in net interest income and \$59,000 in non-interest income and a decline of \$425,000 in the provision for credit losses were mostly offset by increases of \$1.3 million in non-interest expense and \$226,000 in the provision for income taxes. The annualized return on average assets was 1.67% for the three months ended June 30, 2024, down from 1.70% for the three months ended June 30, 2023. The annualized return on average equity decreased from 20.5% during the second quarter of 2023 to **0.75%** 17.1% during the current quarter.

**During March** The following is a detailed discussion of each component of the change in net income.

**Net interest income before provision for credit losses.** Net interest income was \$18.4 million for the three months ended June 30, 2024, an increase of \$1.2 million from the same period in 2023. The increase in net interest income includes an increase of \$2.9 million in interest income partially offset by an increase of \$1.8 million in interest expense. Interest and fees on loans increased by \$2.0 million related to growth in the loan portfolio and an increase in yield on the portfolio.

Average loan balances increased by \$61 million, while the average yield on these loans increased by 48 basis points from 5.84% during the second quarter of 2023 to 6.32% during the current quarter. The increase in loan yield includes the effect of an increase in market rates. Additionally, during the current quarter we redeemed our junior subordinated debentures recovered \$316 thousand in interest on loans that were classified as nonaccrual and which were paid off in full during the quarter.

Interest on investment securities increased by \$669 thousand related to an increase in yield of 86 basis points to 4.11%. The increase in investment yields is consistent with funding provided by a \$10 million borrowing on Plumas Bancorp's line the increase in market rates and the restructuring of credit/term loan facility. Interest expense incurred the investment portfolio discussed earlier. Average investment securities declined from \$478 million during the three months ended March 31, 2023 June 30, 2023, on the junior subordinated debentures totaled \$141,000. During the fourth quarter of 2023 we borrowed \$80 million under the Bank Term Funding Program (BTFP) and during the January 2024 we increased this borrowing by \$25 million to a total of \$105,000. Additionally, we increased Plumas Bancorp's borrowing on its line of credit to \$15 million \$444 million during the current quarter. Interest incurred on cash balances increased by \$249 thousand related to an increase in average balance of \$13 million and an increase in rate earned on these borrowings totaled \$1.4 million and \$13,000 balances of 37 basis points from 5.14% during the three months ended March 31, 2024 June 30, 2023 to 5.51%. during the current quarter. The increase in rate earned was mostly related to an increase in the rate paid on balances held at the Federal Reserve Bank (FRB). The average rate earned on FRB balances increased from 5.06% during the second quarter of 2023 to 5.40% during the current quarter.

Interest expense increased from \$984 thousand during the three months ended June 30, 2023, to \$2.8 million during the current period related to an increase in rate paid on interest bearing liabilities and an increase in borrowings. The average rate paid on interest bearing liabilities increased from 0.56% during the 2023 quarter to 1.44% in 2024 related mainly to an increase in market interest rates, an increase in borrowings and the effect of a 4% time deposit promotion.

Interest paid on deposits increased by \$452 thousand and is broken down by product type as follows: money market accounts - \$130 thousand and time deposits - \$356 thousand. Related to a decline in average balance of \$61 million, interest on savings deposits declined by \$34 thousand. The average rate paid on interest-bearing deposits increased from 0.51% during the second quarter of 2023 to 0.84% during the current quarter.

Interest incurred on borrowings, including borrowings under the BTFP in 2024 totaled \$1.4 million and \$113 thousand during the three months ended June 30, 2024 and 2023, respectively.

Net interest margin for the three months ended March 31, 2024 decreased 2bp June 30, 2024 increased 20bp to 4.62% 4.89%, down up from 4.64% 4.69% for the same period in 2023.

The following table presents for the three-month periods indicated the distribution of consolidated average assets, liabilities and shareholders' equity. It also presents the amounts of interest income from interest earning assets and the resultant annualized yields expressed in both dollars and annualized yield percentages, as well as the amounts of interest expense on interest bearing liabilities and the resultant cost expressed in both dollars and annualized rate percentages. Average balances are based on daily averages. Nonaccrual loans are included in the calculation of average loans while nonaccrued interest thereon is excluded from the computation of yields earned:

	For the Three Months Ended March 31, 2024			For the Three Months Ended March 31, 2023			For the Three Months Ended June 30, 2024			For the Three Months Ended June 30, 2023		
	Average Balance	Interest	Yield/ Rate	Average Balance	Interest	Yield/ Rate	Average Balance	Interest	Yield/ Rate	Average Balance	Interest	Yield/ Rate
	(in thousands)	(in thousands)		(in thousands)	(in thousands)		(in thousands)	(in thousands)		(in thousands)	(in thousands)	
Interest-earning assets:												
Loans (2) (3)	964,132	\$ 14,592	6.09 %	\$ 914,829	\$ 12,694	5.63 %	\$ 980,723	\$ 15,412	6.32 %	\$ 919,953	\$ 13,393	5.84 %
Taxable investment securities	371,792	3,605	3.90 %	341,958	2,814	3.34 %	367,841	3,932	4.30 %	351,986	2,938	3.35 %
Non-taxable investment securities (1)	108,175	791	2.94 %	124,618	914	2.97 %	76,275	602	3.17 %	126,148	927	2.95 %
Interest-bearing deposits	75,005	1,038	5.57 %	119,221	1,365	4.64 %	88,607	1,214	5.51 %	75,233	965	5.14 %
Total interest-earning assets	1,519,104	20,026	5.30 %	1,500,626	17,787	4.81 %	1,513,446	21,160	5.62 %	1,473,320	18,223	4.96 %
Cash and due from banks	26,586			26,725			26,859			26,050		
Other assets	80,508			75,184			90,092			74,888		
Total assets	<u>\$ 1,626,198</u>			<u>\$ 1,602,535</u>			<u>\$ 1,630,397</u>			<u>\$ 1,574,258</u>		

Interest-bearing liabilities:												
Money market deposits	\$ 211,183	\$ 375	0.71 %	\$ 235,857	\$ 216	0.37 %	\$ 215,614	\$ 468	0.87 %	229,886	\$ 338	0.59 %
Savings deposits	335,565	180	0.22 %	402,302	199	0.20 %	322,919	174	0.22 %	383,599	208	0.22 %
Time deposits	91,501	631	2.77 %	48,017	51	0.43 %	94,684	674	2.86 %	67,986	318	1.88 %
Total deposits	638,249	1,186	0.75 %	686,176	466	0.28 %	633,217	1,316	0.84 %	681,471	864	0.51 %
Junior subordinated debentures	-	-	- %	9,302	141	6.15 %						
Other borrowings	114,342	1,367	4.81 %	1,333	13	3.96 %	120,000	1,431	4.80 %	10,000	113	4.53 %
Repurchase agreements & other	21,713	16	0.30 %	18,485	18	0.39 %	16,809	8	0.19 %	16,900	7	0.17 %
Total interest-bearing liabilities	774,304	2,569	1.33 %	715,296	638	0.36 %	770,026	2,755	1.44 %	708,371	984	0.56 %
Non-interest-bearing deposits	673,789			749,361			663,094			718,372		
Other liabilities	24,440			14,288			37,794			17,411		
Shareholders' equity	153,665			123,590			159,483			130,104		
Total liabilities & equity	\$ 1,626,198			\$ 1,602,535			\$ 1,630,397			\$ 1,574,258		
Cost of funding interest-earning assets (4)			0.68 %			0.17 %			0.73 %			0.27 %
Net interest income and margin (5)		\$ 17,457	4.62 %		\$ 17,149	4.64 %		\$ 18,405	4.89 %		\$ 17,239	4.69 %

- (1) Not computed on a tax-equivalent basis.
- (2) Average nonaccrual loan balances of **\$5.6 million** **\$4.2 million** for 2024 and **\$2.3 million** **\$3.6 million** for 2023 are included in average loan balances for computational purposes.
- (3) Net costs included in loan interest income for the three-month period ended **March 31, 2024** **June 30, 2024** and 2023 were **\$344,000** **\$338,000** and **\$351,000**, **\$231,000**, respectively.
- (4) Total annualized interest expense divided by the average balance of total earning assets.
- (5) Annualized net interest income divided by the average balance of total earning assets.

The following table sets forth changes in interest income and interest expense for the three-month periods indicated and the amount of change attributable to variances in volume, rates and the combination of volume and rates based on the relative changes of volume and rates:

	2024 over 2023 change in net interest income				2024 over 2023 change in net interest income			
	for the three months ended March 31,				for the three months ended June 30			
	(in thousands)				(in thousands)			
	Volume (1)	Rate (2)	Mix (3)	Total	Volume (1)	Rate (2)	Mix (3)	Total
Interest-earning assets:								
Loans	\$ 690	\$ 1,046	\$ 162	\$ 1,898	\$ 882	\$ 1,101	\$ 36	\$ 2,019
Taxable investment securities	248	478	65	791	132	833	29	994

Non-taxable investment securities	(122)	(10)	9	(123)	(366)	71	(30)	(325)
Interest-bearing deposits	(510)	273	(90)	(327)	172	68	9	249
Total interest income	306	1,787	146	2,239	820	2,073	44	2,937
Interest-bearing liabilities:								
Money market deposits	(23)	201	(19)	159	(21)	162	(11)	130
Savings deposits	(33)	15	(1)	(19)	(33)	0	(1)	(34)
Time deposits	47	280	253	580	125	166	65	356
Junior subordinated debentures	(141)	-	-	(141)				
Other borrowings	1,111	3	240	1,354	1,239	7	72	1,318
Repurchase agreements & other	3	(5)	-	(2)	-	1	-	1
Total interest expense	964	494	473	1,931	1,310	336	125	1,771
Net interest income	\$ (658)	\$ 1,293	\$ (327)	\$ 308	\$ (490)	\$ 1,737	\$ (81)	\$ 1,166

- (1) The volume change in net interest income represents the change in average balance divided by the previous year's rate.
- (2) The rate change in net interest income represents the change in rate divided by the previous year's average balance.
- (3) The mix change in net interest income represents the change in average balance multiplied by the change in rate.

**Provision for credit losses.** During the first second quarter of 2024 we recorded a provision for credit losses of \$821,000 \$925,000 consisting of a provision for credit losses on loans of \$900,000 and a decrease in the reserve for unfunded commitments of \$79,000. \$925,000. This compares to a provision for credit losses of \$1,525,000 \$1,350,000 during the 2023 quarter consisting of a provision for credit losses on loans of \$1,250,000 \$1,300,000 and an increase in the reserve for unfunded commitments of \$275,000 during the first quarter of 2023. \$50,000. As time progresses the results of economic conditions will require CECL model assumption inputs to change and further refinements to the estimation process may also be identified. See "Analysis of Asset Quality and Allowance for Loan Credit Losses" for a discussion of loan quality trends and the provision for credit losses.

The following tables present the activity in the allowance for credit losses and the reserve for unfunded commitments during the three months ended March 31, 2024 and 2023 (in thousands).

	March 31, 2024	March 31, 2023
<b>Allowance for Credit Losses</b>		
Balance, beginning of period	\$ 12,867	\$ 10,717
Impact of CECL adoption	-	529
Provision charged to operations	900	1,250
Losses charged to allowance	(680 )	(308 )
Recoveries	70	142
Balance, end of period	\$ 13,157	\$ 12,330
<b>Reserve for Unfunded Commitments</b>		
Balance, beginning of period	\$ 799	\$ 341
Impact of CECL adoption	-	258
Provision charged to operations	(79 )	275
Balance, end of period	\$ 720	\$ 874

**Non-interest income.** During the three months ended March 31, 2024, non-interest Non-interest income totaled \$2.1 million, a decrease of \$1.8 million from the three months ended March 31, 2023. The largest component of this decrease was a \$1.7 million gain on termination of our interest rate swaps during the 2023 quarter. On May 26, 2020 we entered into two separate interest rate swap agreements with notional amounts totaling \$10 million, effectively converting \$10 million in Subordinated Debentures related increased by \$59 thousand to Trust Preferred Securities to fixed rate obligations. During the first quarter of 2023 we terminated these swaps, redeemed the Trust Preferred Securities and paid all principal and interest due under the debentures. As discussed earlier, \$2.2 million during the current period, a \$19.9 million gain on sale quarter. Increases of buildings was \$49 thousand in service charge income, \$50 thousand in Federal Home Loan Bank dividends and \$57 thousand in other non-interest income were partially offset by a \$19.8 million loss on investment securities. declines in interchange income of \$42 thousand and loan servicing fees of \$55 thousand.

The following table describes the components of non-interest income for the three-month periods ended March 31, 2024 June 30, 2024 and 2023, dollars in thousands:



	For the Three Months Ended				For the Three Months Ended			
	March 31,		Dollar Change	Percentage Change	June 30,		Dollar Change	Percentage Change
	2024	2023			2024	2023		
Gain on sale of buildings	\$ 19,854	\$ -	19,854	100.0%				
Interchange income	739	718	21	2.9%	\$ 782	\$ 824	\$ (42)	(5.1)%
Service charges on deposit accounts	715	617	98	15.9%	743	694	49	7.1%
Loan servicing fees	213	236	(23)	(9.7)%	186	241	(55)	(22.8)%
FHLB Dividends	137	88	49	55.7%	136	86	50	58.1%
Earnings on life insurance policies	96	104	(8)	(7.7)%	104	100	4	4.0%
Gain on sale of loans, net	-	230	(230)	(100.0)%				
Gain on termination of interest rate swaps	-	1,707	(1,707)	(100.0)%				
Loss on sale of investment securities	(19,826)	-	(19,826)	(100.0)%				
Other	212	225	(13)	(5.8)%	251	198	53	26.8%
Total non-interest income	\$ 2,140	\$ 3,925	\$ (1,785)	(45.5)%	\$ 2,202	\$ 2,143	\$ 59	2.8%

**Non-interest expense.** During the three months ended March 31, 2024 June 30, 2024, total non-interest expense increased by \$1.2 million \$1.3 million from \$9.2 million \$9.1 million during the first second quarter of 2023 to \$10.4 million during the current quarter. The largest components of this increase were increases an increase in salary and benefit expense of \$417 thousand and an increase in occupancy and equipment costs of \$350,000, salary and benefit expense of \$299,000 and an increase in other expense of \$261,000. \$696 thousand. The increase in salary and benefit expense includes a 5% primarily relates to an increase in salary expense and commissions. Salary expense increased by \$197 thousand which we attribute primarily to merit and promotional salary increases and an increase in commissions of \$107 employees. Commissions increased by \$328 thousand that relates related mostly to SBA production which has been quite strong during 2024. Partially offsetting the increase in salary and commission expense was an increase in SBA 7(a) loan production. Deferral the deferral of loan origination costs increased by \$138,000 also cost of \$254 thousand related to the increase in SBA 7(a) loan production. The increase in occupancy Occupancy and equipment costs relates increased by \$696 thousand related to an increase in rental rent expense of \$685 thousand related to the sales/leaseback. The Company leases twelve depository branches, one of which is a land lease on which we own the building, two lending offices, three administrative offices and two non-branch automated teller machine locations. The expiration dates of the leases vary, with the first such lease expiring during 2025 and the last such lease expiring during 2044. Including variable lease expense, total rent expense was \$514,000 and \$168,000 during the three months ended March 31, 2024 and 2023, respectively. The increase in other expense mostly relates to nonrecurring expenses. leaseback transaction.

The following table describes the components of non-interest expense for the three-month periods ended March 31, 2024 June 30, 2024 and 2023, dollars in thousands:

	For the Three Months Ended				For the Three Months Ended			
	March 31,		Dollar Change	Percentage Change	June 30,		Dollar Change	Percentage Change
	2024	2023			2024	2023		
Salaries and employee benefits	\$ 5,366	\$ 5,067	\$ 299	5.9%	\$ 5,283	\$ 4,866	\$ 417	8.6%
Occupancy and equipment	1,690	1,340	350	26.1%	1,949	1,253	696	55.5%
Outside service fees	1,132	994	138	13.9%	1,184	1,181	3	0.3%
Professional fees	439	342	97	28.4%	329	284	45	15.8%
Armored car and courier					220	182	38	20.9%
Advertising and shareholder relations	244	179	65	36.3%	214	281	(67)	(23.8)%
Business development					210	166	44	26.5%
Telephone and data communication	222	200	22	11.0%	204	203	1	0.5%
Armored car and courier	203	165	38	23.0%				
Director compensation and expense					199	196	3	1.5%
Deposit insurance	187	188	(1)	(0.5)%	185	182	3	1.6%
Director compensation and expense	167	242	(75)	(31.0)%				
Business development	153	139	14	10.1%				
Loan collection expenses	104	130	(26)	(20.0)%	117	87	30	34.5%
Amortization of Core Deposit Intangible	51	60	(9)	(15.0)%	51	60	(9)	(15.0)%
Other	439	178	261	146.6%	251	157	94	59.9%



Total non-interest expense	\$ 10,397	\$ 9,224	\$ 1,173	12.7 %	\$ 10,396	\$ 9,098	\$ 1,298	14.3 %
----------------------------	-----------	----------	----------	--------	-----------	----------	----------	--------

**Provision for income taxes.** The Company recorded an income tax provision of \$2.1 \$2.5 million, or 25.4% 26.9% of pre-tax income, for the three months ended March 31, 2024 June 30, 2024. This compares to an income tax provision of \$2.7 \$2.3 million, or 26.2% 25.5% of pre-tax income, for the three months ended March 31, 2023 June 30, 2023. The percentages for 2024 and 2023 differ from statutory rates as tax exempt items of income such as earnings on Bank owned life insurance and municipal securities interest decrease taxable income.

## FINANCIAL CONDITION

Total assets on March 31, 2024 June 30, 2024, were \$1.6 billion, an increase of \$29.9 million \$32 million from December 31, 2023. Net loans increased by \$17.5 million \$38 million from \$948.6 million \$949 million on December 31, 2023, to \$966.1 million \$987 million at March 31, 2024 June 30, 2024. Cash and cash equivalents increased by \$42.6 million \$24 million to \$128.2 million \$110 million on December 31, 2023 June 30, 2024. Related to the sales/leaseback transaction right-of use assets increased by \$22.4 million. \$22 million. These increases were offset by declines of \$41.7 \$44 million in investment securities, \$6.0 million in property and equipment and \$4.9 million \$2 million in all other assets. Deposits totaled \$1.3 billion March 31, 2024 June 30, 2024, a decrease of \$34.0 million \$29 million from December 31, 2023. Borrowings increased by \$30 million from \$90 million on December 31, 2023, to \$120 million on March 31, 2024 June 30, 2024. Shareholders' equity increased by \$14.2 million \$18 million from \$147.3 million \$147 million on December 31, 2023, to \$161.5 \$165 million on March 31, 2024 June 30, 2024. A detailed discussion of each of these changes follows.

**Loan Portfolio.** Gross loans increased by \$17 million, \$39 million, or 2% 4%, from \$959 million \$958.6 million at December 31, 2023, to \$976 \$997.3 million at March 31, 2024 June 30, 2024. Increases in loans included \$19 \$44 million in commercial real estate loans, \$7 million \$10 million in construction loans, and \$7 million in commercial loans; loans and \$1 million in equity lines of credit; these items were offset by declines of \$9 million \$17 million in automobile loans and \$6 million in agricultural loans and \$1 million in equity lines of credit. loans. Although the Company offers a broad array of financing options, it continues to concentrate its focus on small to medium sized commercial businesses. These loans offer diversification as to industries and types of businesses, thus limiting material exposure in any industry concentrations. The Company offers both fixed and floating rate loans and obtains collateral in the form of real property, business assets and deposit accounts, but looks to business and personal cash flows as its primary source of repayment. In the fourth quarter of 2023 we terminated our indirect auto loan program. Ending this program, which was our lowest yielding loan segment, also improved our loan loss risk profile since this program had historically higher charge-off rates. Terminating this program also improved our consumer compliance risk profile.

As shown in the following table the Company's largest lending categories are commercial real estate loans, agricultural loans, commercial loans and auto loans.

(dollars in thousands)	Percent of Loans in Each		Percent of Loans in Each		Percent of Loans in Each		Percent of Loans in Each	
	Balance at End	Category to	Balance at End	Category to	Balance at End	Category to	Balance at End	Category to
	of Period	Total Loans	of Period	Total Loans	of Period	Total Loans	of Period	Total Loans
	03/31/2024	03/31/2024	12/31/2023	12/31/2023	06/30/2024	06/30/2024	12/31/2023	12/31/2023
Commercial	\$ 82,136	8.4 %	\$ 74,271	7.8 %	\$ 81,170	8.1 %	\$ 74,271	7.8 %
Agricultural	123,239	12.6 %	129,389	13.5 %	123,661	12.4 %	129,389	13.5 %
Real estate – residential	11,872	1.2 %	11,914	1.2 %	11,755	1.2 %	11,914	1.2 %
Real estate – commercial	562,870	57.7 %	544,339	56.8 %	588,332	59.0 %	544,339	56.8 %
Real estate – construction & land	64,547	6.6 %	57,717	6.0 %	67,960	6.8 %	57,717	6.0 %
Equity Lines of Credit	37,196	3.8 %	37,871	4.0 %	38,446	3.9 %	37,871	4.0 %
Auto	89,399	9.2 %	98,132	10.2 %	80,751	8.1 %	98,132	10.2 %
Other	4,953	0.5 %	4,931	0.5 %	5,259	0.5 %	4,931	0.5 %
Total Gross Loans	\$ 976,212	100 %	\$ 958,564	100 %	\$ 997,334	100 %	\$ 958,564	100 %

The Company's real estate related loans, including real estate mortgage loans, real estate construction and land development loans, consumer equity lines of credit, and agricultural loans secured by real estate, comprised 78% 79% of the total loan portfolio at March 31, 2024 June 30, 2024. Moreover, the business activities of the Company currently are focused in the California counties of Butte, Lassen, Modoc, Nevada, Placer, Plumas, Shasta and Sutter and in Washoe and Carson City Counties in Northern Nevada. Consequently, the results of operations and financial condition of the Company are dependent upon the general trends in these economies and, in particular, the commercial real estate markets. In addition, the concentration of the Company's operations in these areas of Northeastern California and Northwestern Nevada exposes it to greater risk than other banking companies with a wider geographic base in the event of catastrophes, such as earthquakes, fires and floods in these regions.

Commercial real estate loans ("CRE"), which comprised 59% of the lending portfolio at June 30, 2024, included 26% investor-owned, 24% owner-occupied, and 9% multi-family. Concentrations by real estate type within the CRE portfolio included 15% multi-family, 13% retail, 12% office, 11% mixed commercial real estate, 8% hospitality, 7% industrial, and 6% mini storage facilities, with all remaining concentrations below 5%. There were no rent-controlled properties within the multi-family category. Office facilities are typically small and located in more rural areas. 36% of CRE loans were located in northern Nevada and 43% were located in northern California, including the Sacramento area. Of the \$2.5 million in non-accrual balances at June 30, 2024, approximately 33% were CRE. Of the \$18.0 million in substandard balances at June 30, 2024, 10% were CRE, much of which was related to a single borrower who has not missed payments.

CRE loans consist of term loans secured by a mortgage lien on real property and include both owner occupied CRE loans as well as investor-owned loans. Investor-owned CRE loans consist of mortgage loans to finance investments in real property that may include, but are not limited to, multi-family, industrial, office, retail and other specific use properties. The primary risk characteristics in the investor-owned portfolio include impacts of overall leasing rates, absorption timelines, levels of vacancy rates and operating expenses. The Company requires collateral values in excess of the loan amounts, cash flows in excess of expected debt service requirements and equity investment in the project. The expected cash flows from all significant new or renewed income producing property commitments are stress tested to reflect the risks in varying interest rates, vacancy rates and rental rates. Inherent lending risks are monitored on a continuous basis through quarterly monitoring and the Bank's annual underwriting process, incorporating an analysis of cash flow, collateral, market conditions and guarantor liquidity, if applicable. CRE loan policies are specific to individual product types and underwriting parameters vary depending on the risk profile of each asset class. CRE loan policies are reviewed no less than annually by management and approved by the Company's Board of Directors to ensure they align with current market conditions and the Company's moderate risk appetite. CRE concentration limits have been established by product type and are monitored quarterly by the Company's Board of Directors.

The rates of interest charged on variable rate loans are set at specific increments in relation to the Company's lending rate or other indexes such as the published prime interest rate or U.S. Treasury rates and vary with changes in these indexes. The frequency in which variable rate loans reprice can vary from one day to several years. At March 31, 2024 June 30, 2024 and December 31, 2023, approximately 76% 75% and 78%, respectively, of the Company's loan portfolio was comprised of variable rate loans. Loans indexed to the prime interest rate were approximately 19% 25% of the Company's variable rate loan portfolio; these loans reprice within one day to three months of a change in the prime rate. The remainder of the Company's variable rate loans mostly consist of commercial real estate loans tied to U.S. Treasury rates and reprice every five years. Approximately 72% of the variable rate loans are indexed to the five-year T-Bill rate and reprice every five years. While real estate mortgage, agricultural, commercial and consumer lending remain the foundation of the Company's historical loan mix, some changes in the mix have occurred due to the changing economic environment and the resulting change in demand for certain loan types.

**Analysis of Asset Quality and Allowance for Credit Losses.** The Company attempts to minimize credit risk through its underwriting and credit review policies. The Company's credit review process includes internally prepared credit reviews as well as contracting with an outside firm to conduct periodic credit reviews. The Company's management and lending officers evaluate the loss exposure of classified and nonaccrual loans on a quarterly basis, or more frequently as loan conditions change. The Management Asset Resolution Committee (MARC) reviews the asset quality of criticized and past due loans monthly and reports the findings to the full Board of Directors. In management's opinion, this loan review system helps facilitate the early identification of potential criticized loans. MARC also provides guidance for the maintenance and timely disposition of OREO properties including developing financing and marketing programs to incent individuals to purchase OREO. MARC consists of the Bank's Chief Executive Officer, Chief Financial Officer and Chief Credit Officer, and the activities are governed by a formal written charter. The MARC meets monthly and reports to the Board of Directors.

The allowance for credit losses is established through charges to earnings in the form of the provision for credit losses. Loan losses are charged to, and recoveries are credited to, the allowance for credit losses. The allowance for credit losses is maintained at a level deemed appropriate by management to provide for known and inherent risks in the loan portfolio.

To estimate expected losses the Company generally utilizes historical loss trends and the remaining contractual lives of the loan portfolios to determine estimated credit losses through a reasonable and supportable forecast period. Individual loan credit quality indicators including loan grade and borrower repayment performance have been statistically correlated with historical credit losses and various economic metrics including California unemployment rates, California Housing Prices and California gross domestic product. Model forecasts may be adjusted for inherent limitations or biases that have been identified through independent validation and back-testing of model performance to actual realized results. At both December 31, 2023 and March 31, 2024 June 30, 2024, the Company utilized a reasonable and supportable forecast period of approximately four quarters and obtained the forecast data from publicly available sources. The Company also considered the impact of portfolio concentrations, changes in underwriting practices, imprecision in its economic forecasts, and other risk factors that might influence its loss estimation process. Management believes that the allowance for credit losses at March 31, 2024 June 30, 2024, appropriately reflected expected credit losses inherent in the loan portfolio at that date.

In determining the allowance for credit losses, accruing loans with similar risk characteristics are generally evaluated collectively. The Company's policy is that loans designated as nonaccrual no longer share risk characteristics similar to other loans evaluated collectively and as such, all nonaccrual loans are individually evaluated for reserves. As of March 31, 2024 June 30, 2024, the Bank's nonaccrual loans comprised the entire population of loans individually evaluated. The Company's policy is that nonaccrual loans also represent the subset of loans in which borrowers are experiencing financial difficulty such that an evaluation of the source of repayment is required to determine if the nonaccrual loans should be categorized as collateral dependent.

The following table provides certain information for the dates indicated with respect to the Company's allowance for credit losses as well as charge-off and recovery activity.

(dollars in thousands)	For the Three Months Ended					For the Six Months Ended				
	March 31,		December 31,			June 30,		December 31,		
	2024	2023	2023	2022	2021	2024	2023	2023	2022	2021
Balance at beginning of period	\$ 12,867	\$ 10,717	\$ 10,717	\$ 10,352	\$ 9,902	\$ 12,867	\$ 10,717	\$ 10,717	\$ 10,352	\$ 9,902
Impact of CECL Adoption	-	529	529	-	-	-	529	529	-	-
Adjusted balance	12,867	11,246	11,246	10,352	9,902	12,867	11,246	11,246	10,352	9,902
Charge-offs:										
Commercial	43	-	123	207	188	65	49	123	207	188
Agricultural	-	-	-	-	-	-	-	-	-	-
Real estate – residential	-	-	-	-	-	-	-	-	-	-
Real estate – commercial	-	-	-	19	-	-	-	-	19	-
Real estate – construction & land	-	-	-	-	-	-	-	-	-	-
Equity Lines of Credit	-	-	-	-	-	-	-	-	-	-
Auto	633	293	1,550	1,195	703	896	604	1,550	1,195	703
Other	4	15	129	40	47	49	85	129	40	47
Total charge-offs	680	308	1,802	1,461	938	1,010	738	1,802	1,461	938
Recoveries:										
Commercial	9	6	44	27	72	15	12	44	27	72
Agricultural	-	-	-	-	-	-	-	-	-	-
Real estate – residential	1	1	3	3	3	2	2	3	3	3
Real estate – commercial	-	1	1	2	8	-	1	1	2	8
Real estate – construction & land	-	-	-	-	-	-	-	-	-	-
Equity Lines of Credit	-	-	-	-	4	-	-	-	-	4
Auto	57	131	746	482	136	376	305	746	482	136
Other	3	3	54	12	40	7	7	54	12	40
Total recoveries	70	142	848	526	263	400	327	848	526	263
Net charge-offs	610	166	954	935	675	610	411	954	935	675
Provision for credit losses - loans	900	1,250	2,575	1,300	1,125	1,825	2,550	2,575	1,300	1,125
Balance at end of period	\$ 13,157	\$ 12,330	\$ 12,867	\$ 10,717	\$ 10,352	\$ 14,082	\$ 13,385	\$ 12,867	\$ 10,717	\$ 10,352
Net charge-offs during the period to average loans (annualized for the three-month periods)	0.25%	0.07%	0.10%	0.11%	0.09%					
Net charge-offs during the period to average loans (annualized for the six-month periods)						0.13%	0.09%	0.10%	0.11%	0.09%
Allowance for credit losses to total loans	1.35%	1.35%	1.34%	1.18%	1.23%	1.41%	1.43%	1.34%	1.18%	1.23%

The following table provides a breakdown of the allowance for credit losses at **March 31, 2024**, **June 30, 2024** and December 31, 2023:

(dollars in thousands)	Percent of		Percent of		Percent of		Percent of	
	Loans in Each		Loans in Each		Loans in Each		Loans in Each	
	Balance at End	Category to	Balance at End	Category to	Balance at End	Category to	Balance at End	Category to
	of Period	Total Loans	of Period	Total Loans	of Period	Total Loans	of Period	Total Loans
	3/31/2024	3/31/2024	12/31/2023	12/31/2023	6/30/2024	6/30/2024	12/31/2023	12/31/2023
Commercial	\$ 1,311	8.4%	\$ 1,134	7.8%	\$ 1,426	8.1%	\$ 1,134	7.8%
Agricultural	1,652	12.6%	1,738	13.5%	1,780	12.4%	1,738	13.5%

Real estate – residential	134	1.2%	137	1.2%	121	1.2%	137	1.2%
Real estate – commercial	6,917	57.7%	6,678	56.8%	7,581	59.0%	6,678	56.8%
Real estate – construction & land development	918	6.6%	797	6.0%	973	6.8%	797	6.0%
Equity Lines of Credit	437	3.8%	439	4.0%	458	3.9%	439	4.0%
Auto	1,700	9.2%	1,865	10.2%	1,654	8.1%	1,865	10.2%
Other	88	0.5%	79	0.5%	89	0.5%	79	0.5%
Total	<u>\$ 13,157</u>	<u>100 %</u>	<u>\$ 12,867</u>	<u>100 %</u>	<u>\$ 14,082</u>	<u>100 %</u>	<u>\$ 12,867</u>	<u>100 %</u>

The allowance for credit losses totaled **\$13.2 million** **\$14.1 million** at **March 31, 2024** **June 30, 2024**, and \$12.9 million at December 31, 2023. At least quarterly, the Company evaluates each specific reserve and if it determines that the loss represented by the specific reserve is uncollectable it records a charge-off for the uncollectable portion. Specific reserves related to collateral dependent loans totaled **\$27,000** and **\$28,000** at **March 31, 2024** **June 30, 2024**, and December 31, 2023, **respectively**. The allowance for credit losses as a percentage of total loans was **1.35%** **1.41%** on **March 31, 2024** **June 30, 2024**, and 1.34% on December 31, 2023.

The following table sets forth the amount of the Company's nonperforming assets as of the dates indicated.

	At March 31, 2024	At December 31, 2023 2022 2021		
		<i>(dollars in thousands)</i>		
Nonaccrual loans	\$ 5,610	\$ 4,820	\$ 1,172	\$ 4,863
Loans past due 90 days or more and still accruing	-	-	-	-
Total nonperforming loans	5,610	4,820	1,172	4,863
Other real estate owned	357	357	0	487
Other vehicles owned	33	138	18	47
Total nonperforming assets	<u>\$ 6,000</u>	<u>\$ 5,315</u>	<u>\$ 1,190</u>	<u>\$ 5,397</u>
Interest income forgone on nonaccrual loans	\$ 181	\$ 257	\$ 121	\$ 381
Interest income recorded on a cash basis on nonaccrual loans	\$ -	\$ -	\$ -	\$ -
Nonperforming loans to total loans	0.57 %	0.50 %	0.13 %	0.58 %
Nonperforming assets to total assets	0.37 %	0.33 %	0.07 %	0.33 %

Nonperforming loans at March 31, 2024 were \$5.6 million, an increase of \$790,000 from \$4.8 million at December 31, 2023.

	At June 30, 2024	At December 31, 2023 2022 2021		
		<i>(dollars in thousands)</i>		
Nonaccrual loans	\$ 2,548	\$ 4,820	\$ 1,172	\$ 4,863
Loans past due 90 days or more and still accruing	6,426	-	-	-
Total nonperforming loans	8,974	4,820	1,172	4,863
Other real estate owned	141	357	-	487
Other vehicles owned	33	138	18	47
Total nonperforming assets	<u>\$ 9,148</u>	<u>\$ 5,315</u>	<u>\$ 1,190</u>	<u>\$ 5,397</u>
Interest income forgone on nonaccrual loans	\$ 121	\$ 257	\$ 121	\$ 381
Interest income recorded on a cash basis on nonaccrual loans	\$ -	\$ -	\$ -	\$ -
Nonperforming loans to total loans	0.90 %	0.50 %	0.13 %	0.58 %
Nonperforming assets to total assets	0.56 %	0.33 %	0.07 %	0.33 %

The Company places loans 90 days or more past due on nonaccrual status unless the loan is well secured and in the process of collection. A loan is considered to be in the process of collection if, based on a probable specific event, it is expected that the loan will be repaid or brought current. Generally, this collection period would not exceed 90 days. When a loan is placed on nonaccrual status the Company's general policy is to reverse and charge against current income previously accrued but unpaid interest. Interest income on such loans is subsequently recognized only to the extent that cash is received and future collection of principal is deemed by management to be probable. Where the collectability of the principal or interest on a loan is considered to be doubtful by management, it is placed on nonaccrual status prior to becoming 90 days delinquent.

Nonperforming loans at June 30, 2024 were \$9.0 million, an increase of \$4.2 million from \$4.8 million at December 31, 2023. Included in nonperforming loans at June 30, 2024 were agricultural loans from one borrower totaling \$6.2 million which were over 90 days past due but not nonaccrual. We received payments on these loans totaling \$1.6 million in July and concurrently with these payments we extended the maturity of the loans to August 15, 2024 which allows time for the borrower to sell the crops securing the remaining balance of principal and interest on the loans. Nonaccrual loans totaled \$2.5 million at June 30, 2024, and \$4.8 million at December 31, 2023.

A substandard loan is not adequately protected by the current sound worth and paying capacity of the borrower or the value of the collateral pledged, if any. Total substandard loans decreased by \$0.3 million \$3.7 million from \$21.7 million on December 31, 2023, to \$21.4 million \$18.0 million on March 31, 2024 June 30, 2024. Loans classified as special mention increased by \$1.3 million \$0.4 million from \$9.3 million on December 31, 2023, to \$10.6 million \$9.7 million on March 31, 2024 June 30, 2024.

It is the policy of management to make additions to the allowance for credit losses so that it remains appropriate to absorb the inherent risk of loss in the portfolio. Management believes that the allowance on March 31, 2024 June 30, 2024, is appropriate. However, the determination of the amount of the allowance is judgmental and subject to economic conditions which cannot be predicted with certainty. Accordingly, the Company cannot predict whether charge-offs of loans in excess of the allowance may occur in future periods.

OREO represent real property acquired by the Bank either through foreclosure or through a dead deed in lieu thereof from the borrower. Repossessed assets include vehicles and other commercial assets acquired under agreements with delinquent borrowers. OREO holdings represented one property totaling \$357,000 \$141,000 on March 31, 2024 June 30, 2024, and one property totaling \$357,000 at December 31, 2023.

Nonperforming assets as a percentage of total assets were 0.37% 0.56% at March 31, 2024 June 30, 2024 and 0.33% at December 31, 2023.

The following table provides a summary of the change in the number and balance of OREO properties for the three six months ended March 31, 2024 June 30, 2024 and 2023 (dollars in thousands):

	Three Months Ended March 31,				Six Months Ended June 30,			
	#	2024	#	2023	#	2024	#	2023
Beginning Balance	1	\$ 357	-	\$ -	1	\$ 357	-	\$ -
Additions	-	-	1	83	1	141	1	83
Dispositions	-	-	-	-	1	(357)	-	-
Provision from change in OREO valuation	-	-	-	-	-	-	-	-
Ending Balance	1	\$ 357	1	\$ 83	1	\$ 141	1	\$ 83

**Investment Portfolio and Federal Funds Sold.** Total investment securities were \$447.4 million \$445.1 million as of March 31, 2024 June 30, 2024, and \$489.2 million at December 31, 2023. Net unrealized Unrealized losses on available-for-sale investment securities totaling \$33.2 million \$35,645,000 were recorded, net of \$9.8 million \$10,536,000 in tax benefit, as accumulated other comprehensive income loss within shareholders' equity at March 31, 2024 June 30, 2024. Net unrealized losses on available-for-sale investment securities totaling \$46.1 million were recorded, net of \$13.6 million in tax benefit, as accumulated other comprehensive loss within shareholders' equity at December 31, 2023. During the three six months ended March 31, 2024 June 30, 2024 we sold \$115 million in investment securities having a weighted average tax equivalent yield of 2.24% recording a \$19.8 million loss on sale. Beginning in December 2023 and ending on March 27, 2024 we purchased \$120 million in investments securities having a weighted average tax equivalent yield of 5.25%. These sales and purchases were made as part of the investment restructure described earlier. No securities were sold during the three six months ended March 31, 2023 June 30, 2023.

The investment portfolio at March 31, 2024 June 30, 2024, consisted of \$6.9 million \$3.9 million in U.S. Treasury securities, \$229.6 million \$352.6 million in securities of U.S. Government-sponsored agencies \$123.1 million in securities of and U.S. Government-agencies Government agencies, and 171 173 municipal securities totaling \$87.8 \$88.6 million. The investment portfolio at December 31, 2023 consisted of \$6.9 million in U.S. Treasury securities, \$235.9 million \$351.9 million in securities of U.S. Government-sponsored agencies \$116.0 million in securities of and U.S. Government-agencies Government agencies and 244 municipal securities totaling \$130.4 million.

There were no Federal funds sold at March 31, 2024 June 30, 2024, and December 31, 2023; however, the Bank maintained interest earning balances at the Federal Reserve Bank totaling \$100.2 million \$75.2 million at March 31, 2024 June 30, 2024 and \$52.9 million at December 31, 2023. The balance, on March 31, 2024 June 30, 2024, earns interest at the

rate of 5.40%.

The Company classifies its investment securities as available-for-sale or held-to-maturity. Currently all securities are classified as available-for-sale. Securities classified as available-for-sale may be sold to implement the Company's asset/liability management strategies and in response to changes in interest rates, prepayment rates and similar factors.

The following table shows the distribution of deposits by type at **March 31, 2024** **June 30, 2024** and December 31, 2023.

	Percent of Deposits in Each		Percent of Deposits in Each		Percent of Deposits in Each		Percent of Deposits in Each	
	Balance at End of Period	Category to Total Deposits	Balance at End of Period	Category to Total Deposits	Balance at End of Period	Category to Total Deposits	Balance at End of Period	Category to Total Deposits
<i>(dollars in thousands)</i>								
Distribution of Deposits by Type	03/31/2024	03/31/2024	12/31/2023	12/31/2023	06/30/2024	06/30/2024	12/31/2023	12/31/2023
Non-interest bearing	\$ 665,975	51.2 %	\$ 692,768	51.9 %	\$ 670,652	51.4 %	\$ 692,768	51.9 %
Money Market	214,257	16.5 %	214,185	16.1 %	214,063	16.4 %	214,185	16.1 %
Savings	328,781	25.3 %	335,050	25.1 %	322,081	24.7 %	335,050	25.1 %
Time	90,675	7.0 %	91,652	6.9 %	97,791	7.5 %	91,652	6.9 %
Total Deposits	\$ 1,299,688	100 %	\$ 1,333,655	100 %	\$ 1,304,587	100 %	\$ 1,333,655	100 %

Total deposits were \$1.3 billion at **March 31, 2024** **June 30, 2024**, a decrease of **\$34.0 million** **\$29 million** from December 31, 2023. The decrease in deposits includes decreases of **\$26.8 million** **\$22 million** in demand deposits **\$6.2 million** and **\$13 million** in savings, and **\$1.0 million** in time deposits. savings. Partially offsetting these decreases was an increase in time deposit deposits of **\$43 million** **\$6 million**. We attribute much of the decrease to the current interest rate environment as we have seen some deposits leave for higher rates and some customers reluctant to borrow to fund operating expense and instead have drawn down their excess deposit balances. Beginning in April 2023 we began offering a time deposit promotion offering 7-month and 11-month time deposits at an interest rate of 4%. Effective June 30, 2023 we discontinued this promotion which generated \$46 million in deposits. However, beginning in the fourth quarter of 2023 we allowed those customers who had promotional time deposits to renew those deposits at similar terms. At **March 31, 2024** **June 30, 2024**, 51% of the Company's deposits were in the form of non-interest-bearing demand deposits. The Company has no brokered deposits.

Deposits represent the Bank's primary source of funds. Deposits are primarily core deposits in that they are demand, savings and time deposits generated from local businesses and individuals. These sources are considered to be relatively stable, long-term relationships thereby enhancing steady growth of the deposit base without major fluctuations in overall deposit balances. However, during 2023 and continuing into **the first quarter of 2024** we have experienced a decline in these core deposits. The Company experiences, to a small degree, some seasonality with the slower growth period between November through April, and the higher growth period from May through October. To assist in meeting any funding demands, the Company maintains several borrowing agreements as described below.

Estimated uninsured deposits totaled **\$400 million** **\$423 million** and \$416 million at **March 31, 2024** **June 30, 2024**, and December 31, 2023, respectively. Uninsured amounts are estimated based on the portion of the account balances in excess of FDIC insurance limits.

The following table presents the maturity distribution of the portion of time deposits in excess of the FDIC insurance limit.

Maturity Distribution of Estimated Uninsured Time Deposits					
		March 31,	December 31,	June 30,	December 31,
		2024	2023	2024	2023
<i>(dollars in thousands)</i>					
Remaining maturity:					
Three months or less	\$	8,825	\$ 6,044	\$ 4,928	\$ 6,044
After three through six months		4,918	10,097	3,822	10,097
After six through twelve months		4,164	5,428	11,875	5,428
After twelve months		757	757	566	757
Total	\$	18,664	\$ 22,326	\$ 21,191	\$ 22,326



**Repurchase Agreements.** The Bank offers a repurchase agreement product for its larger customers which use securities sold under agreements to repurchase as an alternative to interest-bearing deposits. Securities sold under agreements to repurchase totaling \$19.3 million \$13.9 million and \$23.1 million at March 31, 2024 June 30, 2024 and December 31, 2023, respectively, are secured by U.S. Government agency securities with a carrying amount of \$30.2 million \$29.8 million and \$34.1 million at March 31, 2024 June 30, 2024 and December 31, 2023, respectively. Interest paid on this product is similar to, but less than, that which is paid on the Bank's money market accounts; however, these are not deposits and are not FDIC insured.

**Short-term Borrowing Arrangements.** The Company is a member of the Federal Home Loan Bank of San Francisco (FHLB) and can borrow up to \$237 million \$234 million from the FHLB secured by commercial and residential mortgage loans with carrying values totaling \$431 million. The Company is required to hold FHLB stock as a condition of membership. At March 31, 2024 June 30, 2024, the Company held \$6.2 million of FHLB stock which is recorded as a component of other assets.

The Federal Reserve Board, on March 12, 2023, announced the creation of the Bank Term Funding Program (BTFP). The BTFP offers loans of up to one year in length to banks, savings associations, credit unions, and other eligible depository institutions pledging U.S. Treasuries, agency debt and mortgage-backed securities, and other qualifying assets as collateral. These assets will be valued at par. At December 31, 2023, the Company had outstanding borrowings under the BTFP totaling \$80 million. In January 2024 the Company borrowed an additional \$25 million under the BTFP for a total of \$105 million outstanding at March 31, 2024 June 30, 2024. This borrowing accrues interest at the rate of 4.85% and is payable on January 17, 2025. Borrowings under the BTFP can be prepaid without penalty. Interest expense recognized on the BTFP borrowings for the three six months ended March 31, 2024, June 30, 2024 and 2023, totaled \$1.2 million, \$2.5 million and \$0, respectively. In addition to its FHLB borrowing line and the BTFP, the Company has unsecured short-term borrowing agreements with two of its correspondent banks in the amounts of \$50 million and \$20 million. There were no outstanding borrowings to from the FHLB or the correspondent banks at March 31, 2024 June 30, 2024, and December 31, 2023.

**Note Payable.** On January 25, 2022 the Company replaced its existing \$15 million line of credit facility with a \$15 million Loan Agreement (the "Loan Agreement") and Promissory Note (the "Term Note"). The Term Note matures on January 25, 2035 and can be prepaid at any time. During the initial three years of the Loan Agreement the Term Note functions as an interest only revolving line of credit. Beginning on year four the Term Note converts into a term loan requiring semi-annual principal and interest payments and no further advances can be made. The proceeds of this lending facility shall be used by the Company for general corporation purposes, and to provide capital injections into the Bank. The Term Note bears interest at a fixed rate of 3.85% for the first 5 years and then at a floating interest rate linked to WSJ Prime Rate for the remaining eight year term. The Loan Agreement provides for a \$187,500 loan fee. The Note is secured by the common stock of the Bank. The Loan Agreement contains certain financial and non-financial covenants, which include, but are not limited to, a minimum leverage ratio at the Bank, a minimum total risk-based capital ratio at the Bank, a maximum Texas Ratio at the Bank, a minimum level of Tier 1 capital at the Bank and a return on average assets needed to generate a 1.25X debt service coverage ratio. The Loan Agreement also contains customary events of default, including, but not limited to, failure to pay principal or interest, the commencement of certain bankruptcy proceedings, and certain adverse regulatory events affecting the Company or the Bank. Upon the occurrence of an event of default under the Loan Agreement, the Company's obligations under the Loan Agreement may be accelerated. In March 2023 the Company borrowed \$10 million on this note and used the proceeds to redeem its Trust Preferred securities as described below securities. During the first quarter January of 2024 the Company borrowed an additional \$5 million under this note for general corporate purposes. The Company was in compliance with all covenants related to the Term Note at March 31, 2024 June 30, 2024. Interest expense recognized on the Term Note for the three six months ended March 31, 2024 June 30, 2024 and 2023 totaled \$151,000 \$313,000 and \$55,000, \$141,000, respectively.

#### Capital Resources

Shareholders' equity increased by \$14.2 million \$17.8 million from \$147.3 million at December 31, 2023 to \$161.5 million \$165.1 million at March 31, 2024 June 30, 2024. The \$14.2 million \$17.8 million increase was related to net income during the three six months ended March 31, 2024 June 30, 2024, of \$6.2 million \$13.0 million, stock option activity of \$459,000, \$623,000 and a decrease of other compressive comprehensive loss of \$9.0 million \$7.4 million related to the investment portfolio restructuring. restructuring partially offset by shareholder dividends of \$1.6 million \$3.2 million.

It is the policy of the Company to periodically distribute excess retained earnings to the shareholders through the payment of cash dividends. Such dividends help promote shareholder value and capital adequacy by enhancing the marketability of the Company's stock. All authority to provide a return to the shareholders in the form of a cash or stock dividend or split rests with the Board of Directors. The Board will periodically, but on no regular schedule, review the appropriateness of a cash dividend payment. Banking regulations limit the amount of dividends that may be paid without prior approval of regulatory agencies. The Company is subject to various restrictions on the payment of dividends. The Company paid a quarterly cash dividend of \$0.27 per share on May 15, 2024 and February 15, 2024, and a quarterly cash dividend of \$0.25 per share on November 15, 2023, August 15, 2023, May 15, 2023, and February 15, 2023.

**Capital Standards.** The Company uses a variety of measures to evaluate its capital adequacy. Management reviews these capital measurements on a monthly basis and takes appropriate action to ensure that they are within established internal and external guidelines. The FDIC has promulgated risk-based capital guidelines for all state non-member banks such as the Bank. These guidelines establish a risk-adjusted ratio relating capital to different categories of assets and off-balance sheet exposures.

In July, 2013, the federal bank regulatory agencies adopted rules implementing the Basel Committee on Banking Supervision's capital guidelines for U.S. depository organizations, sometimes called "Basel III," that increased the minimum regulatory capital requirements for bank holding companies and depository institutions and implemented strict eligibility criteria for regulatory capital instruments. The Basel III capital rules include a minimum common equity Tier 1 ratio of 4.5%, a Tier 1 capital ratio of 6.0%, a total risk-based capital ratio of 8.0%, and a minimum leverage ratio of 4.0% (calculated as Tier 1 capital to average consolidated assets). The minimum capital levels required to be considered "well capitalized" include a common equity Tier 1 ratio of 6.5%, a Tier 1 risk-based capital ratio of 8.0%, a total risk-based capital ratio of 10.0% and a leverage ratio of 5.0%. In addition, the Basel III capital rules require that banking organizations maintain a capital conservation buffer of 2.5% above the minimum capital requirements in order to avoid restrictions on their ability to pay dividends, repurchase stock or pay discretionary bonuses. Including the capital conservation buffer of 2.5%, the Basel III capital rules require the following minimum ratios for a bank holding company or bank to be considered well capitalized: a common equity Tier 1 capital ratio of 7.0%; a Tier 1 capital ratio of 8.5%, and a total capital ratio of 10.5%. At **March 31, 2024** **June 30, 2024** and December 31, 2023, the Bank's capital ratios exceeded the thresholds necessary to be considered "well capitalized" under the Basel III framework.

Under the FRB's Small Bank Holding Company and Savings and Loan Holding Company Policy Statement (the "Policy Statement"), qualifying bank holding companies with less than \$3 billion in consolidated assets are exempt from the Basel III consolidated capital rules. The Company qualifies for treatment under the Policy Statement and is not currently subject to the Basel III consolidated capital rules at the bank holding company level. The Basel III capital rules continue to apply to the Bank.

In 2019, the federal bank regulators issued a rule establishing a "community bank leverage ratio" (the ratio of a bank's tier 1 capital to average total consolidated assets) that qualifying institutions with less than \$10 billion in assets may elect to use in lieu of the generally applicable leverage and risk-based capital requirements under Basel III. A qualifying banking organization that elects to use the new ratio will be considered to have met all applicable federal regulatory capital and leverage requirements, including the minimum capital levels required to be considered "well capitalized" if it maintains a community bank leverage ratio exceeding 9%. The new rule became effective on January 1, 2020. Plumas Bank has chosen not to opt into the community bank leverage ratio at this time.

The following table sets forth the Bank's actual capital amounts and ratios (dollar amounts in thousands):

	Minimum Amount of Capital Required						Minimum Amount of Capital Required					
	To be Well-Capitalized						To be Well-Capitalized					
			For Capital		Under Prompt				For Capital		Under Prompt	
	Actual		Adequacy Purposes (1)		Corrective Provisions		Actual		Adequacy Purposes (1)		Corrective Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
<b>March 31, 2024</b>												
<b>June 30, 2024</b>												
Common Equity Tier 1 Ratio	\$ 183,278	16.1 %	\$ 51,089	4.5 %	\$ 73,796	6.5 %	\$ 187,987	16.4 %	\$ 51,719	4.5 %	\$ 74,706	6.5 %
Tier 1 Leverage Ratio	183,278	11.0 %	66,483	4.0 %	83,104	5.0 %	187,987	11.3 %	66,507	4.0 %	83,133	5.0 %
Tier 1 Risk-Based Capital Ratio	183,278	16.1 %	68,120	6.0 %	90,826	8.0 %	187,987	16.4 %	68,959	6.0 %	91,946	8.0 %
Total Risk-Based Capital Ratio	197,155	17.4 %	90,826	8.0 %	113,533	10.0 %	202,359	17.6 %	91,946	8.0 %	114,932	10.0 %
<b>December 31, 2023</b>												
Common Equity Tier 1 Ratio	\$ 179,194	15.7 %	\$ 51,294	4.5 %	\$ 74,092	6.5 %	\$ 179,194	15.7 %	\$ 51,294	4.5 %	\$ 74,092	6.5 %
Tier 1 Leverage Ratio	179,194	10.8 %	66,348	4.0 %	82,935	5.0 %	179,194	10.8 %	66,348	4.0 %	82,935	5.0 %
Tier 1 Risk-Based Capital Ratio	179,194	15.7 %	68,392	6.0 %	91,190	8.0 %	179,194	15.7 %	68,392	6.0 %	91,190	8.0 %
Total Risk-Based Capital Ratio	192,860	16.9 %	91,190	8.0 %	113,987	10.0 %	192,860	16.9 %	91,190	8.0 %	113,987	10.0 %

(1) Does not include amounts required to maintain the capital conservation buffer under the new capital rules.

Management believes that Plumas Bank currently meets all its capital adequacy requirements.

The current and projected capital positions of the Bank and the impact of capital plans and long-term strategies are reviewed regularly by management. The Company policy is to maintain the Bank's ratios above the prescribed well-capitalized ratios at all times.

#### **Off-Balance Sheet Arrangements**



**Loan Commitments.** In the normal course of business, there are various commitments outstanding to extend credits that are not reflected in the financial statements. Commitments to extend credit and letters of credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Annual review of commercial credit lines, letters of credit and ongoing monitoring of outstanding balances reduces the risk of loss associated with these commitments. As of **March 31, 2024** **June 30, 2024**, the Company had **\$165.6 million** **\$162.4 million** in unfunded loan commitments and no letters of credit. This compares to \$174.6 million in unfunded loan commitments and \$108,000 in letters of credit at December 31, 2023. Of the **\$165.6 million** **\$162.4 million** in unfunded loan commitments, **\$102.4 million** **\$98.5 million** and **\$63.2** **\$63.9** million represent commitments to commercial and consumer customers, respectively. Of the total unfunded commitments at **March 31, 2024** **June 30, 2024**, **\$99.6** **\$100.6** million were secured by real estate, of which **\$45.5** **\$45.8** million was secured by commercial real estate and **\$54.1** **\$54.8** million was secured by residential real estate mostly in the form of equity lines of credit. The commercial loan commitments not secured by real estate primarily represent business lines of credit, while the consumer loan commitments not secured by real estate primarily represent revolving credit card lines and overdraft protection lines. Since some of the commitments are expected to expire without being drawn upon the total commitment amounts do not necessarily represent future cash requirements.

## **Liquidity**

The Company manages its liquidity to provide the ability to generate funds to support asset growth, meet deposit withdrawals (both anticipated and unanticipated), fund customers' borrowing needs and satisfy maturity of short-term borrowings. The Company's liquidity needs are managed using assets or liabilities, or both. On the asset side, in addition to cash and due from banks, the Company maintains an investment portfolio which includes unpledged U.S. Government-sponsored agency securities that are classified as available-for-sale. On the liability side, liquidity needs are managed by offering competitive rates on deposit products and the use of established lines of credit.

The Company is a member of the **Federal Home Loan Bank of San Francisco (FHLB)** **FHLB** and can borrow up to **\$237 million** **\$234 million** from the FHLB secured by commercial and residential mortgage loans with carrying values totaling \$431 million. In addition to its FHLB borrowing line, the Company has unsecured short-term borrowing agreements with two of its correspondent banks in the amounts of \$50 million and \$20 million. There were no outstanding borrowings to the FHLB, or the correspondent banks at **March 31, 2024** **June 30, 2024**, and December 31, 2023.

Customer deposits are the Company's primary source of funds. Total deposits were \$1.3 billion at **March 31, 2024** **June 30, 2024**, a decrease of **\$34 million** **\$29 million** from December 31, 2023. Deposits are held in various forms with varying maturities. The Company estimates that it has approximately **\$400 million** **\$423 million** in uninsured deposits. Of this amount, **\$94 million** **\$100 million** represents deposits that are collateralized such as deposits of states, municipalities and tribal accounts.

The Company's securities portfolio, Federal funds sold, FHLB advances, and cash and due from banks serve as the primary sources of liquidity, providing adequate funding for loans during periods of high loan demand. During periods of decreased lending, funds obtained from the maturing or sale of investments, loan payments, and new deposits are invested in short-term earning assets, such as cash held at the FRB, Federal funds sold and investment securities, to serve as a source of funding for future loan growth. Management believes that the Company's available sources of funds, including borrowings, will provide adequate liquidity for its operations in the foreseeable future.

## **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Not required.

## **ITEM 4. CONTROLS AND PROCEDURES**

### **Disclosure Controls and Procedures**

The Company's management, including the Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of the Company's disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act") as of **March 31, 2024** **June 30, 2024**. The Company's disclosure controls and procedures are designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the U.S. Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of **March 31, 2024** **June 30, 2024**.

### **Changes in Internal Control over Financial Reporting**

There were no changes in the Company's internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the quarter ended **March 31, 2024** **June 30, 2024** that have materially affected or are reasonably likely to materially affect the Company's internal control over financial reporting.

## PART II — OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS

From time to time, the Company and/or its subsidiary are a party to claims and legal proceedings arising in the ordinary course of business. In the opinion of the Company's management, the amount of ultimate liability with respect to such proceedings will not have a material adverse effect on the financial condition or results of operations of the Company taken as a whole.

### ITEM 1A. RISK FACTORS

In addition to the other information set forth in this Form 10-Q you should carefully consider the risk factors that appeared under Item 1A, "Risk Factors" in the Company's 2023 Annual Report. There are no material changes from the risk factors included within the Company's 2023 Annual Report.

### ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

(a) None.

(b) None.

(c) None.

### ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

### ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

### ITEM 5. OTHER INFORMATION

None None..

3742

### ITEM 6. EXHIBITS

The following documents are included or incorporated by reference in this Quarterly Report on Form 10Q:

- 3.1 [Articles of Incorporation as amended of Registrant included as Exhibit 3.1 to the Registrant's Form S-4, File No. 333-84534, which is incorporated by reference herein.](#)
- 3.2 [Bylaws of Registrant as amended on August 16, 2023 included as Exhibit 3.1 to the Registrant's Form 8-K for August 17, 2023, which is incorporated by reference herein.](#)
- 3.3 [Amendment of the Articles of Incorporation of Registrant dated November 1, 2002, is included as Exhibit 3.3 to the Registrant's 10-Q for September 30, 2005, which is incorporated by this reference herein.](#)
- 3.4 [Amendment of the Articles of Incorporation of Registrant dated August 17, 2005, is included as Exhibit 3.4 to the Registrant's 10-Q for September 30, 2005, which is incorporated by this reference herein.](#)

4	<a href="#">Specimen form of certificate for Plumas Bancorp included as Exhibit 4 to the Registrant's Form S-4, File No. 333-84534, which is incorporated by reference herein.</a>
4.1	<a href="#">Description of Securities of Plumas Bancorp Registered Under Section 12 of the Exchange Act, is included as Exhibit 4.1 to the Registrant's 10-K for December 31, 2019, which is incorporated by this reference herein.</a>
10.50	<a href="#">Agreement for Purchase and Sale of Real Property by and between Plumas Bank and Mountainseed Real Estate Services, LLC (Branches) is included as Exhibit 10.1 to the Registrant's 8-K filed on January 23, 2024 which is incorporated by this reference herein.</a>
10.51	<a href="#">Agreement for Purchase and Sale of Real Property by and between Plumas Bank and Mountainseed Real Estate Services, LLC (Non-Branch Offices) is included as Exhibit 10.2 to the Registrant's 8-K filed on January 23, 2024 which is incorporated by this reference herein.</a>
10.52	<a href="#">Form of Lease Agreement by and between Plumas Bank and Mountainseed Real Estate Services, LLC is included as Exhibit 10.3 to the Registrant's 8-K filed on January 23, 2024 which is incorporated by this reference herein.</a>
10.53	<a href="#">Form of Lease Agreement by and between Plumas Bank and Mountainseed Real Estate Services, LLC is included as Exhibit 10.3 to the Registrant's 8-K filed on February 15, 2024 which is incorporated by this reference herein.</a>
10.54	<a href="#">First Amendment to Agreement for Purchase and Sale of Property is included as Exhibit 10.3 to the Registrant's 8-K filed on March 15, 2024 which is incorporated by this reference herein.</a>
10.74	<a href="#">Form of Restricted Stock Unit Agreement Under Plumas Bancorp 2022 Equity Incentive Plan is included as Exhibit 10.1 to the Registrant's 8-K filed on March 21, 2024, which is incorporated by this reference herein.</a>
10.75	<a href="#">Amendment to Form of Restricted Stock Unit Agreement Under Plumas Bancorp 2022 Equity Incentive Plan is included as Exhibit 10.1 to the Registrant's 8-K/A filed on April 15, 2024, which is incorporated by this reference herein.</a>
16.1	<a href="#">Letter from Registrant's Certifying Accountant is included as Exhibit 16.1 to the Registrant's 8-K/A filed on March 21, 2024 December 31, 2023, which is incorporated by this reference herein.</a>
31.1*	<a href="#">Rule 13a-14(a) [Section 302] Certification of Principal Financial Officer dated May 7, 2024 August 7, 2024.</a>
31.2*	<a href="#">Rule 13a-14(a) [Section 302] Certification of Principal Executive Officer dated May 7, 2024 August 7, 2024.</a>
32.1*	<a href="#">Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 dated May 7, 2024 August 7, 2024.</a>
32.2*	<a href="#">Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 dated May 7, 2024 August 7, 2024.</a>
101.INS*	Inline XBRL Instance Document (the Instance Document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document)
101.SCH*	Inline XBRL Taxonomy Extension Schema Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).
*	Filed herewith

#### 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.

PLUMAS BANCORP

(Registrant)

Date: May 7, 2024 August 7, 2024

/s/ Richard L. Belstock

Richard L. Belstock

Chief Financial Officer

/s/ Andrew J. Ryback

Andrew J. Ryback

Director, President and Chief Executive Officer

39 44

Exhibit 31.1

#### CERTIFICATION UNDER SECTION 302 OF THE SARBANES OXLEY ACT OF 2002

I, Richard L. Belstock, Chief Financial Officer, certify that:

1. I have reviewed this report on Form 10-Q of Plumas Bancorp;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal 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: May 7, 2024 August 7, 2024

/s/ Richard L. Belstock

Richard L. Belstock, Chief Financial Officer

Exhibit 31.2

#### CERTIFICATION UNDER SECTION 302 OF THE SARBANES OXLEY ACT OF 2002

I, Andrew J. Ryback, Chief Executive Officer, certify that:

1. I have reviewed this report on Form 10-Q of Plumas Bancorp;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal 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: May 7, 2024 August 7, 2024

/s/ Andrew J. Ryback

Exhibit 32.1

**CERTIFICATION OF CHIEF FINANCIAL OFFICER**  
**Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

Pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Plumas Bancorp (the "Company") hereby certifies, to such officer's knowledge, that:

- (i) the accompanying Quarterly Report on Form 10-Q of the Company for the quarterly period ended **March 31, June 30, 2024** (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and
- (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: **May 7, 2024 August 7, 2024**

/s/ Richard L. Belstock  
Richard L. Belstock, Chief Financial Officer

Exhibit 32.2

**Certification of Chief Executive Officer**  
**Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

Pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Plumas Bancorp (the "Company") hereby certifies, to such officer's knowledge, that:

- (i) the accompanying Quarterly Report on Form 10-Q of the Company for the quarterly period ended **March 31, June 30, 2024** (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and
- (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: **May 7, 2024 August 7, 2024**

/s/ Andrew J. Ryback  
Andrew J. Ryback, Chief Executive Officer

#### DISCLAIMER

THE INFORMATION CONTAINED IN THE REFINITIV CORPORATE DISCLOSURES DELTA REPORT™ IS A COMPARISON OF TWO FINANCIALS PERIODIC REPORTS. THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORT INCLUDING THE TEXT AND THE COMPARISON DATA AND TABLES. IN NO WAY DOES REFINITIV OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED IN THIS REPORT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S ACTUAL SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2024, Refinitiv. All rights reserved. Patents Pending.